Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 124	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 083
		Amendment No. (req. for Amendments *)

Filing by   The Nasdaq Stock Market LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑	Amendment * ☐	Withdrawal ☐	Section 19(b)(2) * ☐	Section 19(b)(3)(A) * ☑	Section 19(b)(3)(B) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☐ 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) * ☐ Section 806(e)(2) * ☐	Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ▣   Exhibit 3 Sent As Paper Document ▣

Description

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

A proposal to amend the rules of The Nasdaq Options Market LLC at Options 1, Section 1; Options 2, Section 5; Options 3, Sections 5, 7, 10, 15 and 23

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   11/30/2020   EVP and Chief Legal Counsel

By   John Zecca

(Name *)

john.zecca@nasdaq.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 *

Add   Remove   View

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

Add   Remove   View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1.   Text of the Proposed Rule Change

(a)   The Nasdaq Stock Market, LLC ("NASDAQ" or "Exchange"), pursuant to

Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4

thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or

"Commission") a proposal to amend the rules of The Nasdaq Options Market LLC

("NOM") at Options 1, Section 1 (Definitions); Options 2, Section 5 (Market Maker

Quotations); Options 3, Section 5 (Entry and Display of Orders); Options 3, Section 7

(Types of Orders and Order and Quote Protocols); Options 3, Section 10 (Order Book

Allocation); Options 3, Section 15 (Risk Protections); and Options 3, Section 23 (Data

Feeds and Trade Information).

A notice of the proposed rule change for publication in the Federal Register is

attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b)   Not applicable.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange

pursuant to authority delegated by the Board of Directors (the "Board") on November 5,

2020. 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:

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

[2]   17 CFR 240.19b-4.

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 Rules at Options 1, Section 1

(Definitions); Options 2, Section 5 (Market Maker Quotations); Options 3, Section 5

(Entry and Display of Orders); Options 3, Section 7 (Types of Orders and Order and

Quote Protocols); Options 3, Section 10 (Order Book Allocation); Options 3, Section 15

(Risk Protections); and Options 3, Section 23 (Data Feeds and Trade Information). Each

change is described below.

        Options 1, Section 1

The Exchange proposes to amend the definition of "Public Customer" to conform

to Nasdaq Phlx LLC's ("Phlx") definition at Options 1, Section 1(b)(46). The Exchange

believes that making clear that a Public Customer could be a person or entity and

clarifying that a Public Customer is not a Professional, as defined within Options 1,

Section (a)(47),[3] will make clear what it meant by that term. Today, a Public Customer is

not a Professional. In order to properly represent orders entered on the Exchange,

Participants are required to indicate whether orders are "Professional Orders." To

comply with this requirement, Participants are required to review their Public Customers'

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[3]   NOM Options 1, Section 1(a)(47) provides that, "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."

activity on at least a quarterly basis to determine whether orders, which are not for the

account of a broker-dealer, should be represented as Public Customer Orders or

Professional Orders.[4] A Public Customer may be a Professional, provided they meet the

requirements specified within NOM Options 1, Section 1(a)(47). If the Professional

definition is not met, the order is treated as a Public Customer order.

The Exchange also proposes to remove a sentence within Options 1, Section

1(a)(47) which provides, "A Participant or a Public Customers may, without limitation,

be a Professional." This sentence is confusing, unnecessary, and adds no information to

this defined term. By way of comparison, Phlx Options 1, Section 1(b)(46) does not

contain a similar sentence and that sentence was recently removed from Nasdaq BX,

Inc.'s ("BX") Rules.[5] The Exchange adopted a Professional designation in 2010[6] and has

differentiated Public and Professional customers since that time.

The Exchange also proposes to remove a sentence, within Options 3, Section

10(a)(1)(C)(i), which provides that a Public Customer order does not include a

Professional order. Indicating that a Public Customer order is not a Professional Order is

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[4]   Participants conduct a quarterly review and make any appropriate changes to the
        way in which they are representing orders within five days after the end of each
        calendar quarter. While Participants only will be required to review their
        accounts on a quarterly basis, if during a quarter the Exchange identifies a
        customer for which orders are being represented as Public Customer Orders but
        that has averaged more than 390 orders per day during a month, the Exchange
        will notify the Participant and the Participant will be required to change the
        manner in which it is representing the customer's orders within five days.

[5]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
        (August 10, 2020) (SR-BX-2020-017).

[6]   See Securities Exchange Act Release No. 63028 (October 1, 2010), 75 FR 62443
        (October 8, 2010) (SR-NASDAQ-2010-099) (Order Approving a Proposed Rule
        Change To Adopt a Definition of Professional and Require That All Professional
        Orders Be Appropriately Marked).

no longer necessary because of the proposed definition for Public Customer. Today, the

definition of a Public Customer does not explicitly exclude a Professional. The language

that the Exchange proposes to delete currently indicates that Professionals would not be

treated the same as a Public Customer in terms of priority and, therefore, would not

receive the same allocation that is reserved for Public Customer orders. Since NOM is

amending the definition of a Public Customer to explicitly exclude Professionals, the

language in the allocation rule is no longer necessary to distinguish these two types of

market participants.

Bid/Ask Differentials

Currently, NOM Market Maker intra-day quoting requirements, within Options 2,

Section 5(d)(2), provide,

> Bid/ask Differentials (Quote Spread Parameters). Options on equities
> (including Exchange-Traded Fund Shares), and on index options must be
> quoted with a difference not to exceed $5 between the bid and offer
> regardless of the price of the bid, including before and during the opening.
> However, respecting in-the-money series where the market for the
> underlying security is wider than $5, the bid/ask differential may be as
> wide as the spread between the national best bid and offer in the
> underlying security. The Exchange may establish differences other than
> the above for one or more series or classes of options.

The Exchange proposes to amend NOM Options 2, Section 5(d)(2) to add the words

"Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" to make

clear that these requirements are intra-day. Also, the Exchange proposes to amend this

paragraph to remove the phrase, "including before and during the opening." The bid/ask

differentials, within NOM Options 2, Section 5(d)(2), will continue to apply intra-day.

This is consistent with the Exchange's existing practice. Today, the bid/ask differentials

applicable to the opening are noted within Options 3, Section 8(a)(6).[7] As noted within

the rule, NOM publishes its specified bid/ask differential on its system settings page.[8]

The bid/ask differentials noted for the Valid Width NBBO within the opening provide for

quotations with a difference that does not exceed $5 between the bid and offer regardless

of the price of the bid. It is not necessary to discuss the opening bid/ask differentials

within Options 2, Section 5 as those differentials are specifically noted within the

opening rule.

Options 3, Section 5

The Exchange proposes to amend Options 3, Section 5(c) to add additional rule

text similar to Phlx Options 3, Section 5(c).[9] NOM's current Options 3, Section 5(c)

states, "The System automatically executes eligible orders using the Exchange's

displayed best bid and offer ("BBO") or the Exchange's non-displayed order book

("internal BBO")." The Exchange proposes to state, "The System automatically executes

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[7]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or
        Offer" or "Valid Width NBBO" shall mean the combination of all away market
        quotes and any combination of NOM-registered Market Maker orders and quotes
        received over the QUO or SQF Protocols within a specified bid/ask differential as
        established and published by the Exchange. The Valid Width NBBO will be
        configurable by underlying, and tables with valid width differentials will be
        posted by Nasdaq on its website. Away markets that are crossed will void all
        Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM
        are crossed internally, then all such orders and quotes will be excluded from the
        Valid Width NBBO calculation."

[8]   NOM's System Settings page is located at:
        https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

[9]   Phlx has an All-or-None Order type that is non-displayed. See Options 3, Section
        7(b)(5). Phlx Options 3, Section 5(c) accounts for this non-displayed order on the
        order book. NOM has a Price Improving Order is already described within
        Options 3, Section 5(c). A Price Improving Order on NOM displays differently
        than Phlx's All-Or-None Order and therefore is described differently within
        Options 3, Section 5(c). Otherwise, NOM has no other non-displayed order types.

eligible orders using the Exchange's displayed best bid and offer ("BBO") or the

Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the

Exchange has been repriced pursuant to subsection (d) below." Today, NOM re-prices

certain orders to avoid locking and crossing away markets, consistent with its Trade-

Through Compliance and Locked or Crossed Markets obligations.[10] Orders which lock

or cross an away market automatically re-price one minimum price improvement inferior

to the original away best bid/offer price to one minimum trading increment away from

the new away best bid/offer price or its original limit price.[11] The re-priced order is

displayed on OPRA. The order remains on NOM's Order Book and is accessible at the

non-displayed price. For example, a limit order may be accessed on NOM by a

Participant if the limit order is priced better than the NBBO. The Exchange believes that

the addition of this rule text will provide additional clarity.

Options 3, Section 7

The Exchange proposes to amend the Cancel-Replacement Order, within Options

3, Section 7(a)(1). By way of background with respect to cancelling and replacing an

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10   NOM Options 3, Section 5(d) provides, "An order will not be executed at a price
      that trades through another market or displayed at a price that would lock or cross
      another market. An order that is designated by the member as routable will be
      routed in compliance with applicable Trade-Through and Locked and Crossed
      Markets restrictions. An order that is designated by a member as non-routable will
      be re-priced in order to comply with applicable Trade-Through and Locked and
      Crossed Markets restrictions. If, at the time of entry, an order that the entering
      party has elected not to make eligible for routing would cause a locked or crossed
      market violation or would cause a trade-through violation, it will be re-priced to
      the current national best offer (for bids) or the current national best bid (for offers)
      and displayed at one minimum price variance above (for offers) or below (for
      bids) the national best price."

11   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
      for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
      (B) and (C).

order, a Participant has the option of either submitting a cancel order and then separately
submitting a new order, which serves as a replacement of the original order, in two
separate messages, or submitting a single cancel and replace order in one message
("Cancel-Replacement Order"). Submitting a cancel order and then separately
submitting a new order will not retain the priority of the original order.

Currently, the rule text for Cancel-Replacement Order provides, "Cancel-
Replacement Order shall mean a single message for the immediate cancellation of a
previously received order and the replacement of that order with a new order with new
terms and conditions. If the previously placed order is already filled partially or in its
entirety, the replacement order is automatically canceled or reduced by the number of
contracts that were executed. The replacement order will not retain the priority of the
cancelled order except when the replacement order reduces the size of the order and all
other terms and conditions are retained." The Exchange proposes to replace the words
"shall mean" with "is" and remove the final sentence of the rule text.[12] The Exchange
proposes to add a new sentence to the end of the rule which provides, "The replacement
order will retain the priority of the cancelled order, if the order posts to the Order Book,
provided the price is not amended, and the size is not increased." Unlike the sentence
proposed for deletion, the proposed sentence states in the affirmative the conditions under
which the Cancel-Replacement Order will retain priority. Price and size are the terms
that will determine if the Cancel-Replacement Order retains its priority, as is the case

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[12]   The final sentence of current NOM Options 3, Section 7(a)(1) provides, "The
         replacement order will not retain the priority of the cancelled order except when
         the replacement order reduces the size of the order and all other terms and
         conditions are retained."

today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

The Exchange is not amending the current System functionality of a Cancel-Replacement Order with respect to the terms that will cause the order to lose priority. Today, and with the proposed change, if a Participant does not change or increase the size of the order, it would not trigger a loss in priority. Options 3, Section 7(a)(1) states only if the size of the order were reduced would a loss of priority occur.[13] The proposed rule reverses the phrasing in the current rule and, instead, describes changes to priority when size is increased. Priority is retained if the size of the order does not change or is not increased. The rule is intended to provide transparency regarding changes to a Cancel-Replacement Order which would trigger a loss in priority. Today, and with the proposal, the price of the order may not be changed when submitting a Cancel-Replacement Order; that would be a new order. A similar change was recently made to BX's Cancel-Replacement Order.[14]

The Exchange proposes to amend "Limit Orders," within Options 3, Section 7(a)(2). The Exchange proposes to style "Limit Orders" in the singular and change "are" to "is an" and "orders" to "order." A Limit Order on NOM operates in the same manner as a Limit Order on BX. The Exchange proposes to conform the rule text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding a sentence describing marketable limit orders. BX recently amended its rule to similarly change its description of Limit

---

[13]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained."

[14]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

Order.[15] The Exchange proposes to state, "A marketable limit order is a limit order to

buy (sell) at or above (below) the best offer (bid) on the Exchange." The Exchange

believes that the rule amendment more aptly describes a marketable limit order as

compared to the current rule text, which is confusing, but was intended to convey the

substance of the proposed text. The new sentence does not substantively amend the

current rule text and conforms NOM's description with BX's description.

The Exchange proposes to amend "Minimum Quantity Orders," within Options 3,

Section 7(a)(3). The Exchange proposes to style "Minimum Quantity Orders" in the

singular and change "are" to "is an" and "orders" to "order." These amendments are

technical and non-substantive. The Exchange is otherwise not amending the Minimum

Quantity Order rule text.

The Exchange proposes to amend "Market Orders," within Options 3, Section

7(a)(4). The Exchange proposes to style "Market Orders" in the singular and change

"are" to "is an" and "orders" to "order." These amendments are technical and non-

substantive. The Exchange also proposes to amend a current sentence to state,

"Participants can designate that their Market Orders not executed after a pre-established

period of time, as established by the Exchange, will be cancelled back to the Participant,

once an option series has opened for trading." Market Orders submitted during the

opening may be executed, or cancelled if the Market Order is priced through the opening

price. The Exchange would only cancel those Market Orders that remained on the Order

---

15   Id.

Book once an option series opened.[16] The pre-established period of time would

commence once the intra-day trading session begins for that options series and the order

would be cancelled back to the Participant, provided the Participant elected to cancel

back its Market Orders. The Exchange proposes to make clear that while the opening is

on-going, and the intra-day trading session has not commenced, the pre-established

period of time would not commence. Further, the Exchange proposes to note that

"Market Orders on the Order Book would be immediately cancelled if an options series

halted, provided the Participant designated the cancellation of Market Orders." Once an

options series halts for trading, the Exchange conducts another Opening Process. In the

case where a Market Order was resting on the Order Book, and the Participant had

designated the cancellation of Market Orders, in the event of a halt, the Market Orders

resting on the Order Book would immediately cancel. This proposed rule text is

consistent with existing System functionality. The Exchange believes that this additional

rule text brings greater clarity to the Market Order type.

The Exchange proposes to amend "Price Improving Orders," within Options 3,

Section 7(a)(5). The Exchange proposes to style "Price Improving Orders" in the

singular and change "are" to "is an" and "orders" to "order."

The Exchange proposes to amend "On the Open Order," within Options 3,

Section 7(a)(6) by removing the words "The term" at the beginning of the sentence and

change "shall mean" to "is."

The Exchange proposes to amend "Intermarket Sweep Order" or "ISO," within

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[16]   See NOM's Trading Halts rule at Options 3, Section 9(d)(2), "After the opening,
        the Exchange shall reject Market Orders, as defined in Options 3, Section 7, and
        shall notify Participants of the reason for such rejection."

Options 3, Section 7(a)(7). Today, the rule text provides,

> "Intermarket Sweep Order" or "ISO" are limit orders that are designated
> as ISOs in the manner prescribed by Nasdaq and are executed within the
> System by Participants at multiple price levels without respect to Protected
> Quotations of other Eligible Exchanges as defined in Options 5, Section 1.
> ISOs may have any time-in-force designation except WAIT, are handled
> within the System pursuant to Options 3, Section 10 and shall not be
> eligible for routing as set out in Options 3, Section 19. ISOs with a time-
> in-force designation of GTC are treated as having a time-in-force
> designation of Day.
>
> (1) Simultaneously with the routing of an ISO to the System, one or more
> additional limit orders, as necessary, are routed by the entering party to
> execute against the full displayed size of any protected bid or offer (as
> defined in Options 5, Section 1) in the case of a limit order to sell or buy
> with a price that is superior to the limit price of the limit order identified
> as an intermarket sweep order (as defined in Options 5, Section 1). These
> additional routed orders must be identified as ISOs.

The Exchange proposes to replace the current rule, within Options 3, Section 7(a)(7),
with the exception of Options 3, Section 7(a)(7)(1), which is being retained by re-lettered
as "A," with the following rule text which is similar to BX Options 3, Section 7(a)(6),[17]
to describe an ISO Order, "is a Limit Order that meets the requirements of Options 5,
Section 1(8). Orders submitted to the Exchange as ISO are not routable and will ignore
the ABBO and trade at allowable prices on the Exchange. ISOs may be entered on the
Order Book. ISOs may have any time-in-force designation and are handled within the
System pursuant to Options 3, Section 10 and shall not be eligible for routing as set out in
Options 5, Section 4. ISO Orders may not be submitted during the opening."

An ISO Order is a Limit Order, as noted in the current text and Options 5, Section
1, continues to be referenced in the proposed text. The Exchange continues to note that
the orders are not routable. The additional text, "…will ignore the ABBO and trade at

allowable prices on the Exchange" is more precise than the current rule text and describes current functionality. The Exchange further proposes to state, "ISOs may be entered on the Order Book." That is also the case today. The remainder of the current rule text is not necessary as Options 5, Section 1(8) is cited. Removing the current rule text and replacing it with text which describes the proper time-in-force designation will make clear what is acceptable on NOM today. This rule text is not proposed to change the functionality of an ISO Order. The Exchange believes the proposed description provides a more succinct description.

Today, ISOs may have any time-in-force designation, except WAIT, and further requires that ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. The Exchange proposes to remove the WAIT time-in-force within this proposed rule change, as described in more detail below, and, therefore, the WAIT order type no longer needs to be cited.

Further, today, NOM's System does not treat an ISO with a time-in-force designation of GTC as having a time-in-force designation of Day, as provided for within NOM's current rule at Options 3, Section 7(a)(6), rather those orders are treated as GTC. The current sentence is being removed because it is inaccurate. The proposed sentence accurately describes the System functionality. The Exchange does not believe that an ISO with a time-in-force designation of GTC was ever treated as having a time-in-force designation of Day, the rule text was simply inaccurate.

The Exchange proposes to amend "One-Cancels-the-Other Order" at renumbered Options 3, Section 7(a)(8) by changing "shall mean" to "is."

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17   BX's rule describes the PRISM mechanism, while NOM has no auction

The Exchange proposes to amend the "All-or-None Order," within renumbered Options 3, Section 7(a)(9). The Exchange proposes to replace "shall mean" with "is" and capitalize market order and limit orders.

The Exchange proposes to amend the "Post-Only Orders," within renumbered Options 3, Section 7(a)(10). The Exchange proposes to replace "are" with "is an" and make Post-Only Orders singular. An extra space is also being removed.

The Exchange proposes to amend Options 3, Section 7(b) to define "Time in Force" as "TIF".

With respect to an "On the Open Order," or "OPG" Order, within Options 3, Section 7(b)(1), the Exchange notes that OPGs may not route. This is the case today. This order type functions in the same way as BX's OPG Order at Options 3, Section 7(b)(1).[18] The Exchange is adding rule text to make clear the manner in which an OPG Order would be treated, which is similar to how a BX OPG Order is treated today.

The Exchange proposes to amend an "Immediate-Or-Cancel" Order or "IOC," within Options 3, Section 7(b)(2) to add hyphens and make "Or" lowercase. The Exchange proposes to remove the current description which provides that an IOC Order, "shall mean for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. IOC Orders

_____

mechanisms.

[18]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is entered with a TIF of "OPG". This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route."

shall be available for entry from the time prior to market open specified by the Exchange

on its website until market close and for potential execution from 9:30 a.m. until market

close. IOC Orders entered between the time specified by the Exchange on its website and

9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the

System shall determine whether such orders are marketable." The Exchange proposes to

replace this description with rule text similar to BX Options 3, Section 7(b)(2)[19] as these

order types are identical, except that NOM has the OTTO protocol and BX does not, and

also as mentioned previously NOM has no auctions. Additionally, BX's rule addresses

limitations in order protections that do not exist today on NOM. The Exchange proposes

to state that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit

Order to be executed in whole or in part upon receipt. Any portion not so executed is

cancelled and/or routed pursuant to Participant's instruction. IOC orders may be entered

through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route.

Today, IOC Orders entered through OTTO or SQF do not route; only orders entered

through FIX may route. The SQF interface is a quoting interface, the Exchange does not

route quotes. With respect to OTTO, orders submitted by NOM Market Makers over this

interface are treated as quotes and similarly do not route. The Exchange is proposing to

memorialize this information within the description of an IOC Order to add clarity.

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19   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a
      Market Order or Limit Order to be executed in whole or in part upon receipt. Any
      portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are
      not eligible for routing. (B) IOC orders may be entered through FIX or SQF,
      provided that an IOC Order entered by a Market Maker through SQF is not
      subject to the Limit Order Price Protection or the Market Order Spread Protection
      in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the
      Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF

The Exchange proposes to amend the TIF of "DAY" at Options 5, Section 7(b)(3)

to remove the words "shall mean for orders so designated" and add "is an order" to

conform the rule text to other text in this rule. The Exchange also proposes to conform

the description of a TIF of "DAY" similar to Phlx Options 3, Section 7(c)(1).[20] The

Exchange believes that the remainder of the description for a Day Order, "if after entry

into the System, the order is not fully executed, the order (or unexecuted portion thereof)

shall remain available for potential display and/or execution until market close, unless

canceled by the entering party, after which it shall be returned to the entering party. Day

Orders shall be available for entry from the time prior to market open specified by the

Exchange on its website until market close and for potential execution from 9:30 a.m.

until market close," is unnecessarily verbose and proposes to remove this rule text. The

Exchange proposes to state, "Day" is an order entered with a TIF of "Day" that expires at

the end of the day on which it was entered, if not executed. All orders by their terms are

Day Orders unless otherwise specified. Day Orders may be entered through FIX or

OTTO. A Day Order on Phlx functions in the same way as a Day Order on NOM. The

Phlx rule text is more succinct in describing this order type. Similar changes were

recently made on BX.[21]

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       of IOC. By their terms, these orders will be: (1) executed after an exposure
       period, or (2) cancelled.

[20]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered
      with a TIF of "Day" expires at the end of the day on which it was entered. All
      orders by their terms are Day Orders unless otherwise specified. Day orders may
      be entered through FIX."

[21]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
      (August 10, 2020) (SR-BX-2020-017).

The Exchange proposes to amend the TIF of "Good Til Cancelled" or "GTC" at

Options 5, Section 7(b)(4). The Exchange proposes to remove the words "shall mean for

orders" and add "is an order." The Exchange also proposes to conform the rule text

similar to Phlx Options 3, Section 7(c)(4),[22] and provide that a "Good Til Cancelled" or

"GTC" is "an order entered with a TIF of "GTC" that, if not fully executed, will remain

available for potential display and/or execution unless cancelled by the entering party, or

until the option expires, whichever comes first. GTC Orders shall be available for entry

from the time prior to market open specified by the Exchange until market close. GTC

Orders may only be entered through FIX." The Exchange would remove the rule text

which provides, "that if after entry into System, the order is not fully executed, the order

(or unexecuted portion thereof) shall remain available for potential display and/or

execution unless cancelled by the entering party, or until the option expires, whichever

comes first. GTC Orders shall be available for entry from the time prior to market open

specified by the Exchange on its website until market close and for potential execution

from 9:30 a.m. until market close." A GTC Order on Phlx functions in the same way as a

GTC Order on NOM. The Exchange is not proposing to amend the functionality of a

GTC Order, rather the Exchange believes the proposed description is more succinct.

The Exchange proposes to no longer offer a TIF of "WAIT." The Exchange

would remove the rule text at NOM Options 3, Section 7(b)(5). If the Exchange desires

to offer this TIF in the future, it would file a proposed rule change with the Commission

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[22]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order
         entered with a TIF of GTC, if not fully executed, will remain available for
         potential display and/or execution unless cancelled by the entering party, or until
         the option expires, whichever comes first. GTC Orders shall be available for entry
         from the time prior to market open specified by the Exchange until market close."

pursuant to Section 19(b)(1) of the Act.[23] The Exchange has provided notice of its

intention to remove the TIF of "WAIT".[24] BX previously offered a WAIT order type

recently and discontinued this order types because it was not being utilized to a great

extent.[25]

The Exchange proposes to note, within NOM Options 3, Section 7(c), the various

routing options which are available. The Exchange proposes to add rule text which

provides, "Routing Strategies. Orders may be entered on the Exchange with a routing

strategy of SEEK, SRCH or Do-Not-Route ("DNR") as provided in Options 5, Section 4

through FIX only."

Finally, the Exchange proposes to re-letter current Options 3, Section 7(c) and (d).

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(c) relating to Anti-

Internalization to make clear that the Anti-Internalization functionality does not apply

during the opening. A similar change was recently made to BX's Rules.[26] The Exchange

proposes to clarify that Anti-Internalization does not apply during an opening or

reopening following a trading halt, pursuant to Options 3, Section 8, to provide more

specificity on how this functionality currently operates. The Exchange notes that the

same procedures used during an opening are used to reopen an option series after a

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[23]   15 U.S.C. 78s(b)(1).

[24]   See Options Trader Alert #2020 – 26.

[25]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[26]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR
         55877 (September 10, 2020) (SR-BX-2020-023).

trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the opening (i.e., the opening and halt reopening processes). During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. They are not required to quote in the opening on NOM. Therefore, Anti-Internalization is unnecessary during an opening due to the high level of control that Market Makers exercise over their quotes during this process.

Options 3, Section 23

The Exchange proposes to amend Options 3, Section 23, Data Feeds and Trade Information, to update its description of Nasdaq ITCH to Trade Options ("ITTO"). The Exchange proposes to amend ITTO at Options 3, Section 23(a)(1) to more closely align with current System operation. The Exchange proposes a technical amendment to the first sentence to replace a comma with the word "and." The Exchange also proposes to relocate rule text concerning order imbalances to the end of the description. The Exchange proposes to amend the first sentence to state that ITTO is a data feed that provides full order and quote depth information for individual orders and quotes on the NOM book, and last sale information for trades executed on NOM. The Exchange would amend and relocate the rule text that provides, "and Order Imbalance Information as set forth in NOM Rules Options 3, Section 8" at the end of the first sentence. The Exchange proposes to add a sentence at the end of the description within Options 3, Section 8 which states, "The feed also provides order imbalances on opening/re-opening (size of matched contracts and size of the imbalance)." This sentence makes clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process initiates after a trading halt has occurred intra-day. Also, the Exchange notes the

specific information that would be provided, namely the size of matched contracts and size of the imbalance. The Exchange believes that this additional context to imbalance messages will provide market participants with more complete information about what is contained in the data feed. The Exchange notes that this information is available today and the rule text is being amended to make clear what information is currently provided.

3.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[27] in general, and furthers the objectives of Section 6(b)(5) of the Act,[28] 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.

Options 1, Section 1

The Exchange's proposal to amend the definition of "Public Customer" to conform to Phlx's definition is intended to provide greater specificity regarding what is meant by the term "Public Customer." The Exchange believes that making clear that a Public Customer could be a person or entity and clarifying that a Public Customer is not a Professional, as defined within Options 1, Section (a)(47),[29] will make clear what it meant by that term. Today, a Public Customer is not a Professional. In order to properly

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[27]   15 U.S.C. 78f(b)

[28]   15 U.S.C. 78f(b)(5).

[29]   NOM Options 1, Section 1(a)(47) provides that, "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."

represent orders entered on the Exchange, Participants are required to indicate whether

orders are "Professional Orders." To comply with this requirement, Participants are

required to review their Public Customers' activity on at least a quarterly basis to

determine whether orders, which are not for the account of a broker-dealer, should be

represented as Public Customer Orders or Professional Orders.[30] A Public Customer may

be a Professional, provided they meet the requirements specified within NOM Options 1,

Section 1(a)(47). If the Professional definition is not met, the order is treated as a Public

Customer order. The Exchange believes that it is consistent with the Act to state within

the definition of "Public Customers" that a Professional is not a Public Customer. As

noted above, there is a process for determining if a market participant qualifies as a

"Professional." This specificity will serve to protect investors and the public interest in

that the terms "Public Customer" and "Professional" are separate categories of market

participants, as defined. Also, this definition conforms to Phlx's definition at Options 1,

Section 1(b)(47).

The Exchange's proposal to remove a sentence within Options 1, Section 1(a)(47)

which provides, "A Participant or a Public Customers may, without limitation, be a

Professional," is consistent with the Act. This sentence is confusing, unnecessary, and

adds no information to this defined term. By way of comparison, Phlx Options 1, Section

1(b)(46) does not contain a similar sentence and that sentence was recently removed from

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[30]   Participants conduct a quarterly review and make any appropriate changes to the
         way in which they are representing orders within five days after the end of each
         calendar quarter. While Participants only will be required to review their
         accounts on a quarterly basis, if during a quarter the Exchange identifies a
         customer for which orders are being represented as Public Customer Orders but
         that has averaged more than 390 orders per day during a month, the Exchange
         will notify the Participant and the Participant will be required to change the

Nasdaq BX, Inc.'s ("BX") Rules.[31] The Exchange adopted a Professional designation in

2010[32] and has differentiated Public and Professional customers since that time. NOM

proposes removing this sentence because it does not add useful information to

understanding who may qualify as a Professional.

The Exchange's proposal to remove a sentence, within Options 3, Section

10(a)(1)(C)(i), which allocation rule provides that a Public Customer order does not

include a Professional order is consistent with the Act. Today, the definition of a Public

Customer does not explicitly exclude a Professional. Indicating that a Public Customer

order is not a Professional Order is no longer necessary because of the proposed

definition for Public Customer. The language that the Exchange proposes to delete,

currently indicates that Professionals would not be treated the same as a Public Customer

in terms of priority and, therefore, would not receive the same allocation that is reserved

for Public Customer orders. Since NOM is amending the definition of a Public Customer

to explicitly exclude Professionals, the language in the allocation rule is no longer

necessary to distinguish these two types of market participants.

Bid/Ask Differentials

The Exchange's proposal to amend NOM Options 2, Section 5(d)(2) to add the

words "Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" and

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manner in which it is representing the customer's orders within five days.

[31]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[32]   See Securities Exchange Act Release No. 63028 (October 1, 2010), 75 FR 62443
         (October 8, 2010) (SR-NASDAQ-2020-099) (Order Approving a Proposed Rule
         Change To Adopt a Definition of Professional and Require That All Professional
         Orders Be Appropriately Marked).

make clear that remove references to the opening, will make clear for Market Makers

their intra-day requirements. The bid/ask differentials, within NOM Options 2, Section

5(d)(2), will continue to apply intra-day. This is consistent with the Exchange's existing

practice. Today, the bid/ask differentials applicable to the opening are noted within

Options 3, Section 8(a)(6).[33] As noted within the rule, NOM publishes its specified

bid/ask differential on its system settings page.[34] The bid/ask differentials noted for the

Valid Width NBBO within the opening provide for quotations with a difference that does

not exceed $5 between the bid and offer regardless of the price of the bid. It is not

necessary to discuss the opening bid/ask differentials within Options 2, Section 5 as those

differentials are specifically noted within the opening rule. This clarification is consistent

with the Act because it is designed to avoid any confusion for Market Makers as to their

intra-day requirements versus their opening requirements.

Options 3, Section 5

The Exchange's proposal to amend Options 3, Section 5(c) to add additional rule

text similar to Phlx Options 3, Section 5(c)[35] is consistent with the Act. Today, NOM re-

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[33]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or
         Offer" or "Valid Width NBBO" shall mean the combination of all away market
         quotes and any combination of NOM-registered Market Maker orders and quotes
         received over the QUO or SQF Protocols within a specified bid/ask differential as
         established and published by the Exchange. The Valid Width NBBO will be
         configurable by underlying, and tables with valid width differentials will be
         posted by Nasdaq on its website. Away markets that are crossed will void all
         Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM
         are crossed internally, then all such orders and quotes will be excluded from the
         Valid Width NBBO calculation."

[34]   NOM's System Settings page is located at:
         https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

[35]   Phlx has an All-or-None Order type that is non-displayed. See Options 3, Section
         7(b)(5). Phlx Options 3, Section 5(c) accounts for this non-displayed order on the

prices certain orders to avoid locking and crossing away markets, consistent with its

Trade-Through Compliance and Locked or Crossed Markets obligations.[36] Orders which

lock or cross an away market automatically re-price one minimum price improvement

inferior to the original away best bid/offer price to one minimum trading increment away

from the new away best bid/offer price or its original limit price.[37] The re-priced order is

displayed on OPRA. The order remains on NOM's Order Book and is accessible at the

non-displayed price. For example, a limit order may be accessed on NOM by a

Participant if the limit order is priced better than the NBBO. The Exchange believes that

the addition of this rule text will add greater specificity to the rule.

       Options 3, Section 7

       The Exchange's proposal to amend the Cancel-Replacement Order, within

Options 3, Section 7(a)(1), is consistent with the Act. A Participant has the option of

either submitting a cancel order and then separately submitting a new order, which serves

as a replacement of the original order, in two separate messages, or submitting a single

cancel and replace order in one message ("Cancel-Replacement Order"). Submitting a

cancel order and then separately submitting a new order will not retain the priority of the

original order. The Exchange's proposal to replace the words "shall mean" with "is" and

remove the final sentence of the rule text will bring greater clarity to this rule. The

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order book. NOM has a Price Improving Order is already described within
Options 3, Section 5(c). A Price Improving Order on NOM displays differently
than Phlx's All-Or-None Order and therefore is described differently within
Options 3, Section 5(c). Otherwise, NOM has no other non-displayed order types.

[36]   See NOM Options 3, Section 5(d).

[37]   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
(B) and (C).

Exchange addition of a new sentence to the end of the rule which provides, "The replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended, and the size is not increased" states in the affirmative the conditions under which the Cancel-Replacement Order will retain priority. Price and size are the terms that will determine if the Cancel-Replacement Order retains its priority, as is the case today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

The Exchange's proposal is not amending the current System functionality of a Cancel-Replacement Order with respect to the terms that will cause the order to lose priority. Today, and with the proposed change, if a Participant does not change or increase the size of the order, it would not trigger a loss in priority. Options 3, Section 7(a)(1) states only if the size of the order were reduced would a loss of priority occur.[38] Priority is retained if the size of the order does not change or is not increased. The rule is intended to provide transparency regarding changes to a Cancel-Replacement Order which would trigger a loss in priority. Today, and with the proposal, the price of the order may not be changed when submitting a Cancel-Replacement Order; that would be a new order. A similar change was recently made to BX's Cancel-Replacement Order.[39] Price and size are the terms that will determine if the Cancel-Replacement Order retains its priority, as is the case today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

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[38]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained."

[39]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

The Exchange's proposal to amend "Limit Orders," within Options 3, Section 7(a)(3), to add the sentence for marketable limit orders which is currently in BX's rule is consistent with the Act. A Limit Order on NOM operates in the same manner as a Limit Order on BX. The Exchange proposes to conform the rule text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding the sentence describing marketable limit orders. BX recently amended its rule to similarly change its description of Limit Order.[40] The Exchange proposes to state, "A marketable limit order is a limit order to buy (sell) at or above (below) the best offer (bid) on the Exchange." The Exchange believes that the rule amendment is consistent with the Act as it more aptly describes a marketable limit order as compared to the current rule text, which is confusing, but was intended to convey the substance of the proposed text. The new sentence does not substantively amend the current rule text and conforms NOM's description with BX's description.

The Exchange's proposal to amend "Minimum Quantity Orders," within Options 3, Section 7(a)(3), is non-substantive and makes technical edits that do not change the meaning of the term. The Exchange is otherwise not amending the Minimum Quantity Order rule text.

The Exchange's proposal to amend "Market Orders," within Options 3, Section 7(a)(4), is consistent with the Act. The Exchange's proposes to style "Market Orders" in the singular and change "are" to "is an" and "orders" to "order." These amendments are technical and non-substantive. The Exchange's proposal to amend the current sentence to state, "Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the

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[40]   Id.

Participant, **once an option series has opened for trading**." Market Orders submitted

during the opening may be executed, or cancelled if the Market Order is priced through

the opening price. The Exchange would only cancel those Market Orders that remained

on the Order Book once an option series opened.[41] The pre-established period of time

would commence once the intra-day trading session begins for that options series and the

order would be cancelled back to the Participant, provided the Participant elected to

cancel back its Market Orders. The Exchange's proposal makes clear that while the

opening is on-going, and the intra-day trading session has not commenced, the pre-

established period of time would not commence.

The proposal to note that "Market Orders on the Order Book would be

immediately cancelled if an options series halted, provided the Participant designated the

cancellation of Market Orders" is consistent with the Act. Once an options series halts

for trading, the Exchange conducts another Opening Process. In the case where a Market

Order was resting on the Order Book, and the Participant had designated the cancellation

of Market Orders, in the event of a halt, the Market Orders resting on the Order Book

would immediately cancel. This proposed rule text is consistent with existing System

functionality. The Exchange believes that this additional rule text brings greater clarity to

the Market Order type.

The Exchange proposes to amend "Price Improving Orders," within Options 3,

Section 7(a)(5) is consistent with the Act. The Exchange proposes to style "Price

Improving Orders" in the singular and change "are" to "is an" and "orders" to "order" are

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41   See NOM's opening rule at Options 3, Section 8(d)(2), "After the opening, the
        Exchange shall reject Market Orders, as defined in Options 3, Section 7, and shall
        notify Participants of the reason for such rejection."

non-substantive amendments.

The Exchange's proposal to amend "On the Open Order," within Options 3, Section 7(a)(6) by removing the words "The term" at the beginning of the sentence and change "shall mean" to "is" are non-substantive amendments.

The Exchange's proposal to amend "Intermarket Sweep Order" or "ISO" Orders, within Options 3, Section 7(a)(7), with the exception of Options 3, Section 7(a)(7)(1), which is being retained by re-lettered as "A," and addition of rule text is consistent with the Act. The new rule text is similar to BX Options 3, Section 7(a)(6).[42]

An ISO Order is a Limit Order, as noted in the current text and Options 5, Section 1, continues to be referenced in the proposed text. The Exchange continues to note that the orders are not routable. The additional text, "…will ignore the ABBO and trade at allowable prices on the Exchange" is more precise than the current rule text and describes current functionality. The Exchange further proposes to state, "ISOs may be entered on the Order Book." That is also the case today. The remainder of the current rule text is not necessary as Options 5, Section 1(8) is cited. Removing the current rule text and replacing it with text which describes the proper time-in-force designation will make clear what is acceptable on NOM today. This rule text is not proposed to change the functionality of an ISO Order. The Exchange believes the proposed description provides a more succinct description.

Today, the rule provides that ISOs may have any time-in-force designation, except WAIT, and further requires that ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. The Exchange proposes to remove

the WAIT time-in-force within this proposed rule change, as described in more detail below, and, therefore, the WAIT order type no longer needs to be cited. NOM's System does not treat an ISO with a time-in-force designation of GTC as having a time-in-force designation of Day, as provided for within NOM's current rule at Options 3, Section 7(a)(6), rather those orders are treated as GTC. The current sentence is being removed because it is inaccurate. The proposed sentence is consistent with the Act because it accurately describes the System functionality. The Exchange does not believe that an ISO with a time-in-force designation of GTC was ever treated as having a time-in-force designation of Day, the rule text was simply inaccurate. This proposal is consistent with the protection of investors and the public interest because it will clarify the handling of ISO Orders for market participants.

The Exchange's proposal to amend "One-Cancels-the-Other Order" within renumbered Options 3, Section 7(a)(8) is consistent with the Act because the changes are technical in nature and non-substantive.

The Exchange's amendment to "All-or-None Order," within renumbered Options 3, Section 7(a)(9), is non-substantive and does not change the meaning of the term.

The Exchange's amendment to "Post-Only Orders," within renumbered Options 3, Section 7(a)(10), is non-substantive and does not change the meaning of the term.

Adding "TIF to Options 3, Section 7(b) allows that term to be defined within the Rules.

The Exchange's proposal to amend the "On the Open Order," or "OPG" Order, within Options 3, Section 7(b)(1), to note that OPGs may not route, is consistent with the

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42   BX's rule describes the PRISM mechanism, while NOM has no auction

Act. The System would not route an OPG Order today. This order type functions in the

same way as BX's OPG Order at Options 3, Section 7(b)(1).[43] The Exchange is adding

rule text to make clear the manner in which an OPG Order would be treated, which is

similar to how a BX OPG Order is treated today. This proposal is consistent with the

protection of investors and the public interest because it will clarify the handling of OPG

Orders for market participants.

The Exchange's proposal to amend an "Immediate-Or-Cancel" Order or "IOC,"

within Options 3, Section 7(b)(2), is consistent with the Act. The Exchange's proposal

replaces the current description with Phlx's description at Options 3, Section 7(c)(2) as

these order types are identical. The Exchange's proposal to state that an Immediate-or-

Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole

or in part upon receipt will bring greater clarity to the rule. Further the Exchange's

proposal to add that any portion not so executed is cancelled is consistent with the current

description. The Exchange proposes to replace this description with rule text similar to

BX Options 3, Section 7(b)(2)[44] as these order types are identical, except that NOM has

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mechanisms.

[43]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is
         entered with a TIF of "OPG". This order can only be executed in the Opening
         Process pursuant to Options 3, Section 8. This order type is not subject to any
         protections listed in Options 3, Section 15. Any portion of the order that is not
         executed during the Opening Process is cancelled. OPG orders may not route."

[44]   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a
         Market Order or Limit Order to be executed in whole or in part upon receipt. Any
         portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are
         not eligible for routing. (B) IOC orders may be entered through FIX or SQF,
         provided that an IOC Order entered by a Market Maker through SQF is not
         subject to the Limit Order Price Protection or the Market Order Spread Protection
         in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the
         Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF

the OTTO protocol and BX does not, and also as mentioned previously NOM has no

auctions. Additionally, BX's rule addresses limitations in order protections that do not

exist today on NOM. The Exchange proposes to state that an Immediate-or-Cancel Order

or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon

receipt. Any portion not so executed is cancelled and/or routed pursuant to Participant's

instruction. IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered

through OTTO or SQF may not route. Today, IOC Orders entered through OTTO or SQF

do not route; only orders entered through FIX may route. The SQF interface is a quoting

interface, the Exchange does not route quotes. With respect to OTTO, orders submitted

by NOM Market Makers over this interface are treated as quotes and similarly do not

route. The Exchange's amendments are consistent with the Act in that the changes

memorialize pertinent information within the description of an IOC Order to add clarity.

The Exchange's proposal to amend the TIF of "DAY" at Options 3, Section

7(b)(3) to conform the description of a TIF of "DAY" to Phlx Options 3, Section

7(c)(1)[45] is consistent with the Act. The Exchange believes the current text describing

NOM's Day TIF is unnecessarily verbose and proposes to remove this language. A DAY

Order on Phlx functions in the same way as a DAY Order on NOM. The proposal is not

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of IOC. By their terms, these orders will be: (1) executed after an exposure
period, or (2) cancelled.

[45]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered
with a TIF of "Day" expires at the end of the day on which it was entered. All
orders by their terms are Day Orders unless otherwise specified. Day orders may
be entered through FIX."

amending the System functionality of a DAY Order. The Phlx rule text is more succinct in describing this order type. Similar changes were recently made on BX.[46]

The Exchange's proposal to amend the TIF of "Good Til Cancelled" or "GTC" at Options 3, Section 7(b)(4) is consistent with the Act. The Exchange proposes to conform the rule text to Phlx Options 3, Section 7(c)(4).[47] The Exchange is not amending the manner in which the System function with respect to GTC Orders. GTC Orders, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open, as specified by the Exchange, until market close, as is the case today. Also, today, a GTC Order may only be entered through FIX. A GTC Order on Phlx functions in the same way as a GTC Order on NOM. The Exchange believes that the amended rule text will bring greater transparency to its rules as the proposed description is more succinct and thereby protects investors and the general public.

The Exchange's proposal to no longer offer a TIF of "WAIT" is consistent with the Act because it will remove an order type that is not in demand on NOM and simply the offerings provided by NOM. If the Exchange desires to offer this TIF in the futures, it would file a proposed rule change with the Commission pursuant to Section 19(b)(1) of

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[46]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[47]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order entered with a TIF of GTC, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close."

the Act.[48] The Exchange has provided notice of its intention to remove the TIF of

"WAIT".[49] BX previously offered a WAIT order type recently and discontinued this

order types because it was not being utilized to a great extent.[50]

The Exchange's proposal to note, within NOM Options 3, Section 7(c), the

various routing options which are available is consistent with the Act.

Options 3, Section 15

The Exchange believes its proposal to clarify that Anti-Internalization will not

apply during an opening is consistent with the Act as it would provide more specificity

on how this functionality currently operates. A similar change was recently made to

BX's Rules.[51] The Exchange notes that the same procedures used during an opening are

used to reopen an option series after a trading halt, and therefore proposes to specify that

Anti-Internalization will not apply during the opening (i.e., the opening and halt

reopening processes). During the opening, Market Makers are able to observe the

primary market and then determine how they would like to quote. They are not required

to quote in the opening on NOM. Therefore, Anti-Internalization is unnecessary during

an opening due to the high level of control that Market Makers exercise over their quotes

during this process.

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[48]   15 U.S.C. 78s(b)(1).

[49]   See Options Trader Alert #2020 – 26.

[50]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[51]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR
         55877 (September 10, 2020) (SR-BX-2020-023).

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23, Data Feeds and Trade Information, to update its descriptions of the ITTO data feed is consistent with the Act because the updated descriptions will bring greater transparency to the Exchange's rules and more closely align with current System operation.

The Exchange's proposal will make clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process initiates after a trading halt has occurred intra-day. Also, the Exchange's proposal notes the specific information that would be provided, namely the size of matched contracts and size of the imbalance. The Exchange believes that this additional context to imbalance messages will provide market participants with more complete information about what is contained in the data feed. The Exchange notes that this information is available today and the rule text is being amended to make clear what information is currently provided.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Options 1, Section 1

The Exchange's proposal to amend the definition of "Public Customer" to conform to Phlx's definition is intended to provide greater specificity regarding what is meant by the term "Public Customer." This proposal does not impose an undue burden on competition, rather it makes clear that a Public Customer could be a person or entity

and clarifies that a Public Customer is not a Professional, as defined within Options 1, Section (a)(47).[52] Today, a Public Customer is not a Professional. In order to properly represent orders entered on the Exchange, Participants are required to indicate whether orders are "Professional Orders." To comply with this requirement, Participants are required to review their Public Customers' activity on at least a quarterly basis to determine whether orders, which are not for the account of a broker-dealer, should be represented as Public Customer Orders or Professional Orders.[53] A Public Customer may be a Professional, provided they meet the requirements specified within NOM Options 1, Section 1(a)(47). If the Professional definition is not met, the order is treated as a Public Customer order. The process for determining if a market participant qualifies as a "Professional" is applicable to all Participants. Also, this definition conforms to Phlx's definition at Options 1, Section 1(b)(47).

The Exchange's proposal to remove a sentence within Options 1, Section 1(a)(47) which provides, "A Participant or a Public Customers may, without limitation, be a Professional," does not impose an undue burden on competition. This sentence is

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[52]   NOM Options 1, Section 1(a)(47) provides that, "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."

[53]   Participants conduct a quarterly review and make any appropriate changes to the way in which they are representing orders within five days after the end of each calendar quarter. While Participants only will be required to review their accounts on a quarterly basis, if during a quarter the Exchange identifies a customer for which orders are being represented as Public Customer Orders but that has averaged more than 390 orders per day during a month, the Exchange will notify the Participant and the Participant will be required to change the manner in which it is representing the customer's orders within five days.

confusing, unnecessary, and adds no information to this defined term. By way of

comparison, Phlx Options 1, Section 1(b)(46) does not contain a similar sentence and that

sentence was recently removed from Nasdaq BX, Inc.'s ("BX") Rules.[54] The Exchange

adopted a Professional designation in 2010[55] and has differentiated Public and

Professional customers since that time. NOM proposes removing this sentence because it

does not add useful information to understanding who may qualify as a Professional.

The Exchange's proposal to remove a sentence, within Options 3, Section

10(a)(1)(C)(i), which allocation rule provides that a Public Customer order does not

include a Professional order does not impose an undue burden on competition. Today,

the definition of a Public Customer does not explicitly exclude a Professional. Indicating

that a Public Customer order is not a Professional Order is no longer necessary because

of the proposed definition for Public Customer. The language that the Exchange

proposes to delete, currently indicates that Professionals would not be treated the same as

a Public Customer in terms of priority and, therefore, would not receive the same

allocation that is reserved for Public Customer orders. Since NOM is amending the

definition of a Public Customer to explicitly exclude Professionals, the language in the

allocation rule is no longer necessary to distinguish these two types of market

participants.

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54   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
        (August 10, 2020) (SR-BX-2020-017).

55   See Securities Exchange Act Release No. 63028 (October 1, 2010), 75 FR 62443
        (October 8, 2010) (SR-NASDAQ-2020-099) (Order Approving a Proposed Rule
        Change To Adopt a Definition of Professional and Require That All Professional
        Orders Be Appropriately Marked).

Bid/Ask Differentials

The Exchange's proposal to amend NOM Options 2, Section 5(d)(2) to add the words "Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" and make clear that remove references to the opening, will make clear for Market Makers their intra-day requirements. The bid/ask differentials, within NOM Options 2, Section 5(d)(2), will continue to apply intra-day. This proposal does not impose an undue burden on competition, rather it conform the Exchange's existing practice. Today, the bid/ask differentials applicable to the opening are noted within Options 3, Section 8(a)(6).[56] As noted within the rule, NOM publishes its specified bid/ask differential on its system settings page.[57] The bid/ask differentials noted for the Valid Width NBBO within the opening provide for quotations with a difference that does not exceed $5 between the bid and offer regardless of the price of the bid. It is not necessary to discuss the opening bid/ask differentials within Options 2, Section 5 as those differentials are specifically noted within the opening rule. This clarification avoids any confusion for Market Makers as to their intra-day requirements versus their opening requirements.

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[56]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or Offer" or "Valid Width NBBO" shall mean the combination of all away market quotes and any combination of NOM-registered Market Maker orders and quotes received over the QUO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange. The Valid Width NBBO will be configurable by underlying, and tables with valid width differentials will be posted by Nasdaq on its website. Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation."

[57]   NOM's System Settings page is located at: https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

Options 3, Section 5

The Exchange's proposal to amend Options 3, Section 5(c) to add additional rule
text similar to Phlx Options 3, Section 5(c)[58] does not impose an undue burden on
competition. Today, NOM re-prices certain orders to avoid locking and crossing away
markets, consistent with its Trade-Through Compliance and Locked or Crossed Markets
obligations.[59] Orders which lock or cross an away market automatically re-price one
minimum price improvement inferior to the original away best bid/offer price to one
minimum trading increment away from the new away best bid/offer price or its original
limit price.[60] The re-priced order is displayed on OPRA. The order remains on NOM's
Order Book and is accessible at the non-displayed price.

Options 3, Section 7

The Exchange's proposal to amend the Cancel-Replacement Order, within
Options 3, Section 7(a)(1), does not impose an undue burden on competition. A
Participant has the option of either submitting a cancel order and then separately
submitting a new order, which serves as a replacement of the original order, in two
separate messages, or submitting a single cancel and replace order in one message
("Cancel-Replacement Order"). Submitting a cancel order and then separately

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58   Phlx has an All-or-None Order type that is non-displayed. See Options 3, Section
      7(b)(5). Phlx Options 3, Section 5(c) accounts for this non-displayed order on the
      order book. NOM has a Price Improving Order is already described within
      Options 3, Section 5(c). A Price Improving Order on NOM displays differently
      than Phlx's All-Or-None Order and therefore is described differently within
      Options 3, Section 5(c). Otherwise, NOM has no other non-displayed order types.

59   See NOM Options 3, Section 5(d).

60   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
      for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
      (B) and (C).

submitting a new order will not retain the priority of the original order. The Exchange's proposal to replace the words "shall mean" with "is" and remove the final sentence of the rule text will bring greater clarity to this rule. The Exchange addition of a new sentence to the end of the rule states in the affirmative the conditions under which the Cancel-Replacement Order will retain priority. Price and size are the terms that will determine if the Cancel-Replacement Order retains its priority, as is the case today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

The Exchange's proposal is not amending the current System functionality of a Cancel-Replacement Order with respect to the terms that will cause the order to lose priority. Today, and with the proposed change, if a Participant does not change or increase the size of the order, it would not trigger a loss in priority. Options 3, Section 7(a)(1) states only if the size of the order were reduced would a loss of priority occur.[61] Priority is retained if the size of the order does not change or is not increased. The rule is intended to provide transparency regarding changes to a Cancel-Replacement Order which would trigger a loss in priority. Today, and with the proposal, the price of the order may not be changed when submitting a Cancel-Replacement Order; that would be a new order. A similar change was recently made to BX's Cancel-Replacement Order.[62] Price and size are the terms that will determine if the Cancel-Replacement Order retains its priority, as is the case today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

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[61]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained."

[62]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

The Exchange's proposal to amend "Limit Orders," within Options 3, Section 7(a)(3), to add the sentence for marketable limit orders which is currently in BX's rule does not impose an undue burden on competition. A Limit Order on NOM operates in the same manner as a Limit Order on BX. The Exchange proposes to conform the rule text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding a sentence describing marketable limit orders. BX recently amended its rule to similarly change its description of Limit Order.[63] The proposed text more aptly describes a marketable limit order as compared to the current rule text, which is confusing, but was intended to convey the substance of the proposed text. The new sentence does not substantively amend the current rule text and conforms NOM's description with BX's description.

The Exchange's proposal to amend "Minimum Quantity Orders," within Options 3, Section 7(a)(3), is non-substantive and makes technical edits that do not change the meaning of the term. The Exchange is otherwise not amending the Minimum Quantity Order rule text.

The Exchange's proposal to amend "Market Orders," within Options 3, Section 7(a)(4), does not impose an undue burden on competition. The Exchange's proposes to style "Market Orders" in the singular and change "are" to "is an" and "orders" to "order." These amendments are technical and non-substantive. Market Orders submitted during the opening may be executed, or cancelled if the Market Order is priced through the opening price. The Exchange would only cancel those Market Orders that remained on

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[63]   Id.

the Order Book once an option series opened.[64] The pre-established period of time

would commence once the intra-day trading session begins for that options series and the

order would be cancelled back to the Participant, provided the Participant elected to

cancel back its Market Orders. The Exchange's proposal makes clear that while the

opening is on-going, and the intra-day trading session has not commenced, the pre-

established period of time would not commence.

The proposal to note that "Market Orders on the Order Book would be

immediately cancelled if an options series halted, provided the Participant designated the

cancellation of Market Orders" does not impose an undue burden on competition. Once

an options series halts for trading, the Exchange conducts another Opening Process. In

the case where a Market Order was resting on the Order Book, and the Participant had

designated the cancellation of Market Orders, in the event of a halt, the Market Orders

resting on the Order Book would immediately cancel. This proposed rule text is

consistent with existing System functionality. The Exchange believes that this additional

rule text brings greater clarity to the Market Order type.

The Exchange proposes to amend "Price Improving Orders," within Options 3,

Section 7(a)(5) does not impose an undue burden on competition. The Exchange

proposes to style "Price Improving Orders" in the singular and change "are" to "is an"

and "orders" to "order" are non-substantive amendments.

The Exchange's proposal to amend "On the Open Order," within Options 3,

Section 7(a)(6) by removing the words "The term" at the beginning of the sentence and

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[64]   See NOM's opening rule at Options 3, Section 8(d)(2), "After the opening, the
         Exchange shall reject Market Orders, as defined in Options 3, Section 7, and shall
         notify Participants of the reason for such rejection."

change "shall mean" to "is" are non-substantive amendments.

The Exchange's proposal to amend "Intermarket Sweep Order" or "ISO" Orders, within Options 3, Section 7(a)(7), with the exception of Options 3, Section 7(a)(7)(1), which is being retained by re-lettered as "A," and addition of rule text does not impose an undue burden on competition. The new rule text is similar to BX Options 3, Section 7(a)(6).[65]

An ISO Order is a Limit Order, as noted in the current text and Options 5, Section 1, continues to be referenced in the proposed text. The Exchange continues to note that the orders are not routable. The additional text is more precise than the current rule text and describes current functionality. The Exchange further proposes to state, "ISOs may be entered on the Order Book." That is also the case today. The remainder of the current rule text is not necessary as Options 5, Section 1(8) is cited. Removing the current rule text and replacing it with text which describes the proper time-in-force designation will make clear what is acceptable on NOM today. This rule text is not proposed to change the functionality of an ISO Order. The Exchange believes the proposed description does not impose an undue burden on competition, rather it provides a more succinct description.

Today, ISOs may have any time-in-force designation, except WAIT, and further requires that ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. The Exchange proposes to remove the WAIT time-in-force within this proposed rule change, as described in more detail below, and, therefore, the WAIT order type no longer needs to be cited. NOM's System does not treat an ISO with

a time-in-force designation of GTC as having a time-in-force designation of Day, as provided for within NOM's current rule at Options 3, Section 7(a)(6), rather those orders are treated as GTC. The current sentence is being removed because it is inaccurate. The proposed sentence does not impose an undue burden on competition because it accurately describes the System functionality. The Exchange does not believe that an ISO with a time-in-force designation of GTC was ever treated as having a time-in-force designation of Day, the rule text was simply inaccurate.

The Exchange's proposal to amend "One-Cancels-the-Other Order" within renumbered Options 3, Section 7(a)(8) does not impose an undue burden on competition because the changes are technical in nature and non-substantive.

The Exchange's amendment to "All-or-None Order," within renumbered Options 3, Section 7(a)(9), is non-substantive and does not change the meaning of the term.

The Exchange's amendment to "Post-Only Orders," within renumbered Options 3, Section 7(a)(10), is non-substantive and does not change the meaning of the term.

The Exchange's proposal to amend the "On the Open Order," or "OPG" Order, within Options 3, Section 7(b)(1), to note that OPGs may not route, does not impose an undue burden on competition. The System would not route an OPG Order today. This order type functions in the same way as BX's OPG Order at Options 3, Section 7(b)(1).[66]

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[65]   BX's rule describes the PRISM mechanism, while NOM has no auction mechanisms.

[66]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is entered with a TIF of "OPG". This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route."

The Exchange is adding rule text to make clear the manner in which an OPG Order would be treated, which is similar to how a BX OPG Order is treated today.

The Exchange's proposal to amend an "Immediate-Or-Cancel" Order or "IOC," within Options 3, Section 7(b)(2), does not impose an undue burden on competition. The Exchange's proposal replaces the current description with Phlx's description at Options 3, Section 7(c)(2) as these order types are identical. The Exchange's proposal to state that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon receipt will bring greater clarity to the rule. Further the Exchange's proposal to add that any portion not so executed is cancelled is consistent with the current description. The Exchange proposes to replace this description with rule text similar to BX Options 3, Section 7(b)(2)[67] as these order types are identical, except that NOM has the OTTO protocol and BX does not, and also as mentioned previously NOM has no auctions. Additionally, BX's rule addresses limitations in order protections that do not exist today on NOM. Today, IOC Orders entered through OTTO or SQF do not route; only orders entered through FIX may route. The SQF interface is a quoting interface, the Exchange does not route quotes. With respect to OTTO, orders submitted by NOM Market Makers over this interface are treated as quotes and similarly do not route.

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[67]   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a
        Market Order or Limit Order to be executed in whole or in part upon receipt. Any
        portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are
        not eligible for routing. (B) IOC orders may be entered through FIX or SQF,
        provided that an IOC Order entered by a Market Maker through SQF is not
        subject to the Limit Order Price Protection or the Market Order Spread Protection
        in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the
        Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF

The Exchange's proposal to amend the TIF of "DAY" at Options 3, Section 7(b)(3) to conform the description of a TIF of "DAY" to Phlx Options 3, Section 7(c)(1)[68] does not impose an undue burden on competition. The Exchange believes the current text describing NOM's Day TIF is unnecessarily verbose and proposes to remove this language. A DAY Order on Phlx functions in the same way as a DAY Order on NOM. The proposal is not amending the System functionality of a DAY Order. The Phlx rule text is more succinct in describing this order type. Similar changes were recently made on BX.[69]

The Exchange's proposal to amend the TIF of "Good Til Cancelled" or "GTC" at Options 3, Section 7(b)(4) does not impose an undue burden on competition. The Exchange proposes to conform the rule text to Phlx Options 3, Section 7(c)(4).[70] The Exchange is not amending the manner in which the System function with respect to GTC Orders. GTC Orders, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to

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of IOC. By their terms, these orders will be: (1) executed after an exposure period, or (2) cancelled.

[68]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered with a TIF of "Day" expires at the end of the day on which it was entered. All orders by their terms are Day Orders unless otherwise specified. Day orders may be entered through FIX."

[69]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[70]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order entered with a TIF of GTC, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close."

market open, as specified by the Exchange, until market close, as is the case today. Also,

today, a GTC Order may only be entered through FIX. A GTC Order on Phlx functions

in the same way as a GTC Order on NOM. The Exchange believes that the amended rule

text will bring greater transparency to its rules.

The Exchange's proposal to no longer offer a TIF of "WAIT" does not impose an

undue burden on competition because it will remove an order type that is not in demand

on NOM and simply the offerings provided by NOM. If the Exchange desires to offer

this TIF in the futures, it would file a proposed rule change with the Commission

pursuant to Section 19(b)(1) of the Act.[71] The Exchange has provided notice of its

intention to remove the TIF of "WAIT".[72] BX previously offered a WAIT order type

recently and discontinued this order types because it was not being utilized to a great

extent.[73]

The Exchange's proposal to note, within NOM Options 3, Section 7(c), the

various routing options which are available does not impose an undue burden on

competition.

Options 3, Section 15

The Exchange believes its proposal to clarify that Anti-Internalization will not

apply during an opening does not impose an undue burden on competition as it would

provide more specificity on how this functionality currently operates. A similar change

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[71]   15 U.S.C. 78s(b)(1).

[72]   See Options Trader Alert #2020 – 26.

[73]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

was recently made to BX's Rules.[74] The Exchange notes that the same procedures used during an opening are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the opening (i.e., the opening and halt reopening processes). During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. They are not required to quote in the opening on NOM. Therefore, Anti-Internalization is unnecessary during an opening due to the high level of control that Market Makers exercise over their quotes during this process.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23, Data Feeds and Trade Information, to update its descriptions of the ITTO data feed does not impose an undue burden on competition because the updated descriptions will bring greater transparency to the Exchange's rules and more closely align with current System operation.

The Exchange's proposal will make clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process initiates after a trading halt has occurred intra-day. Also, the Exchange's proposal notes the specific information that would be provided, namely the size of matched contracts and size of the imbalance. The Exchange believes that this additional context to imbalance messages will provide market participants with more complete information about what is contained in the data feed. The Exchange notes that this information is available today and the rule text is being amended to make clear what information is currently provided.

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[74]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR

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

No written comments were either solicited or received.

6.   Extension of Time Period for Commission Action

Not Applicable.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated
        Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section

19(b)(3)(A)(iii)[75] of the Act and Rule 19b-4(f)(6) thereunder[76] 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 to amend the definition of "Public Customer" to

conform to Phlx's definition does not significantly affect the protection of investors or

the public interest as it will make clear that a "Public Customer" and "Professional" are

separate categories of market participants. Today, a Public Customer is not a

Professional. In order to properly represent orders entered on the Exchange, Participants

are required to indicate whether orders are "Professional Orders." To comply with this

requirement, Participants are required to review their Public Customers' activity on at

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55877 (September 10, 2020) (SR-BX-2020-023).

[75]   15 U.S.C. 78s(b)(3)(A)(iii).

[76]   17 CFR 240.19b-4(f)(6).

least a quarterly basis to determine whether orders, which are not for the account of a

broker-dealer, should be represented as Public Customer Orders or Professional Orders.[77]

A Public Customer may be a Professional, provided they meet the requirements specified

within NOM Options 1, Section 1(a)(47). If the Professional definition is not met, the

order is treated as a Public Customer order. The Exchange's proposal to remove a

sentence within Options 1, Section 1(a)(47) does not significantly affect the protection of

investors or the public interest; this sentence is confusing, unnecessary, and adds no

information to this defined term. By way of comparison, Phlx Options 1, Section

1(b)(46) does not contain a similar sentence and that sentence was recently removed from

Nasdaq BX, Inc.'s ("BX") Rules.[78] The Exchange's proposal to amend NOM Options 2,

Section 5(d)(2) to add the words "Intra-Day" before the title "Bid/ask Differentials

(Quote Spread Parameters)" and remove references to the opening, does not significantly

affect the protection of investors or the public interest. The bid/ask differentials, within

NOM Options 2, Section 5(d)(2), will continue to apply intra-day. This is consistent with

the Exchange's existing practice. Today, the bid/ask differentials applicable to the

opening are noted within Options 3, Section 8(a)(6).[79] As noted within the rule, NOM

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[77]   Participants conduct a quarterly review and make any appropriate changes to the
         way in which they are representing orders within five days after the end of each
         calendar quarter. While Participants only will be required to review their
         accounts on a quarterly basis, if during a quarter the Exchange identifies a
         customer for which orders are being represented as Public Customer Orders but
         that has averaged more than 390 orders per day during a month, the Exchange
         will notify the Participant and the Participant will be required to change the
         manner in which it is representing the customer's orders within five days.

[78]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[79]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or
         Offer" or "Valid Width NBBO" shall mean the combination of all away market

publishes its specified bid/ask differential on its system settings page.[80] The bid/ask

differentials noted for the Valid Width NBBO within the opening provide for quotations

with a difference that does not exceed $5 between the bid and offer regardless of the price

of the bid. It is not necessary to discuss the opening bid/ask differentials within Options

2, Section 5 as those differentials are specifically noted within the opening rule. This

clarification is consistent with the Act because it is designed to avoid any confusion for

Market Makers as to their intra-day requirements versus their opening requirements. The

Exchange's proposal to amend Options 3, Section 5(c) to add additional rule text similar

to Phlx Options 3, Section 5(c) does not significantly affect the protection of investors or

the public interest because it will provide greater transparency to NOM's rules. Today,

NOM re-prices certain orders to avoid locking and crossing away markets, consistent

with its Trade-Through Compliance and Locked or Crossed Markets obligations.[81]

Orders which lock or cross an away market automatically re-price one minimum price

improvement inferior to the original away best bid/offer price to one minimum trading

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quotes and any combination of NOM-registered Market Maker orders and quotes received over the QUO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange. The Valid Width NBBO will be configurable by underlying, and tables with valid width differentials will be posted by Nasdaq on its website. Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation."

[80]   NOM's System Settings page is located at:
         https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

[81]   See NOM Options 3, Section 5(d).

increment away from the new away best bid/offer price or its original limit price.[82] The

re-priced order is displayed on OPRA. The order remains on NOM's Order Book and is

accessible at the non-displayed price. For example, a limit order may be accessed on

NOM by a Participant if the limit order is priced better than the NBBO. The Exchange

believes that the addition of this rule text will add greater specificity to the rule. The

Exchange's proposal to amend the Cancel-Replacement Order, within Options 3, Section

7(a)(1), does not significantly affect the protection of investors or the public interest

because, with this proposal, all Cancel-Replacement Orders would receive price or other

reasonability checks as a result of being viewed as new orders. If a Cancel-Replacement

Order does not pass a price or other reasonability check, the order will cancel, but it will

not be replaced with a new order. Today, and with the proposed change, if a Participant

does not change or increase the size of the order, it would not trigger a loss in priority.

Options 3, Section 7(a)(1) states only if the size of the order were reduced would a loss of

priority occur.[83] Priority is retained if the size of the order does not change or is not

increased. The rule is intended to provide transparency regarding changes to a Cancel-

Replacement Order which would trigger a loss in priority. Today, and with the proposal,

the price of the order may not be changed when submitting a Cancel-Replacement Order;

that would be a new order. A similar change was recently made to BX's Cancel-

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82   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
        for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
        (B) and (C).

83   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the
        priority of the cancelled order except when the replacement order reduces the size
        of the order and all other terms and conditions are retained."

Replacement Order.[84]Price and size are the terms that will determine if the Cancel-

Replacement Order retains its priority, as is the case today, other terms and conditions do

not amend the priority of the Cancel-Replacement Order. The Exchange's proposal to

amend "Limit Orders," within Options 3, Section 7(a)(3), to add the sentence for

marketable limit orders which is currently in BX's rule does not significantly affect the

protection of investors or the public interest. A Limit Order on NOM operates in the

same manner as a Limit Order on BX. The Exchange proposes to conform the rule text

of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding the sentence

describing marketable limit orders. BX recently amended its rule to similarly change its

description of Limit Order.[85] The Exchange's proposal to amend "Market Orders,"

within Options 3, Section 7(a)(5), does not significantly affect the protection of investors

or the public interest because these amendments are technical and non-substantive.

Market Orders submitted during the opening may be executed, or cancelled if the Market

Order is priced through the opening price. The Exchange would only cancel those

Market Orders that remained on the Order Book once an option series opened.[86] The

pre-established period of time would commence once the intra-day trading session begins

for that options series and the order would be cancelled back to the Participant, provided

the Participant elected to cancel back its Market Orders. This proposed rule text is

consistent with existing System functionality. The Exchange proposes to amend "Price

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[84]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[85]   Id.

[86]   See NOM's opening rule at Options 3, Section 8(d)(2), "After the opening, the
         Exchange shall reject Market Orders, as defined in Options 3, Section 7, and shall
         notify Participants of the reason for such rejection."

Improving Orders," within Options 3, Section 7(a)(5) does not significantly affect the

protection of investors or the public interest. The Exchange proposes to style "Price

Improving Orders" in the singular and change "are" to "is an" and "orders" to "order" are

non-substantive amendments. The Exchange's proposal to amend "On the Open Order,"

within Options 3, Section 7(a)(6) by removing the words "The term" at the beginning of

the sentence and change "shall mean" to "is" are non-substantive amendments which do

not significantly affect the protection of investors or the public interest. The Exchange's

proposal to amend "Intermarket Sweep Order" or "ISO" Orders, within Options 3,

Section 7(a)(7), to remove the sentence that provides, "ISOs with a time-in-force ("TIF")

designation of GTC are treated as having a time-in-force designation of Day," does not

significantly affect the protection of investors or the public interest. Today, ISOs may

have any time-in-force designation, except WAIT. Removing the current rule text and

replacing it with text which describes the proper time-in-force designation will make

clear what is acceptable on NOM today. This rule text is not proposed to change the

functionality of an ISO Order. The Exchange believes the proposed description provides

a more succinct description. NOM's System does not treat an ISO with a time-in-force

designation of GTC as having a time-in-force designation of Day, as provided for within

NOM's current rule at Options 3, Section 7(a)(6), rather those orders are treated as GTC.

The current sentence is being removed because it is inaccurate. The proposed sentence

accurately describes the System functionality. The Exchange does not believe that an

ISO with a time-in-force designation of GTC was ever treated as having a time-in-force

designation of Day, the rule text was simply inaccurate. The Exchange's proposal to

amend "One-Cancels-the-Other Order" within renumbered Options 3, Section 7(a)(8)

does not significantly affect the protection of investors or the public interest because the

changes are technical in nature and non-substantive. The Exchange's amendment to

"All-or-None Order," within renumbered Options 3, Section 7(a)(9), is non-substantive

and does not significantly affect the protection of investors or the public interest because

it does not change the meaning of the term. The Exchange's amendment to "Post-Only

Orders," within renumbered Options 3, Section 7(a)(10), is non-substantive and does not

significantly affect the protection of investors or the public interest because it does not

change the meaning of the term. The Exchange's proposal to amend the "On the Open

Order," or "OPG" Order, within Options 3, Section 7(b)(1), to note that OPGs may not

route, does not significantly affect the protection of investors or the public interest. The

System would not route an OPG Order today. This order type functions in the same way

as BX's OPG Order at Options 3, Section 7(b)(1).[87] The Exchange is adding rule text to

make clear the manner in which an OPG Order would be treated, which is similar to how

a BX OPG Order is treated today. The Exchange's proposal to amend an "Immediate-

Or-Cancel" Order or "IOC," within Options 3, Section 7(b)(2), does not significantly

affect the protection of investors or the public interest. The Exchange's proposal to state

that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit Order to

be executed in whole or in part upon receipt will bring greater clarity to the rule. Further

the Exchange's proposal to add that any portion not so executed is cancelled adds clarity

to the rule. The Exchange proposes to replace NOM's description with rule text similar

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[87]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is
         entered with a TIF of "OPG". This order can only be executed in the Opening
         Process pursuant to Options 3, Section 8. This order type is not subject to any
         protections listed in Options 3, Section 15. Any portion of the order that is not
         executed during the Opening Process is cancelled. OPG orders may not route."

to BX Options 3, Section 7(b)(2)[88] as these order types are identical, except that NOM

has the OTTO protocol and BX does not, and also as mentioned previously NOM has no

auctions. Additionally, BX's rule addresses limitations in order protections that do not

exist today on NOM. The Exchange proposes to state that an Immediate-or-Cancel Order

or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon

receipt. Any portion not so executed is cancelled and/or routed pursuant to Participant's

instruction. IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered

through OTTO or SQF may not route. Today, IOC Orders entered through OTTO or

SQF do not route; only orders entered through FIX may route. The SQF interface is a

quoting interface, the Exchange does not route quotes. With respect to OTTO, orders

submitted by NOM Market Makers over this interface are treated as quotes and similarly

do not route. The Exchange's proposal to amend the TIF of "DAY" at Options 3, Section

7(b)(3) to conform the description of a TIF of "DAY" to Phlx Options 3, Section

7(c)(1)[89] does not significantly affect the protection of investors or the public interest.

The Exchange believes the current text describing NOM's Day TIF is unnecessarily

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[88]   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a
         Market Order or Limit Order to be executed in whole or in part upon receipt. Any
         portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are
         not eligible for routing. (B) IOC orders may be entered through FIX or SQF,
         provided that an IOC Order entered by a Market Maker through SQF is not
         subject to the Limit Order Price Protection or the Market Order Spread Protection
         in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the
         Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF
         of IOC. By their terms, these orders will be: (1) executed after an exposure
         period, or (2) cancelled.

[89]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered
         with a TIF of "Day" expires at the end of the day on which it was entered. All
         orders by their terms are Day Orders unless otherwise specified. Day orders may
         be entered through FIX."

verbose and proposes to remove this language. A DAY Order on Phlx functions in the

same way as a DAY Order on NOM. The proposal is not amending the System

functionality of a DAY Order. The Phlx rule text is more succinct in describing this order

type. Similar changes were recently made on BX.[90] The Exchange's proposal to amend

the TIF of "Good Til Cancelled" or "GTC" at Options 3, Section 7(b)(4) does not

significantly affect the protection of investors or the public interest. The Exchange

proposes to conform the rule text to Phlx Options 3, Section 7(c)(4).[91] The Exchange is

not amending the manner in which the System function with respect to GTC Orders.

GTC Orders, if not fully executed, will remain available for potential display and/or

execution unless cancelled by the entering party, or until the option expires, whichever

comes first. GTC Orders shall be available for entry from the time prior to market open,

as specified by the Exchange, until market close, as is the case today. Also, today, a GTC

Order may only be entered through FIX. A GTC Order on Phlx functions in the same

way as a GTC Order on NOM. The Exchange believes that the amended rule text will

bring greater transparency to its rules as the proposed description is more succinct. The

Exchange's proposal to no longer offer a TIF of "WAIT" does not significantly affect the

protection of investors or the public interest because it will remove an order type that is

not in demand on NOM and simply the offerings provided by NOM. If the Exchange

desires to offer this TIF in the futures, it would file a proposed rule change with the

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[90]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
        (August 10, 2020) (SR-BX-2020-017).

[91]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order
        entered with a TIF of GTC, if not fully executed, will remain available for
        potential display and/or execution unless cancelled by the entering party, or until
        the option expires, whichever comes first. GTC Orders shall be available for entry
        from the time prior to market open specified by the Exchange until market close."

Commission pursuant to Section 19(b)(1) of the Act.[92] The Exchange has provided

notice of its intention to remove the TIF of "WAIT".[93] BX previously offered a WAIT

order type recently and discontinued this order types because it was not being utilized to

a great extent.[94] The Exchange believes its proposal to clarify that Anti-Internalization

will not apply during an opening does not significantly affect the protection of investors

or the public interest as it would provide more specificity on how this functionality

currently operates. A similar change was recently made to BX's Rules.[95] The Exchange

notes that the same procedures used during an opening are used to reopen an option series

after a trading halt, and therefore proposes to specify that Anti-Internalization will not

apply during the opening (i.e., the opening and halt reopening processes). During the

opening, Market Makers are able to observe the primary market and then determine how

they would like to quote. They are not required to quote in the opening on NOM.

Therefore, Anti-Internalization is unnecessary during an opening due to the high level of

control that Market Makers exercise over their quotes during this process. A similar

change was recently made to BX's Rules.[96] The Exchange's proposal to amend Options

3, Section 23, Data Feeds and Trade Information, to update its descriptions of the ITTO

data feed does not significantly affect the protection of investors or the public interest

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[92]   15 U.S.C. 78s(b)(1).

[93]   See Options Trader Alert #2020 – 26.

[94]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
          (August 10, 2020) (SR-BX-2020-017).

[95]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR
          55877 (September 10, 2020) (SR-BX-2020-023).

[96]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR
          55877 (September 10, 2020) (SR-BX-2020-023).

because the updated descriptions will bring greater transparency to the Exchange's rules
and more closely align with current System operation. The Exchange's proposal will
make clear that order imbalance information is provided for both an opening and re-
opening process. Today, a re-opening process initiates after a trading halt has occurred
intra-day. Also, the Exchange's proposal notes the specific information that would be
provided, namely the size of matched contracts and size of the imbalance.

The Exchange's proposal to amend the definition of "Public Customer" to
conform to Phlx's definition does not impose any significant burden on competition as it
will make clear that a "Public Customer" and "Professional" are separate categories of
market participants. Today, a Public Customer is not a Professional. To comply with
this requirement, all Participants are required to review their Public Customers' activity
on at least a quarterly basis to determine whether orders, which are not for the account of
a broker-dealer, should be represented as Public Customer Orders or Professional
Orders.[97] A Public Customer may be a Professional, provided they meet the
requirements specified within NOM Options 1, Section 1(a)(47). If the Professional
definition is not met, the order is treated as a Public Customer order. The Exchange's
proposal to remove a sentence within Options 1, Section 1(a)(47) does not impose any
significant burden on competition; this sentence is confusing, unnecessary, and adds no
information to this defined term. By way of comparison, Phlx Options 1, Section

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[97]   Participants conduct a quarterly review and make any appropriate changes to the
        way in which they are representing orders within five days after the end of each
        calendar quarter. While Participants only will be required to review their
        accounts on a quarterly basis, if during a quarter the Exchange identifies a
        customer for which orders are being represented as Public Customer Orders but
        that has averaged more than 390 orders per day during a month, the Exchange
        will notify the Participant and the Participant will be required to change the

1(b)(46) does not contain a similar sentence and that sentence was recently removed from Nasdaq BX, Inc.'s ("BX") Rules.[98] The Exchange's proposal to amend NOM Options 2, Section 5(d)(2) to add the words "Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" and remove references to the opening, does not impose any significant burden on competition. The bid/ask differentials, within NOM Options 2, Section 5(d)(2), will continue to apply intra-day. The bid/ask differentials noted for the Valid Width NBBO within the opening provide for quotations with a difference that does not exceed $5 between the bid and offer regardless of the price of the bid. It is not necessary to discuss the opening bid/ask differentials within Options 2, Section 5 as those differentials are specifically noted within the opening rule. The Exchange's proposal to amend Options 3, Section 5(c) to add additional rule text similar to Phlx Options 3, Section 5(c) does not impose any significant burden on competition because it will provide greater transparency to NOM's rules. Today, NOM re-prices certain orders to avoid locking and crossing away markets, consistent with its Trade-Through Compliance and Locked or Crossed Markets obligations.[99] Orders which lock or cross an away market automatically re-price one minimum price improvement inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price.[100] The re-priced order is displayed on

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manner in which it is representing the customer's orders within five days.

[98]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[99]   See NOM Options 3, Section 5(d).

[100]   See Options 5, Section 4 (Order Routing), which describes the repricing of orders for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A), (B) and (C).

OPRA. The Exchange's proposal to amend the Cancel-Replacement Order, within Options 3, Section 7(a)(1), does not impose any significant burden on competition because, with this proposal, all Cancel-Replacement Orders would receive price or other reasonability checks as a result of being viewed as new orders. If a Cancel-Replacement Order does not pass a price or other reasonability check, the order will cancel, but it will not be replaced with a new order. Today, and with the proposed change, if a Participant does not change or increase the size of the order, it would not trigger a loss in priority. Options 3, Section 7(a)(1) states only if the size of the order were reduced would a loss of priority occur.[101] Priority is retained if the size of the order does not change or is not increased. The rule is intended to provide transparency regarding changes to a Cancel-Replacement Order which would trigger a loss in priority. A similar change was recently made to BX's Cancel-Replacement Order.[102] The Exchange's proposal to amend "Limit Orders," within Options 3, Section 7(a)(3), to add the sentence for marketable limit orders which is currently in BX's rule does not impose any significant burden on competition. A Limit Order on NOM operates in the same manner as a Limit Order on BX. The Exchange proposes to conform the rule text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding the sentence describing marketable limit orders. BX recently amended its rule to similarly change its description of Limit Order.[103] The Exchange's proposal to amend "Market Orders," within Options 3, Section 7(a)(5), does

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[101]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained."

[102]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[103]   Id.

not impose any significant burden on competition because these amendments are
technical and non-substantive. Market Orders submitted during the opening may be
executed, or cancelled if the Market Order is priced through the opening price. The
Exchange would only cancel those Market Orders that remained on the Order Book once
an option series opened.[104]   The pre-established period of time would commence once
the intra-day trading session begins for that options series and the order would be
cancelled back to the Participant, provided the Participant elected to cancel back its
Market Orders. This proposed rule text is consistent with existing System functionality.
The Exchange proposes to amend "Price Improving Orders," within Options 3, Section
7(a)(5) does not impose any significant burden on competition. The Exchange proposes
to style "Price Improving Orders" in the singular and change "are" to "is an" and
"orders" to "order" are non-substantive amendments. The Exchange's proposal to amend
"On the Open Order," within Options 3, Section 7(a)(6) by removing the words "The
term" at the beginning of the sentence and change "shall mean" to "is" are non-
substantive amendments which does not impose any significant burden on competition.
The Exchange's proposal to amend "Intermarket Sweep Order" or "ISO" Orders, within
Options 3, Section 7(a)(7), to remove the sentence that provides, "ISOs with a time-in-
force ("TIF") designation of GTC are treated as having a time-in-force designation of
Day," does not impose any significant burden on competition. Today, ISOs may have
any time-in-force designation, except WAIT. Removing the current rule text and
replacing it with text which describes the proper time-in-force designation will make

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104   See NOM's opening rule at Options 3, Section 8(d)(2), "After the opening, the
        Exchange shall reject Market Orders, as defined in Options 3, Section 7, and shall
        notify Participants of the reason for such rejection."

clear what is acceptable on NOM today. This rule text is not proposed to change the

functionality of an ISO Order. The Exchange believes the proposed description provides

a more succinct description.   NOM's System does not treat an ISO with a time-in-force

designation of GTC as having a time-in-force designation of Day, as provided for within

NOM's current rule at Options 3, Section 7(a)(6), rather those orders are treated as GTC.

The current sentence is being removed because it is inaccurate. The proposed sentence

accurately describes the System functionality. The Exchange does not believe that an

ISO with a time-in-force designation of GTC was ever treated as having a time-in-force

designation of Day, the rule text was simply inaccurate. The Exchange's proposal to

amend "One-Cancels-the-Other Order" within renumbered Options 3, Section 7(a)(8)

does not impose any significant burden on competition because the changes are technical

in nature and non-substantive. The Exchange's amendment to "All-or-None Order,"

within renumbered Options 3, Section 7(a)(9), is non-substantive and does not impose

any significant burden on competition because it does not change the meaning of the

term. The Exchange's amendment to "Post-Only Orders," within renumbered Options 3,

Section 7(a)(10), is non-substantive and does not impose any significant burden on

competition because it does not change the meaning of the term. The Exchange's

proposal to amend the "On the Open Order," or "OPG" Order, within Options 3, Section

7(b)(1), to note that OPGs may not route, does not impose any significant burden on

competition. The System would not route an OPG Order today. This order type

functions in the same way as BX's OPG Order at Options 3, Section 7(b)(1).[105] The

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[105]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is
        entered with a TIF of "OPG". This order can only be executed in the Opening
        Process pursuant to Options 3, Section 8. This order type is not subject to any

Exchange is adding rule text to make clear the manner in which an OPG Order would be treated, which is similar to how a BX OPG Order is treated today. The Exchange's proposal to amend an "Immediate-Or-Cancel" Order or "IOC," within Options 3, Section 7(b)(2), does not impose any significant burden on competition. The Exchange's proposal to state that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon receipt will bring greater clarity to the rule. Further the Exchange's proposal to add that any portion not so executed is cancelled adds clarity to the rule. The Exchange proposes to replace NOM's description with rule text similar to BX Options 3, Section 7(b)(2)[106] as these order types are identical, except that NOM has the OTTO protocol and BX does not, and also as mentioned previously NOM has no auctions. Additionally, BX's rule addresses limitations in order protections that do not exist today on NOM. The Exchange proposes to state that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled and/or routed pursuant to Participant's instruction. IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route.

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protections listed in Options 3, Section 15. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route."

[106]   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are not eligible for routing. (B) IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker through SQF is not subject to the Limit Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF of IOC. By their terms, these orders will be: (1) executed after an exposure period, or (2) cancelled.

Today, IOC Orders entered through OTTO or SQF do not route; only orders entered

through FIX may route. The SQF interface is a quoting interface, the Exchange does not

route quotes. With respect to OTTO, orders submitted by NOM Market Makers over this

interface are treated as quotes and similarly do not route. The Exchange's proposal to

amend the TIF of "DAY" at Options 3, Section 7(b)(3) to conform the description of a

TIF of "DAY" to Phlx Options 3, Section 7(c)(1)[107] does not impose any significant

burden on competition. The Exchange believes the current text describing NOM's Day

TIF is unnecessarily verbose and proposes to remove this language. A DAY Order on

Phlx functions in the same way as a DAY Order on NOM. The proposal is not amending

the System functionality of a DAY Order. The Phlx rule text is more succinct in

describing this order type. Similar changes were recently made on BX.[108] The

Exchange's proposal to amend the TIF of "Good Til Cancelled" or "GTC" at Options 3,

Section 7(b)(4) d does not impose any significant burden on competition. The Exchange

proposes to conform the rule text to Phlx Options 3, Section 7(c)(4).[109] The Exchange is

not amending the manner in which the System function with respect to GTC Orders.

GTC Orders, if not fully executed, will remain available for potential display and/or

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[107]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered
         with a TIF of "Day" expires at the end of the day on which it was entered. All
         orders by their terms are Day Orders unless otherwise specified. Day orders may
         be entered through FIX."

[108]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[109]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order
         entered with a TIF of GTC, if not fully executed, will remain available for
         potential display and/or execution unless cancelled by the entering party, or until
         the option expires, whichever comes first. GTC Orders shall be available for entry
         from the time prior to market open specified by the Exchange until market close."

execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open, as specified by the Exchange, until market close, as is the case today. Also, today, a GTC Order may only be entered through FIX. A GTC Order on Phlx functions in the same way as a GTC Order on NOM. The Exchange believes that the amended rule text will bring greater transparency to its rules as the proposed description is more succinct. The Exchange's proposal to no longer offer a TIF of "WAIT" does not impose any significant burden on competition because it will remove an order type that is not in demand on NOM and simply the offerings provided by NOM. If the Exchange desires to offer this TIF in the futures, it would file a proposed rule change with the Commission pursuant to Section 19(b)(1) of the Act.[110] The Exchange has provided notice of its intention to remove the TIF of "WAIT".[111] BX previously offered a WAIT order type recently and discontinued this order types because it was not being utilized to a great extent.[112] The Exchange believes its proposal to clarify that Anti-Internalization will not apply during an opening does not impose any significant burden on competition as it would provide more specificity on how this functionality currently operates. A similar change was recently made to BX's Rules.[113] The Exchange notes that the same procedures used during an opening are used to reopen an option series after a trading halt, and therefore

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[110]   15 U.S.C. 78s(b)(1).

[111]   See Options Trader Alert #2020 – 26.

[112]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[113]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

proposes to specify that Anti-Internalization will not apply during the opening (i.e., the opening and halt reopening processes). During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. They are not required to quote in the opening on NOM. Therefore, Anti-Internalization is unnecessary during an opening due to the high level of control that Market Makers exercise over their quotes during this process. A similar change was recently made to BX's Rules.[114] The Exchange's proposal to amend Options 3, Section 23, Data Feeds and Trade Information, to update its descriptions of the ITTO data feed does not impose any significant burden on competition because the updated descriptions will bring greater transparency to the Exchange's rules and more closely align with current System operation. The Exchange's proposal will make clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process initiates after a trading halt has occurred intra-day. Also, the Exchange's proposal notes the specific information that would be provided, namely the size of matched contracts and size of the imbalance.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for

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[114]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR

the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If

the Commission takes such action, the Commission shall institute proceedings to

determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become

operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits

the Commission to designate a shorter time if such action is consistent with the protection

of investors and the public interest. The Exchange requests that the Commission waive

the operative delay to allow the Exchange's proposal to become immediately effective.

Permitting the Exchange to correct the rule text with respect to ISO Orders, and make

other clarifying changes will protect investors and the public interest as the Rulebook by

correcting and clarifying NOM's Rules.

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

        Not applicable.

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

        Not applicable.

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

        Not applicable.

11.   Exhibits

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

        5.   Text of the proposed rule change.

55877 (September 10, 2020) (SR-BX-2020-023).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-NASDAQ-2020-083)

November __, 2020

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change to Amend Options 1, Section 1;
Options 2, Section 5; Options 3, Sections 5, 7, 10, 15 and 23

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

Rule 19b-4 thereunder,[2] notice is hereby given that on November 30, 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 rules of The Nasdaq Options Market LLC

("NOM") at Options 1, Section 1 (Definitions); Options 2, Section 5 (Market Maker

Quotations); Options 3, Section 5 (Entry and Display of Orders); Options 3, Section 7

(Types of Orders and Order and Quote Protocols); Options 3, Section 10 (Order Book

Allocation); Options 3, Section 15 (Risk Protections); and Options 3, Section 23 (Data

Feeds and Trade Information).

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

[2]   17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at

https://listingcenter.nasdaq.com/rulebook/nasdaq/rules, at the principal office of the

Exchange, and at the Commission's Public Reference Room.

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 Rules at Options 1, Section 1

(Definitions); Options 2, Section 5 (Market Maker Quotations); Options 3, Section 5

(Entry and Display of Orders); Options 3, Section 7 (Types of Orders and Order and

Quote Protocols); Options 3, Section 10 (Order Book Allocation); Options 3, Section 15

(Risk Protections); and Options 3, Section 23 (Data Feeds and Trade Information). Each

change is described below.

Options 1, Section 1

The Exchange proposes to amend the definition of "Public Customer" to conform

to Nasdaq Phlx LLC's ("Phlx") definition at Options 1, Section 1(b)(46). The Exchange

believes that making clear that a Public Customer could be a person or entity and

clarifying that a Public Customer is not a Professional, as defined within Options 1,

Section (a)(47),[3] will make clear what it meant by that term. Today, a Public Customer is

not a Professional. In order to properly represent orders entered on the Exchange,

Participants are required to indicate whether orders are "Professional Orders." To

comply with this requirement, Participants are required to review their Public Customers'

activity on at least a quarterly basis to determine whether orders, which are not for the

account of a broker-dealer, should be represented as Public Customer Orders or

Professional Orders.[4] A Public Customer may be a Professional, provided they meet the

requirements specified within NOM Options 1, Section 1(a)(47). If the Professional

definition is not met, the order is treated as a Public Customer order.

The Exchange also proposes to remove a sentence within Options 1, Section

1(a)(47) which provides, "A Participant or a Public Customers may, without limitation,

be a Professional." This sentence is confusing, unnecessary, and adds no information to

this defined term. By way of comparison, Phlx Options 1, Section 1(b)(46) does not

contain a similar sentence and that sentence was recently removed from Nasdaq BX,

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3   NOM Options 1, Section 1(a)(47) provides that, "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."

4   Participants conduct a quarterly review and make any appropriate changes to the
        way in which they are representing orders within five days after the end of each
        calendar quarter. While Participants only will be required to review their
        accounts on a quarterly basis, if during a quarter the Exchange identifies a
        customer for which orders are being represented as Public Customer Orders but
        that has averaged more than 390 orders per day during a month, the Exchange
        will notify the Participant and the Participant will be required to change the
        manner in which it is representing the customer's orders within five days.

Inc.'s ("BX") Rules.[5] The Exchange adopted a Professional designation in 2010[6] and has

differentiated Public and Professional customers since that time.

The Exchange also proposes to remove a sentence, within Options 3, Section

10(a)(1)(C)(i), which provides that a Public Customer order does not include a

Professional order. Indicating that a Public Customer order is not a Professional Order is

no longer necessary because of the proposed definition for Public Customer. Today, the

definition of a Public Customer does not explicitly exclude a Professional. The language

that the Exchange proposes to delete currently indicates that Professionals would not be

treated the same as a Public Customer in terms of priority and, therefore, would not

receive the same allocation that is reserved for Public Customer orders. Since NOM is

amending the definition of a Public Customer to explicitly exclude Professionals, the

language in the allocation rule is no longer necessary to distinguish these two types of

market participants.

Bid/Ask Differentials

Currently, NOM Market Maker intra-day quoting requirements, within Options 2,

Section 5(d)(2), provide,

Bid/ask Differentials (Quote Spread Parameters). Options on equities

(including Exchange-Traded Fund Shares), and on index options must be

quoted with a difference not to exceed $5 between the bid and offer

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[5]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
        (August 10, 2020) (SR-BX-2020-017).

[6]   See Securities Exchange Act Release No. 63028 (October 1, 2010), 75 FR 62443
        (October 8, 2010) (SR-NASDAQ-2010-099) (Order Approving a Proposed Rule
        Change To Adopt a Definition of Professional and Require That All Professional
        Orders Be Appropriately Marked).

regardless of the price of the bid, including before and during the opening.

However, respecting in-the-money series where the market for the

underlying security is wider than $5, the bid/ask differential may be as

wide as the spread between the national best bid and offer in the

underlying security. The Exchange may establish differences other than

the above for one or more series or classes of options.

The Exchange proposes to amend NOM Options 2, Section 5(d)(2) to add the words

"Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" to make

clear that these requirements are intra-day. Also, the Exchange proposes to amend this

paragraph to remove the phrase, "including before and during the opening." The bid/ask

differentials, within NOM Options 2, Section 5(d)(2), will continue to apply intra-day.

This is consistent with the Exchange's existing practice. Today, the bid/ask differentials

applicable to the opening are noted within Options 3, Section 8(a)(6).[7] As noted within

the rule, NOM publishes its specified bid/ask differential on its system settings page.[8]

The bid/ask differentials noted for the Valid Width NBBO within the opening provide for

quotations with a difference that does not exceed $5 between the bid and offer regardless

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[7]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or
        Offer" or "Valid Width NBBO" shall mean the combination of all away market
        quotes and any combination of NOM-registered Market Maker orders and quotes
        received over the QUO or SQF Protocols within a specified bid/ask differential as
        established and published by the Exchange. The Valid Width NBBO will be
        configurable by underlying, and tables with valid width differentials will be
        posted by Nasdaq on its website. Away markets that are crossed will void all
        Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM
        are crossed internally, then all such orders and quotes will be excluded from the
        Valid Width NBBO calculation."

[8]   NOM's System Settings page is located at:
        https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

of the price of the bid. It is not necessary to discuss the opening bid/ask differentials

within Options 2, Section 5 as those differentials are specifically noted within the

opening rule.

Options 3, Section 5

The Exchange proposes to amend Options 3, Section 5(c) to add additional rule

text similar to Phlx Options 3, Section 5(c).[9] NOM's current Options 3, Section 5(c)

states, "The System automatically executes eligible orders using the Exchange's

displayed best bid and offer ("BBO") or the Exchange's non-displayed order book

("internal BBO")." The Exchange proposes to state, "The System automatically executes

eligible orders using the Exchange's displayed best bid and offer ("BBO") or the

Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the

Exchange has been repriced pursuant to subsection (d) below." Today, NOM re-prices

certain orders to avoid locking and crossing away markets, consistent with its Trade-

Through Compliance and Locked or Crossed Markets obligations.[10] Orders which lock

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[9]		Phlx has an All-or-None Order type that is non-displayed. See Options 3, Section
		7(b)(5). Phlx Options 3, Section 5(c) accounts for this non-displayed order on the
		order book. NOM has a Price Improving Order is already described within
		Options 3, Section 5(c). A Price Improving Order on NOM displays differently
		than Phlx's All-Or-None Order and therefore is described differently within
		Options 3, Section 5(c). Otherwise, NOM has no other non-displayed order types.

[10]		NOM Options 3, Section 5(d) provides, "An order will not be executed at a price
		that trades through another market or displayed at a price that would lock or cross
		another market. An order that is designated by the member as routable will be
		routed in compliance with applicable Trade-Through and Locked and Crossed
		Markets restrictions. An order that is designated by a member as non-routable will
		be re-priced in order to comply with applicable Trade-Through and Locked and
		Crossed Markets restrictions. If, at the time of entry, an order that the entering
		party has elected not to make eligible for routing would cause a locked or crossed
		market violation or would cause a trade-through violation, it will be re-priced to
		the current national best offer (for bids) or the current national best bid (for offers)

or cross an away market automatically re-price one minimum price improvement inferior

to the original away best bid/offer price to one minimum trading increment away from

the new away best bid/offer price or its original limit price.[11] The re-priced order is

displayed on OPRA. The order remains on NOM's Order Book and is accessible at the

non-displayed price. For example, a limit order may be accessed on NOM by a

Participant if the limit order is priced better than the NBBO. The Exchange believes that

the addition of this rule text will provide additional clarity.

> Options 3, Section 7

The Exchange proposes to amend the Cancel-Replacement Order, within Options

3, Section 7(a)(1). By way of background with respect to cancelling and replacing an

order, a Participant has the option of either submitting a cancel order and then separately

submitting a new order, which serves as a replacement of the original order, in two

separate messages, or submitting a single cancel and replace order in one message

("Cancel-Replacement Order"). Submitting a cancel order and then separately

submitting a new order will not retain the priority of the original order.

Currently, the rule text for Cancel-Replacement Order provides, "Cancel-

Replacement Order shall mean a single message for the immediate cancellation of a

previously received order and the replacement of that order with a new order with new

terms and conditions. If the previously placed order is already filled partially or in its

entirety, the replacement order is automatically canceled or reduced by the number of

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and displayed at one minimum price variance above (for offers) or below (for
bids) the national best price."

[11]   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
(B) and (C).

contracts that were executed. The replacement order will not retain the priority of the

cancelled order except when the replacement order reduces the size of the order and all

other terms and conditions are retained." The Exchange proposes to replace the words

"shall mean" with "is" and remove the final sentence of the rule text.[12] The Exchange

proposes to add a new sentence to the end of the rule which provides, "The replacement

order will retain the priority of the cancelled order, if the order posts to the Order Book,

provided the price is not amended, and the size is not increased." Unlike the sentence

proposed for deletion, the proposed sentence states in the affirmative the conditions under

which the Cancel-Replacement Order will retain priority. Price and size are the terms

that will determine if the Cancel-Replacement Order retains its priority, as is the case

today, other terms and conditions do not amend the priority of the Cancel-Replacement

Order.

The Exchange is not amending the current System functionality of a Cancel-

Replacement Order with respect to the terms that will cause the order to lose priority.

Today, and with the proposed change, if a Participant does not change or increase the size

of the order, it would not trigger a loss in priority. Options 3, Section 7(a)(1) states only

if the size of the order were reduced would a loss of priority occur.[13] The proposed rule

reverses the phrasing in the current rule and, instead, describes changes to priority when

size is increased. Priority is retained if the size of the order does not change or is not

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[12]   The final sentence of current NOM Options 3, Section 7(a)(1) provides, "The
         replacement order will not retain the priority of the cancelled order except when
         the replacement order reduces the size of the order and all other terms and
         conditions are retained."

[13]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the
         priority of the cancelled order except when the replacement order reduces the size
         of the order and all other terms and conditions are retained."

increased. The rule is intended to provide transparency regarding changes to a Cancel-Replacement Order which would trigger a loss in priority. Today, and with the proposal, the price of the order may not be changed when submitting a Cancel-Replacement Order; that would be a new order. A similar change was recently made to BX's Cancel-Replacement Order.[14]

The Exchange proposes to amend "Limit Orders," within Options 3, Section 7(a)(2). The Exchange proposes to style "Limit Orders" in the singular and change "are" to "is an" and "orders" to "order." A Limit Order on NOM operates in the same manner as a Limit Order on BX. The Exchange proposes to conform the rule text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding a sentence describing marketable limit orders. BX recently amended its rule to similarly change its description of Limit Order.[15] The Exchange proposes to state, "A marketable limit order is a limit order to buy (sell) at or above (below) the best offer (bid) on the Exchange." The Exchange believes that the rule amendment more aptly describes a marketable limit order as compared to the current rule text, which is confusing, but was intended to convey the substance of the proposed text. The new sentence does not substantively amend the current rule text and conforms NOM's description with BX's description.

The Exchange proposes to amend "Minimum Quantity Orders," within Options 3, Section 7(a)(3). The Exchange proposes to style "Minimum Quantity Orders" in the singular and change "are" to "is an" and "orders" to "order." These amendments are

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[14]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[15]   Id.

technical and non-substantive. The Exchange is otherwise not amending the Minimum

Quantity Order rule text.

The Exchange proposes to amend "Market Orders," within Options 3, Section

7(a)(4). The Exchange proposes to style "Market Orders" in the singular and change

"are" to "is an" and "orders" to "order." These amendments are technical and non-

substantive. The Exchange also proposes to amend a current sentence to state,

"Participants can designate that their Market Orders not executed after a pre-established

period of time, as established by the Exchange, will be cancelled back to the Participant,

once an option series has opened for trading." Market Orders submitted during the

opening may be executed, or cancelled if the Market Order is priced through the opening

price. The Exchange would only cancel those Market Orders that remained on the Order

Book once an option series opened.[16] The pre-established period of time would

commence once the intra-day trading session begins for that options series and the order

would be cancelled back to the Participant, provided the Participant elected to cancel

back its Market Orders. The Exchange proposes to make clear that while the opening is

on-going, and the intra-day trading session has not commenced, the pre-established

period of time would not commence. Further, the Exchange proposes to note that

"Market Orders on the Order Book would be immediately cancelled if an options series

halted, provided the Participant designated the cancellation of Market Orders." Once an

options series halts for trading, the Exchange conducts another Opening Process. In the

case where a Market Order was resting on the Order Book, and the Participant had

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[16]   See NOM's Trading Halts rule at Options 3, Section 9(d)(2), "After the opening,
         the Exchange shall reject Market Orders, as defined in Options 3, Section 7, and
         shall notify Participants of the reason for such rejection."

designated the cancellation of Market Orders, in the event of a halt, the Market Orders

resting on the Order Book would immediately cancel. This proposed rule text is

consistent with existing System functionality. The Exchange believes that this additional

rule text brings greater clarity to the Market Order type.

The Exchange proposes to amend "Price Improving Orders," within Options 3,

Section 7(a)(5). The Exchange proposes to style "Price Improving Orders" in the

singular and change "are" to "is an" and "orders" to "order."

The Exchange proposes to amend "On the Open Order," within Options 3,

Section 7(a)(6) by removing the words "The term" at the beginning of the sentence and

change "shall mean" to "is."

The Exchange proposes to amend "Intermarket Sweep Order" or "ISO," within

Options 3, Section 7(a)(7). Today, the rule text provides,

> "Intermarket Sweep Order" or "ISO" are limit orders that are designated
>
> as ISOs in the manner prescribed by Nasdaq and are executed within the
>
> System by Participants at multiple price levels without respect to Protected
>
> Quotations of other Eligible Exchanges as defined in Options 5, Section 1.
>
> ISOs may have any time-in-force designation except WAIT, are handled
>
> within the System pursuant to Options 3, Section 10 and shall not be
>
> eligible for routing as set out in Options 3, Section 19. ISOs with a time-
>
> in-force designation of GTC are treated as having a time-in-force
>
> designation of Day.
>
> (1) Simultaneously with the routing of an ISO to the System, one or more
>
> additional limit orders, as necessary, are routed by the entering party to

execute against the full displayed size of any protected bid or offer (as

defined in Options 5, Section 1) in the case of a limit order to sell or buy

with a price that is superior to the limit price of the limit order identified

as an intermarket sweep order (as defined in Options 5, Section 1). These

additional routed orders must be identified as ISOs.

The Exchange proposes to replace the current rule, within Options 3, Section 7(a)(7),

with the exception of Options 3, Section 7(a)(7)(1), which is being retained by re-lettered

as "A," with the following rule text which is similar to BX Options 3, Section 7(a)(6),[17]

to describe an ISO Order, "is a Limit Order that meets the requirements of Options 5,

Section 1(8). Orders submitted to the Exchange as ISO are not routable and will ignore

the ABBO and trade at allowable prices on the Exchange. ISOs may be entered on the

Order Book. ISOs may have any time-in-force designation and are handled within the

System pursuant to Options 3, Section 10 and shall not be eligible for routing as set out in

Options 5, Section 4. ISO Orders may not be submitted during the opening."

An ISO Order is a Limit Order, as noted in the current text and Options 5, Section

1, continues to be referenced in the proposed text. The Exchange continues to note that

the orders are not routable. The additional text, "…will ignore the ABBO and trade at

allowable prices on the Exchange" is more precise than the current rule text and describes

current functionality. The Exchange further proposes to state, "ISOs may be entered on

the Order Book." That is also the case today. The remainder of the current rule text is

not necessary as Options 5, Section 1(8) is cited. Removing the current rule text and

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[17]   BX's rule describes the PRISM mechanism, while NOM has no auction
         mechanisms.

replacing it with text which describes the proper time-in-force designation will make clear what is acceptable on NOM today. This rule text is not proposed to change the functionality of an ISO Order. The Exchange believes the proposed description provides a more succinct description.

Today, ISOs may have any time-in-force designation, except WAIT, and further requires that ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. The Exchange proposes to remove the WAIT time-in-force within this proposed rule change, as described in more detail below, and, therefore, the WAIT order type no longer needs to be cited.

Further, today, NOM's System does not treat an ISO with a time-in-force designation of GTC as having a time-in-force designation of Day, as provided for within NOM's current rule at Options 3, Section 7(a)(6), rather those orders are treated as GTC. The current sentence is being removed because it is inaccurate. The proposed sentence accurately describes the System functionality. The Exchange does not believe that an ISO with a time-in-force designation of GTC was ever treated as having a time-in-force designation of Day, the rule text was simply inaccurate.

The Exchange proposes to amend "One-Cancels-the-Other Order" at renumbered Options 3, Section 7(a)(8) by changing "shall mean" to "is."

The Exchange proposes to amend the "All-or-None Order," within renumbered Options 3, Section 7(a)(9). The Exchange proposes to replace "shall mean" with "is" and capitalize market order and limit orders.

The Exchange proposes to amend the "Post-Only Orders," within renumbered Options 3, Section 7(a)(10). The Exchange proposes to replace "are" with "is an" and

make Post-Only Orders singular. An extra space is also being removed.

The Exchange proposes to amend Options 3, Section 7(b) to define "Time in Force" as "TIF".

With respect to an "On the Open Order," or "OPG" Order, within Options 3, Section 7(b)(1), the Exchange notes that OPGs may not route. This is the case today. This order type functions in the same way as BX's OPG Order at Options 3, Section 7(b)(1).[18] The Exchange is adding rule text to make clear the manner in which an OPG Order would be treated, which is similar to how a BX OPG Order is treated today.

The Exchange proposes to amend an "Immediate-Or-Cancel" Order or "IOC," within Options 3, Section 7(b)(2) to add hyphens and make "Or" lowercase. The Exchange proposes to remove the current description which provides that an IOC Order, "shall mean for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. IOC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close. IOC Orders entered between the time specified by the Exchange on its website and 9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the System shall determine whether such orders are marketable." The Exchange proposes to

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[18]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is entered with a TIF of "OPG". This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route."

replace this description with rule text similar to BX Options 3, Section 7(b)(2)[19] as these order types are identical, except that NOM has the OTTO protocol and BX does not, and also as mentioned previously NOM has no auctions. Additionally, BX's rule addresses limitations in order protections that do not exist today on NOM. The Exchange proposes to state that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled and/or routed pursuant to Participant's instruction. IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route. Today, IOC Orders entered through OTTO or SQF do not route; only orders entered through FIX may route. The SQF interface is a quoting interface, the Exchange does not route quotes. With respect to OTTO, orders submitted by NOM Market Makers over this interface are treated as quotes and similarly do not route. The Exchange is proposing to memorialize this information within the description of an IOC Order to add clarity.

The Exchange proposes to amend the TIF of "DAY" at Options 5, Section 7(b)(3) to remove the words "shall mean for orders so designated" and add "is an order" to conform the rule text to other text in this rule. The Exchange also proposes to conform

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[19] BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are not eligible for routing. (B) IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker through SQF is not subject to the Limit Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF of IOC. By their terms, these orders will be: (1) executed after an exposure period, or (2) cancelled.

the description of a TIF of "DAY" similar to Phlx Options 3, Section 7(c)(1).[20] The

Exchange believes that the remainder of the description for a Day Order, "if after entry

into the System, the order is not fully executed, the order (or unexecuted portion thereof)

shall remain available for potential display and/or execution until market close, unless

canceled by the entering party, after which it shall be returned to the entering party. Day

Orders shall be available for entry from the time prior to market open specified by the

Exchange on its website until market close and for potential execution from 9:30 a.m.

until market close," is unnecessarily verbose and proposes to remove this rule text. The

Exchange proposes to state, "Day" is an order entered with a TIF of "Day" that expires at

the end of the day on which it was entered, if not executed. All orders by their terms are

Day Orders unless otherwise specified. Day Orders may be entered through FIX or

OTTO. A Day Order on Phlx functions in the same way as a Day Order on NOM. The

Phlx rule text is more succinct in describing this order type. Similar changes were

recently made on BX.[21]

    The Exchange proposes to amend the TIF of "Good Til Cancelled" or "GTC" at

Options 5, Section 7(b)(4). The Exchange proposes to remove the words "shall mean for

orders" and add "is an order." The Exchange also proposes to conform the rule text

similar to Phlx Options 3, Section 7(c)(4),[22] and provide that a "Good Til Cancelled" or

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[20]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered
        with a TIF of "Day" expires at the end of the day on which it was entered. All
        orders by their terms are Day Orders unless otherwise specified. Day orders may
        be entered through FIX."

[21]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
        (August 10, 2020) (SR-BX-2020-017).

[22]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order
        entered with a TIF of GTC, if not fully executed, will remain available for

"GTC" is "an order entered with a TIF of "GTC" that, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close. GTC Orders may only be entered through FIX." The Exchange would remove the rule text which provides, "that if after entry into System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close." A GTC Order on Phlx functions in the same way as a GTC Order on NOM. The Exchange is not proposing to amend the functionality of a GTC Order, rather the Exchange believes the proposed description is more succinct.

The Exchange proposes to no longer offer a TIF of "WAIT." The Exchange would remove the rule text at NOM Options 3, Section 7(b)(5). If the Exchange desires to offer this TIF in the future, it would file a proposed rule change with the Commission pursuant to Section 19(b)(1) of the Act.[23] The Exchange has provided notice of its intention to remove the TIF of "WAIT".[24] BX previously offered a WAIT order type

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potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close."

[23]   15 U.S.C. 78s(b)(1).

[24]   See Options Trader Alert #2020 – 26.

recently and discontinued this order types because it was not being utilized to a great extent.[25]

The Exchange proposes to note, within NOM Options 3, Section 7(c), the various routing options which are available. The Exchange proposes to add rule text which provides, "Routing Strategies. Orders may be entered on the Exchange with a routing strategy of SEEK, SRCH or Do-Not-Route ("DNR") as provided in Options 5, Section 4 through FIX only."

Finally, the Exchange proposes to re-letter current Options 3, Section 7(c) and (d).

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(c) relating to Anti-Internalization to make clear that the Anti-Internalization functionality does not apply during the opening. A similar change was recently made to BX's Rules.[26] The Exchange proposes to clarify that Anti-Internalization does not apply during an opening or reopening following a trading halt, pursuant to Options 3, Section 8, to provide more specificity on how this functionality currently operates. The Exchange notes that the same procedures used during an opening are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the opening (i.e., the opening and halt reopening processes). During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. They are not required to quote in the opening on NOM. Therefore,

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[25]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

[26]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

Anti-Internalization is unnecessary during an opening due to the high level of control that Market Makers exercise over their quotes during this process.

Options 3, Section 23

The Exchange proposes to amend Options 3, Section 23, Data Feeds and Trade Information, to update its description of Nasdaq ITCH to Trade Options ("ITTO"). The Exchange proposes to amend ITTO at Options 3, Section 23(a)(1) to more closely align with current System operation. The Exchange proposes a technical amendment to the first sentence to replace a comma with the word "and." The Exchange also proposes to relocate rule text concerning order imbalances to the end of the description. The Exchange proposes to amend the first sentence to state that ITTO is a data feed that provides full order and quote depth information for individual orders and quotes on the NOM book, and last sale information for trades executed on NOM. The Exchange would amend and relocate the rule text that provides, "and Order Imbalance Information as set forth in NOM Rules Options 3, Section 8" at the end of the first sentence. The Exchange proposes to add a sentence at the end of the description within Options 3, Section 8 which states, "The feed also provides order imbalances on opening/re-opening (size of matched contracts and size of the imbalance)." This sentence makes clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process initiates after a trading halt has occurred intra-day. Also, the Exchange notes the specific information that would be provided, namely the size of matched contracts and size of the imbalance. The Exchange believes that this additional context to imbalance messages will provide market participants with more complete information about what is contained in the data feed. The Exchange notes that this information is available today

and the rule text is being amended to make clear what information is currently provided.

2.   Statutory Basis

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

Act,[27] in general, and furthers the objectives of Section 6(b)(5) of the Act,[28] 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.

Options 1, Section 1

The Exchange's proposal to amend the definition of "Public Customer" to

conform to Phlx's definition is intended to provide greater specificity regarding what is

meant by the term "Public Customer." The Exchange believes that making clear that a

Public Customer could be a person or entity and clarifying that a Public Customer is not a

Professional, as defined within Options 1, Section (a)(47),[29] will make clear what it

meant by that term. Today, a Public Customer is not a Professional. In order to properly

represent orders entered on the Exchange, Participants are required to indicate whether

orders are "Professional Orders." To comply with this requirement, Participants are

required to review their Public Customers' activity on at least a quarterly basis to

determine whether orders, which are not for the account of a broker-dealer, should be

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[27]   15 U.S.C. 78f(b)

[28]   15 U.S.C. 78f(b)(5).

[29]   NOM Options 1, Section 1(a)(47) provides that, "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."

represented as Public Customer Orders or Professional Orders.[30] A Public Customer may

be a Professional, provided they meet the requirements specified within NOM Options 1,

Section 1(a)(47). If the Professional definition is not met, the order is treated as a Public

Customer order. The Exchange believes that it is consistent with the Act to state within

the definition of "Public Customers" that a Professional is not a Public Customer. As

noted above, there is a process for determining if a market participant qualifies as a

"Professional." This specificity will serve to protect investors and the public interest in

that the terms "Public Customer" and "Professional" are separate categories of market

participants, as defined. Also, this definition conforms to Phlx's definition at Options 1,

Section 1(b)(47).

The Exchange's proposal to remove a sentence within Options 1, Section 1(a)(47)

which provides, "A Participant or a Public Customers may, without limitation, be a

Professional," is consistent with the Act. This sentence is confusing, unnecessary, and

adds no information to this defined term. By way of comparison, Phlx Options 1, Section

1(b)(46) does not contain a similar sentence and that sentence was recently removed from

Nasdaq BX, Inc.'s ("BX") Rules.[31] The Exchange adopted a Professional designation in

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[30]   Participants conduct a quarterly review and make any appropriate changes to the
         way in which they are representing orders within five days after the end of each
         calendar quarter. While Participants only will be required to review their
         accounts on a quarterly basis, if during a quarter the Exchange identifies a
         customer for which orders are being represented as Public Customer Orders but
         that has averaged more than 390 orders per day during a month, the Exchange
         will notify the Participant and the Participant will be required to change the
         manner in which it is representing the customer's orders within five days.

[31]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

2010[32] and has differentiated Public and Professional customers since that time. NOM

proposes removing this sentence because it does not add useful information to

understanding who may qualify as a Professional.

The Exchange's proposal to remove a sentence, within Options 3, Section

10(a)(1)(C)(i), which allocation rule provides that a Public Customer order does not

include a Professional order is consistent with the Act. Today, the definition of a Public

Customer does not explicitly exclude a Professional. Indicating that a Public Customer

order is not a Professional Order is no longer necessary because of the proposed

definition for Public Customer. The language that the Exchange proposes to delete,

currently indicates that Professionals would not be treated the same as a Public Customer

in terms of priority and, therefore, would not receive the same allocation that is reserved

for Public Customer orders. Since NOM is amending the definition of a Public Customer

to explicitly exclude Professionals, the language in the allocation rule is no longer

necessary to distinguish these two types of market participants.

Bid/Ask Differentials

The Exchange's proposal to amend NOM Options 2, Section 5(d)(2) to add the

words "Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" and

make clear that remove references to the opening, will make clear for Market Makers

their intra-day requirements. The bid/ask differentials, within NOM Options 2, Section

5(d)(2), will continue to apply intra-day. This is consistent with the Exchange's existing

practice. Today, the bid/ask differentials applicable to the opening are noted within

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[32]   See Securities Exchange Act Release No. 63028 (October 1, 2010), 75 FR 62443
         (October 8, 2010) (SR-NASDAQ-2020-099) (Order Approving a Proposed Rule
         Change To Adopt a Definition of Professional and Require That All Professional
         Orders Be Appropriately Marked).

Options 3, Section 8(a)(6).[33] As noted within the rule, NOM publishes its specified

bid/ask differential on its system settings page.[34] The bid/ask differentials noted for the

Valid Width NBBO within the opening provide for quotations with a difference that does

not exceed $5 between the bid and offer regardless of the price of the bid. It is not

necessary to discuss the opening bid/ask differentials within Options 2, Section 5 as those

differentials are specifically noted within the opening rule. This clarification is consistent

with the Act because it is designed to avoid any confusion for Market Makers as to their

intra-day requirements versus their opening requirements.

Options 3, Section 5

The Exchange's proposal to amend Options 3, Section 5(c) to add additional rule

text similar to Phlx Options 3, Section 5(c)[35] is consistent with the Act. Today, NOM re-

prices certain orders to avoid locking and crossing away markets, consistent with its

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[33]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or
        Offer" or "Valid Width NBBO" shall mean the combination of all away market
        quotes and any combination of NOM-registered Market Maker orders and quotes
        received over the QUO or SQF Protocols within a specified bid/ask differential as
        established and published by the Exchange. The Valid Width NBBO will be
        configurable by underlying, and tables with valid width differentials will be
        posted by Nasdaq on its website. Away markets that are crossed will void all
        Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM
        are crossed internally, then all such orders and quotes will be excluded from the
        Valid Width NBBO calculation."

[34]   NOM's System Settings page is located at:
        https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

[35]   Phlx has an All-or-None Order type that is non-displayed. See Options 3, Section
        7(b)(5). Phlx Options 3, Section 5(c) accounts for this non-displayed order on the
        order book. NOM has a Price Improving Order is already described within
        Options 3, Section 5(c). A Price Improving Order on NOM displays differently
        than Phlx's All-Or-None Order and therefore is described differently within
        Options 3, Section 5(c). Otherwise, NOM has no other non-displayed order types.

Trade-Through Compliance and Locked or Crossed Markets obligations.[36] Orders which

lock or cross an away market automatically re-price one minimum price improvement

inferior to the original away best bid/offer price to one minimum trading increment away

from the new away best bid/offer price or its original limit price.[37] The re-priced order is

displayed on OPRA. The order remains on NOM's Order Book and is accessible at the

non-displayed price. For example, a limit order may be accessed on NOM by a

Participant if the limit order is priced better than the NBBO. The Exchange believes that

the addition of this rule text will add greater specificity to the rule.

        Options 3, Section 7

        The Exchange's proposal to amend the Cancel-Replacement Order, within

Options 3, Section 7(a)(1), is consistent with the Act. A Participant has the option of

either submitting a cancel order and then separately submitting a new order, which serves

as a replacement of the original order, in two separate messages, or submitting a single

cancel and replace order in one message ("Cancel-Replacement Order"). Submitting a

cancel order and then separately submitting a new order will not retain the priority of the

original order. The Exchange's proposal to replace the words "shall mean" with "is" and

remove the final sentence of the rule text will bring greater clarity to this rule. The

Exchange addition of a new sentence to the end of the rule which provides, "The

replacement order will retain the priority of the cancelled order, if the order posts to the

Order Book, provided the price is not amended, and the size is not increased" states in the

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36   See NOM Options 3, Section 5(d).

37   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
        for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
        (B) and (C).

affirmative the conditions under which the Cancel-Replacement Order will retain priority. Price and size are the terms that will determine if the Cancel-Replacement Order retains its priority, as is the case today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

The Exchange's proposal is not amending the current System functionality of a Cancel-Replacement Order with respect to the terms that will cause the order to lose priority. Today, and with the proposed change, if a Participant does not change or increase the size of the order, it would not trigger a loss in priority. Options 3, Section 7(a)(1) states only if the size of the order were reduced would a loss of priority occur.[38] Priority is retained if the size of the order does not change or is not increased. The rule is intended to provide transparency regarding changes to a Cancel-Replacement Order which would trigger a loss in priority. Today, and with the proposal, the price of the order may not be changed when submitting a Cancel-Replacement Order; that would be a new order. A similar change was recently made to BX's Cancel-Replacement Order.[39] Price and size are the terms that will determine if the Cancel-Replacement Order retains its priority, as is the case today, other terms and conditions do not amend the priority of the Cancel-Replacement Order.

The Exchange's proposal to amend "Limit Orders," within Options 3, Section 7(a)(3), to add the sentence for marketable limit orders which is currently in BX's rule is consistent with the Act. A Limit Order on NOM operates in the same manner as a Limit

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[38]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained."

[39]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

Order on BX. The Exchange proposes to conform the rule text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding the sentence describing marketable limit orders. BX recently amended its rule to similarly change its description of Limit Order.[40] The Exchange proposes to state, "A marketable limit order is a limit order to buy (sell) at or above (below) the best offer (bid) on the Exchange." The Exchange believes that the rule amendment is consistent with the Act as it more aptly describes a marketable limit order as compared to the current rule text, which is confusing, but was intended to convey the substance of the proposed text. The new sentence does not substantively amend the current rule text and conforms NOM's description with BX's description.

The Exchange's proposal to amend "Minimum Quantity Orders," within Options 3, Section 7(a)(3), is non-substantive and makes technical edits that do not change the meaning of the term. The Exchange is otherwise not amending the Minimum Quantity Order rule text.

The Exchange's proposal to amend "Market Orders," within Options 3, Section 7(a)(4), is consistent with the Act. The Exchange's proposes to style "Market Orders" in the singular and change "are" to "is an" and "orders" to "order." These amendments are technical and non-substantive. The Exchange's proposal to amend the current sentence to state, "Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant, **once an option series has opened for trading**." Market Orders submitted during the opening may be executed, or cancelled if the Market Order is priced through the opening price. The Exchange would only cancel those Market Orders that remained

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[40]   Id.

on the Order Book once an option series opened.[41]   The pre-established period of time

would commence once the intra-day trading session begins for that options series and the

order would be cancelled back to the Participant, provided the Participant elected to

cancel back its Market Orders. The Exchange's proposal makes clear that while the

opening is on-going, and the intra-day trading session has not commenced, the pre-

established period of time would not commence.

The proposal to note that "Market Orders on the Order Book would be

immediately cancelled if an options series halted, provided the Participant designated the

cancellation of Market Orders" is consistent with the Act. Once an options series halts

for trading, the Exchange conducts another Opening Process. In the case where a Market

Order was resting on the Order Book, and the Participant had designated the cancellation

of Market Orders, in the event of a halt, the Market Orders resting on the Order Book

would immediately cancel. This proposed rule text is consistent with existing System

functionality. The Exchange believes that this additional rule text brings greater clarity to

the Market Order type.

The Exchange proposes to amend "Price Improving Orders," within Options 3,

Section 7(a)(5) is consistent with the Act. The Exchange proposes to style "Price

Improving Orders" in the singular and change "are" to "is an" and "orders" to "order" are

non-substantive amendments.

The Exchange's proposal to amend "On the Open Order," within Options 3,

Section 7(a)(6) by removing the words "The term" at the beginning of the sentence and

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[41]   See NOM's opening rule at Options 3, Section 8(d)(2), "After the opening, the
         Exchange shall reject Market Orders, as defined in Options 3, Section 7, and shall
         notify Participants of the reason for such rejection."

change "shall mean" to "is" are non-substantive amendments.

The Exchange's proposal to amend "Intermarket Sweep Order" or "ISO" Orders, within Options 3, Section 7(a)(7), with the exception of Options 3, Section 7(a)(7)(1), which is being retained by re-lettered as "A," and addition of rule text is consistent with the Act. The new rule text is similar to BX Options 3, Section 7(a)(6).[42]

An ISO Order is a Limit Order, as noted in the current text and Options 5, Section 1, continues to be referenced in the proposed text. The Exchange continues to note that the orders are not routable. The additional text, "…will ignore the ABBO and trade at allowable prices on the Exchange" is more precise than the current rule text and describes current functionality. The Exchange further proposes to state, "ISOs may be entered on the Order Book." That is also the case today. The remainder of the current rule text is not necessary as Options 5, Section 1(8) is cited. Removing the current rule text and replacing it with text which describes the proper time-in-force designation will make clear what is acceptable on NOM today. This rule text is not proposed to change the functionality of an ISO Order. The Exchange believes the proposed description provides a more succinct description.

Today, the rule provides that ISOs may have any time-in-force designation, except WAIT, and further requires that ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. The Exchange proposes to remove the WAIT time-in-force within this proposed rule change, as described in more detail below, and, therefore, the WAIT order type no longer needs to be cited. NOM's System does not treat an ISO with a time-in-force designation of GTC as having a time-in-force

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[42]   BX's rule describes the PRISM mechanism, while NOM has no auction mechanisms.

designation of Day, as provided for within NOM's current rule at Options 3, Section

7(a)(6), rather those orders are treated as GTC. The current sentence is being removed

because it is inaccurate. The proposed sentence is consistent with the Act because it

accurately describes the System functionality. The Exchange does not believe that an

ISO with a time-in-force designation of GTC was ever treated as having a time-in-force

designation of Day, the rule text was simply inaccurate. This proposal is consistent with

the protection of investors and the public interest because it will clarify the handling of

ISO Orders for market participants.

The Exchange's proposal to amend "One-Cancels-the-Other Order" within

renumbered Options 3, Section 7(a)(8) is consistent with the Act because the changes are

technical in nature and non-substantive.

The Exchange's amendment to "All-or-None Order," within renumbered Options

3, Section 7(a)(9), is non-substantive and does not change the meaning of the term.

The Exchange's amendment to "Post-Only Orders," within renumbered Options

3, Section 7(a)(10), is non-substantive and does not change the meaning of the term.

Adding "TIF to Options 3, Section 7(b) allows that term to be defined within the

Rules.

The Exchange's proposal to amend the "On the Open Order," or "OPG" Order,

within Options 3, Section 7(b)(1), to note that OPGs may not route, is consistent with the

Act. The System would not route an OPG Order today. This order type functions in the

same way as BX's OPG Order at Options 3, Section 7(b)(1).[43] The Exchange is adding

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[43]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is
        entered with a TIF of "OPG". This order can only be executed in the Opening
        Process pursuant to Options 3, Section 8. This order type is not subject to any

rule text to make clear the manner in which an OPG Order would be treated, which is

similar to how a BX OPG Order is treated today. This proposal is consistent with the

protection of investors and the public interest because it will clarify the handling of OPG

Orders for market participants.

The Exchange's proposal to amend an "Immediate-Or-Cancel" Order or "IOC,"

within Options 3, Section 7(b)(2), is consistent with the Act. The Exchange's proposal

replaces the current description with Phlx's description at Options 3, Section 7(c)(2) as

these order types are identical. The Exchange's proposal to state that an Immediate-or-

Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole

or in part upon receipt will bring greater clarity to the rule. Further the Exchange's

proposal to add that any portion not so executed is cancelled is consistent with the current

description. The Exchange proposes to replace this description with rule text similar to

BX Options 3, Section 7(b)(2)[44] as these order types are identical, except that NOM has

the OTTO protocol and BX does not, and also as mentioned previously NOM has no

auctions. Additionally, BX's rule addresses limitations in order protections that do not

exist today on NOM. The Exchange proposes to state that an Immediate-or-Cancel Order

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protections listed in Options 3, Section 15. Any portion of the order that is not
executed during the Opening Process is cancelled. OPG orders may not route."

[44]   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a
Market Order or Limit Order to be executed in whole or in part upon receipt. Any
portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are
not eligible for routing. (B) IOC orders may be entered through FIX or SQF,
provided that an IOC Order entered by a Market Maker through SQF is not
subject to the Limit Order Price Protection or the Market Order Spread Protection
in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the
Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF
of IOC. By their terms, these orders will be: (1) executed after an exposure
period, or (2) cancelled.

or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled and/or routed pursuant to Participant's instruction. IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route. Today, IOC Orders entered through OTTO or SQF do not route; only orders entered through FIX may route. The SQF interface is a quoting interface, the Exchange does not route quotes. With respect to OTTO, orders submitted by NOM Market Makers over this interface are treated as quotes and similarly do not route. The Exchange's amendments are consistent with the Act in that the changes memorialize pertinent information within the description of an IOC Order to add clarity.

The Exchange's proposal to amend the TIF of "DAY" at Options 3, Section 7(b)(3) to conform the description of a TIF of "DAY" to Phlx Options 3, Section 7(c)(1)[45] is consistent with the Act. The Exchange believes the current text describing NOM's Day TIF is unnecessarily verbose and proposes to remove this language. A DAY Order on Phlx functions in the same way as a DAY Order on NOM. The proposal is not amending the System functionality of a DAY Order. The Phlx rule text is more succinct in describing this order type. Similar changes were recently made on BX.[46]

The Exchange's proposal to amend the TIF of "Good Til Cancelled" or "GTC" at Options 3, Section 7(b)(4) is consistent with the Act. The Exchange proposes to conform

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[45]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered with a TIF of "Day" expires at the end of the day on which it was entered. All orders by their terms are Day Orders unless otherwise specified. Day orders may be entered through FIX."

[46]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

the rule text to Phlx Options 3, Section 7(c)(4).[47] The Exchange is not amending the manner in which the System function with respect to GTC Orders. GTC Orders, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open, as specified by the Exchange, until market close, as is the case today. Also, today, a GTC Order may only be entered through FIX. A GTC Order on Phlx functions in the same way as a GTC Order on NOM. The Exchange believes that the amended rule text will bring greater transparency to its rules as the proposed description is more succinct and thereby protects investors and the general public.

The Exchange's proposal to no longer offer a TIF of "WAIT" is consistent with the Act because it will remove an order type that is not in demand on NOM and simply the offerings provided by NOM. If the Exchange desires to offer this TIF in the futures, it would file a proposed rule change with the Commission pursuant to Section 19(b)(1) of the Act.[48] The Exchange has provided notice of its intention to remove the TIF of "WAIT".[49] BX previously offered a WAIT order type recently and discontinued this order types because it was not being utilized to a great extent.[50]

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[47]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order entered with a TIF of GTC, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close."

[48]   15 U.S.C. 78s(b)(1).

[49]   See Options Trader Alert #2020 – 26.

[50]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274 (August 10, 2020) (SR-BX-2020-017).

The Exchange's proposal to note, within NOM Options 3, Section 7(c), the various routing options which are available is consistent with the Act.

Options 3, Section 15

The Exchange believes its proposal to clarify that Anti-Internalization will not apply during an opening is consistent with the Act as it would provide more specificity on how this functionality currently operates. A similar change was recently made to BX's Rules.[51] The Exchange notes that the same procedures used during an opening are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the opening (i.e., the opening and halt reopening processes). During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. They are not required to quote in the opening on NOM. Therefore, Anti-Internalization is unnecessary during an opening due to the high level of control that Market Makers exercise over their quotes during this process.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23, Data Feeds and Trade Information, to update its descriptions of the ITTO data feed is consistent with the Act because the updated descriptions will bring greater transparency to the Exchange's rules and more closely align with current System operation.

The Exchange's proposal will make clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process initiates after a trading halt has occurred intra-day. Also, the Exchange's proposal notes

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[51] See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

the specific information that would be provided, namely the size of matched contracts and size of the imbalance. The Exchange believes that this additional context to imbalance messages will provide market participants with more complete information about what is contained in the data feed. The Exchange notes that this information is available today and the rule text is being amended to make clear what information is currently provided.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Options 1, Section 1

The Exchange's proposal to amend the definition of "Public Customer" to conform to Phlx's definition is intended to provide greater specificity regarding what is meant by the term "Public Customer." This proposal does not impose an undue burden on competition, rather it makes clear that a Public Customer could be a person or entity and clarifies that a Public Customer is not a Professional, as defined within Options 1, Section (a)(47).[52] Today, a Public Customer is not a Professional. In order to properly represent orders entered on the Exchange, Participants are required to indicate whether orders are "Professional Orders." To comply with this requirement, Participants are required to review their Public Customers' activity on at least a quarterly basis to

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[52]   NOM Options 1, Section 1(a)(47) provides that, "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."

determine whether orders, which are not for the account of a broker-dealer, should be

represented as Public Customer Orders or Professional Orders.[53] A Public Customer may

be a Professional, provided they meet the requirements specified within NOM Options 1,

Section 1(a)(47). If the Professional definition is not met, the order is treated as a Public

Customer order. The process for determining if a market participant qualifies as a

"Professional" is applicable to all Participants. Also, this definition conforms to Phlx's

definition at Options 1, Section 1(b)(47).

   The Exchange's proposal to remove a sentence within Options 1, Section 1(a)(47)

which provides, "A Participant or a Public Customers may, without limitation, be a

Professional," does not impose an undue burden on competition. This sentence is

confusing, unnecessary, and adds no information to this defined term. By way of

comparison, Phlx Options 1, Section 1(b)(46) does not contain a similar sentence and that

sentence was recently removed from Nasdaq BX, Inc.'s ("BX") Rules.[54] The Exchange

adopted a Professional designation in 2010[55] and has differentiated Public and

Professional customers since that time. NOM proposes removing this sentence because it

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[53]   Participants conduct a quarterly review and make any appropriate changes to the
      way in which they are representing orders within five days after the end of each
      calendar quarter. While Participants only will be required to review their
      accounts on a quarterly basis, if during a quarter the Exchange identifies a
      customer for which orders are being represented as Public Customer Orders but
      that has averaged more than 390 orders per day during a month, the Exchange
      will notify the Participant and the Participant will be required to change the
      manner in which it is representing the customer's orders within five days.

[54]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
      (August 10, 2020) (SR-BX-2020-017).

[55]   See Securities Exchange Act Release No. 63028 (October 1, 2010), 75 FR 62443
      (October 8, 2010) (SR-NASDAQ-2020-099) (Order Approving a Proposed Rule
      Change To Adopt a Definition of Professional and Require That All Professional
      Orders Be Appropriately Marked).

does not add useful information to understanding who may qualify as a Professional.

The Exchange's proposal to remove a sentence, within Options 3, Section

10(a)(1)(C)(i), which allocation rule provides that a Public Customer order does not

include a Professional order does not impose an undue burden on competition. Today,

the definition of a Public Customer does not explicitly exclude a Professional. Indicating

that a Public Customer order is not a Professional Order is no longer necessary because

of the proposed definition for Public Customer. The language that the Exchange

proposes to delete, currently indicates that Professionals would not be treated the same as

a Public Customer in terms of priority and, therefore, would not receive the same

allocation that is reserved for Public Customer orders. Since NOM is amending the

definition of a Public Customer to explicitly exclude Professionals, the language in the

allocation rule is no longer necessary to distinguish these two types of market

participants.

Bid/Ask Differentials

The Exchange's proposal to amend NOM Options 2, Section 5(d)(2) to add the

words "Intra-Day" before the title "Bid/ask Differentials (Quote Spread Parameters)" and

make clear that remove references to the opening, will make clear for Market Makers

their intra-day requirements. The bid/ask differentials, within NOM Options 2, Section

5(d)(2), will continue to apply intra-day. This proposal does not impose an undue burden

on competition, rather it conform the Exchange's existing practice. Today, the bid/ask

differentials applicable to the opening are noted within Options 3, Section 8(a)(6).[56] As

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[56]   NOM Options 3, Section 8(a)(6) provides, "Valid Width National Best Bid or
         Offer" or "Valid Width NBBO" shall mean the combination of all away market
         quotes and any combination of NOM-registered Market Maker orders and quotes

noted within the rule, NOM publishes its specified bid/ask differential on its system

settings page.[57] The bid/ask differentials noted for the Valid Width NBBO within the

opening provide for quotations with a difference that does not exceed $5 between the bid

and offer regardless of the price of the bid. It is not necessary to discuss the opening

bid/ask differentials within Options 2, Section 5 as those differentials are specifically

noted within the opening rule. This clarification avoids any confusion for Market Makers

as to their intra-day requirements versus their opening requirements.

Options 3, Section 5

The Exchange's proposal to amend Options 3, Section 5(c) to add additional rule

text similar to Phlx Options 3, Section 5(c)[58] does not impose an undue burden on

competition. Today, NOM re-prices certain orders to avoid locking and crossing away

markets, consistent with its Trade-Through Compliance and Locked or Crossed Markets

obligations.[59] Orders which lock or cross an away market automatically re-price one

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received over the QUO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange. The Valid Width NBBO will be configurable by underlying, and tables with valid width differentials will be posted by Nasdaq on its website. Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation."

57   NOM's System Settings page is located at: https://www.nasdaq.com/docs/2020/07/02/NOM_SystemSettings.pdf.

58   Phlx has an All-or-None Order type that is non-displayed. See Options 3, Section 7(b)(5). Phlx Options 3, Section 5(c) accounts for this non-displayed order on the order book. NOM has a Price Improving Order is already described within Options 3, Section 5(c). A Price Improving Order on NOM displays differently than Phlx's All-Or-None Order and therefore is described differently within Options 3, Section 5(c). Otherwise, NOM has no other non-displayed order types.

59   See NOM Options 3, Section 5(d).

minimum price improvement inferior to the original away best bid/offer price to one

minimum trading increment away from the new away best bid/offer price or its original

limit price.[60] The re-priced order is displayed on OPRA. The order remains on NOM's

Order Book and is accessible at the non-displayed price.

Options 3, Section 7

The Exchange's proposal to amend the Cancel-Replacement Order, within

Options 3, Section 7(a)(1), does not impose an undue burden on competition. A

Participant has the option of either submitting a cancel order and then separately

submitting a new order, which serves as a replacement of the original order, in two

separate messages, or submitting a single cancel and replace order in one message

("Cancel-Replacement Order"). Submitting a cancel order and then separately

submitting a new order will not retain the priority of the original order. The Exchange's

proposal to replace the words "shall mean" with "is" and remove the final sentence of the

rule text will bring greater clarity to this rule. The Exchange addition of a new sentence

to the end of the rule states in the affirmative the conditions under which the Cancel-

Replacement Order will retain priority. Price and size are the terms that will determine if

the Cancel-Replacement Order retains its priority, as is the case today, other terms and

conditions do not amend the priority of the Cancel-Replacement Order.

The Exchange's proposal is not amending the current System functionality of a

Cancel-Replacement Order with respect to the terms that will cause the order to lose

priority. Today, and with the proposed change, if a Participant does not change or

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60   See Options 5, Section 4 (Order Routing), which describes the repricing of orders
        for both routable and non-routable orders within Options 5, Section 4(a)(iii)(A),
        (B) and (C).

increase the size of the order, it would not trigger a loss in priority. Options 3, Section

7(a)(1) states only if the size of the order were reduced would a loss of priority occur.[61]

Priority is retained if the size of the order does not change or is not increased. The rule is

intended to provide transparency regarding changes to a Cancel-Replacement Order

which would trigger a loss in priority. Today, and with the proposal, the price of the

order may not be changed when submitting a Cancel-Replacement Order; that would be a

new order. A similar change was recently made to BX's Cancel-Replacement Order.[62]

Price and size are the terms that will determine if the Cancel-Replacement Order retains

its priority, as is the case today, other terms and conditions do not amend the priority of

the Cancel-Replacement Order.

The Exchange's proposal to amend "Limit Orders," within Options 3, Section

7(a)(3), to add the sentence for marketable limit orders which is currently in BX's rule

does not impose an undue burden on competition. A Limit Order on NOM operates in

the same manner as a Limit Order on BX. The Exchange proposes to conform the rule

text of NOM's Limit Order to BX Options 3, Section 7(a)(3) by adding a sentence

describing marketable limit orders. BX recently amended its rule to similarly change its

description of Limit Order.[63] The proposed text more aptly describes a marketable limit

order as compared to the current rule text, which is confusing, but was intended to

convey the substance of the proposed text. The new sentence does not substantively

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[61]   Options 3, Section 7(a)(1) provides, "The replacement order will not retain the
         priority of the cancelled order except when the replacement order reduces the size
         of the order and all other terms and conditions are retained."

[62]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
         (August 10, 2020) (SR-BX-2020-017).

[63]   Id.

amend the current rule text and conforms NOM's description with BX's description.

The Exchange's proposal to amend "Minimum Quantity Orders," within Options 3, Section 7(a)(3), is non-substantive and makes technical edits that do not change the meaning of the term. The Exchange is otherwise not amending the Minimum Quantity Order rule text.

The Exchange's proposal to amend "Market Orders," within Options 3, Section 7(a)(4), does not impose an undue burden on competition. The Exchange's proposes to style "Market Orders" in the singular and change "are" to "is an" and "orders" to "order." These amendments are technical and non-substantive. Market Orders submitted during the opening may be executed, or cancelled if the Market Order is priced through the opening price. The Exchange would only cancel those Market Orders that remained on the Order Book once an option series opened.[64] The pre-established period of time would commence once the intra-day trading session begins for that options series and the order would be cancelled back to the Participant, provided the Participant elected to cancel back its Market Orders. The Exchange's proposal makes clear that while the opening is on-going, and the intra-day trading session has not commenced, the pre-established period of time would not commence.

The proposal to note that "Market Orders on the Order Book would be immediately cancelled if an options series halted, provided the Participant designated the cancellation of Market Orders" does not impose an undue burden on competition. Once an options series halts for trading, the Exchange conducts another Opening Process. In

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[64]   See NOM's opening rule at Options 3, Section 8(d)(2), "After the opening, the Exchange shall reject Market Orders, as defined in Options 3, Section 7, and shall notify Participants of the reason for such rejection."

the case where a Market Order was resting on the Order Book, and the Participant had

designated the cancellation of Market Orders, in the event of a halt, the Market Orders

resting on the Order Book would immediately cancel. This proposed rule text is

consistent with existing System functionality. The Exchange believes that this additional

rule text brings greater clarity to the Market Order type.

The Exchange proposes to amend "Price Improving Orders," within Options 3,

Section 7(a)(5) does not impose an undue burden on competition. The Exchange

proposes to style "Price Improving Orders" in the singular and change "are" to "is an"

and "orders" to "order" are non-substantive amendments.

The Exchange's proposal to amend "On the Open Order," within Options 3,

Section 7(a)(6) by removing the words "The term" at the beginning of the sentence and

change "shall mean" to "is" are non-substantive amendments.

The Exchange's proposal to amend "Intermarket Sweep Order" or "ISO" Orders,

within Options 3, Section 7(a)(7), with the exception of Options 3, Section 7(a)(7)(1),

which is being retained by re-lettered as "A," and addition of rule text does not impose an

undue burden on competition. The new rule text is similar to BX Options 3, Section

7(a)(6).[65]

An ISO Order is a Limit Order, as noted in the current text and Options 5, Section

1, continues to be referenced in the proposed text. The Exchange continues to note that

the orders are not routable. The additional text is more precise than the current rule text

and describes current functionality. The Exchange further proposes to state, "ISOs may

be entered on the Order Book." That is also the case today. The remainder of the current

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[65]   BX's rule describes the PRISM mechanism, while NOM has no auction
         mechanisms.

rule text is not necessary as Options 5, Section 1(8) is cited. Removing the current rule

text and replacing it with text which describes the proper time-in-force designation will

make clear what is acceptable on NOM today. This rule text is not proposed to change

the functionality of an ISO Order. The Exchange believes the proposed description does

not impose an undue burden on competition, rather it provides a more succinct

description.

Today, ISOs may have any time-in-force designation, except WAIT, and further

requires that ISOs with a time-in-force designation of GTC are treated as having a time-

in-force designation of Day. The Exchange proposes to remove the WAIT time-in-force

within this proposed rule change, as described in more detail below, and, therefore, the

WAIT order type no longer needs to be cited. NOM's System does not treat an ISO with

a time-in-force designation of GTC as having a time-in-force designation of Day, as

provided for within NOM's current rule at Options 3, Section 7(a)(6), rather those orders

are treated as GTC. The current sentence is being removed because it is inaccurate. The

proposed sentence does not impose an undue burden on competition because it accurately

describes the System functionality. The Exchange does not believe that an ISO with a

time-in-force designation of GTC was ever treated as having a time-in-force designation

of Day, the rule text was simply inaccurate.

The Exchange's proposal to amend "One-Cancels-the-Other Order" within

renumbered Options 3, Section 7(a)(8) does not impose an undue burden on competition

because the changes are technical in nature and non-substantive.

The Exchange's amendment to "All-or-None Order," within renumbered Options

3, Section 7(a)(9), is non-substantive and does not change the meaning of the term.

The Exchange's amendment to "Post-Only Orders," within renumbered Options 3, Section 7(a)(10), is non-substantive and does not change the meaning of the term.

The Exchange's proposal to amend the "On the Open Order," or "OPG" Order, within Options 3, Section 7(b)(1), to note that OPGs may not route, does not impose an undue burden on competition. The System would not route an OPG Order today. This order type functions in the same way as BX's OPG Order at Options 3, Section 7(b)(1).[66] The Exchange is adding rule text to make clear the manner in which an OPG Order would be treated, which is similar to how a BX OPG Order is treated today.

The Exchange's proposal to amend an "Immediate-Or-Cancel" Order or "IOC," within Options 3, Section 7(b)(2), does not impose an undue burden on competition. The Exchange's proposal replaces the current description with Phlx's description at Options 3, Section 7(c)(2) as these order types are identical. The Exchange's proposal to state that an Immediate-or-Cancel Order or "IOC" Order is a Market Order or Limit Order to be executed in whole or in part upon receipt will bring greater clarity to the rule. Further the Exchange's proposal to add that any portion not so executed is cancelled is consistent with the current description. The Exchange proposes to replace this description with rule text similar to BX Options 3, Section 7(b)(2)[67] as these order types are identical, except

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[66]   BX Options 3, Section 7(b)(1) provides, "An Opening Only order ("OPG") is entered with a TIF of "OPG". This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route."

[67]   BX Options 3, Section 7(b)(2) provides, "Immediate-or-Cancel" or "IOC" is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. (A) Orders entered with a TIF of IOC are not eligible for routing. (B) IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker through SQF is not subject to the Limit Order Price Protection or the Market Order Spread Protection

that NOM has the OTTO protocol and BX does not, and also as mentioned previously
NOM has no auctions. Additionally, BX's rule addresses limitations in order protections
that do not exist today on NOM. Today, IOC Orders entered through OTTO or SQF do
not route; only orders entered through FIX may route. The SQF interface is a quoting
interface, the Exchange does not route quotes. With respect to OTTO, orders submitted
by NOM Market Makers over this interface are treated as quotes and similarly do not
route.

The Exchange's proposal to amend the TIF of "DAY" at Options 3, Section
7(b)(3) to conform the description of a TIF of "DAY" to Phlx Options 3, Section
7(c)(1)[68] does not impose an undue burden on competition. The Exchange believes the
current text describing NOM's Day TIF is unnecessarily verbose and proposes to remove
this language. A DAY Order on Phlx functions in the same way as a DAY Order on
NOM. The proposal is not amending the System functionality of a DAY Order. The
Phlx rule text is more succinct in describing this order type. Similar changes were
recently made on BX.[69]

The Exchange's proposal to amend the TIF of "Good Til Cancelled" or "GTC" at
Options 3, Section 7(b)(4) does not impose an undue burden on competition. The

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in Options 3, Section 15(a)(1) and (a)(2), respectively; (C) Orders entered into the
Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF
of IOC. By their terms, these orders will be: (1) executed after an exposure
period, or (2) cancelled.

[68]   Phlx Options 3, Section 7(c)(1) provides, "Day. If not executed, an order entered
with a TIF of "Day" expires at the end of the day on which it was entered. All
orders by their terms are Day Orders unless otherwise specified. Day orders may
be entered through FIX."

[69]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
(August 10, 2020) (SR-BX-2020-017).

Exchange proposes to conform the rule text to Phlx Options 3, Section 7(c)(4).[70] The

Exchange is not amending the manner in which the System function with respect to GTC

Orders. GTC Orders, if not fully executed, will remain available for potential display

and/or execution unless cancelled by the entering party, or until the option expires,

whichever comes first. GTC Orders shall be available for entry from the time prior to

market open, as specified by the Exchange, until market close, as is the case today. Also,

today, a GTC Order may only be entered through FIX. A GTC Order on Phlx functions

in the same way as a GTC Order on NOM. The Exchange believes that the amended rule

text will bring greater transparency to its rules.

   The Exchange's proposal to no longer offer a TIF of "WAIT" does not impose an

undue burden on competition because it will remove an order type that is not in demand

on NOM and simply the offerings provided by NOM. If the Exchange desires to offer

this TIF in the futures, it would file a proposed rule change with the Commission

pursuant to Section 19(b)(1) of the Act.[71] The Exchange has provided notice of its

intention to remove the TIF of "WAIT".[72] BX previously offered a WAIT order type

recently and discontinued this order types because it was not being utilized to a great

extent.[73]

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[70]   Phlx Options 3, Section 7(c)(4) provides, "A Good Til Cancelled ("GTC") Order
       entered with a TIF of GTC, if not fully executed, will remain available for
       potential display and/or execution unless cancelled by the entering party, or until
       the option expires, whichever comes first. GTC Orders shall be available for entry
       from the time prior to market open specified by the Exchange until market close."

[71]   15 U.S.C. 78s(b)(1).

[72]   See Options Trader Alert #2020 – 26.

[73]   See Securities Exchange Act Release No. 89476 (August 4, 2020). 85 FR 48274
       (August 10, 2020) (SR-BX-2020-017).

The Exchange's proposal to note, within NOM Options 3, Section 7(c), the various routing options which are available does not impose an undue burden on competition.

Options 3, Section 15

The Exchange believes its proposal to clarify that Anti-Internalization will not apply during an opening does not impose an undue burden on competition as it would provide more specificity on how this functionality currently operates. A similar change was recently made to BX's Rules.[74] The Exchange notes that the same procedures used during an opening are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the opening (i.e., the opening and halt reopening processes). During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. They are not required to quote in the opening on NOM. Therefore, Anti-Internalization is unnecessary during an opening due to the high level of control that Market Makers exercise over their quotes during this process.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23, Data Feeds and Trade Information, to update its descriptions of the ITTO data feed does not impose an undue burden on competition because the updated descriptions will bring greater transparency to the Exchange's rules and more closely align with current System operation.

The Exchange's proposal will make clear that order imbalance information is provided for both an opening and re-opening process. Today, a re-opening process

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[74]   See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

initiates after a trading halt has occurred intra-day. Also, the Exchange's proposal notes

the specific information that would be provided, namely the size of matched contracts

and size of the imbalance. The Exchange believes that this additional context to

imbalance messages will provide market participants with more complete information

about what is contained in the data feed. The Exchange notes that this information is

available today and the rule text is being amended to make clear what information is

currently provided.

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[75] and subparagraph (f)(6) of Rule 19b-4

thereunder.[76]

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

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[75]   15 U.S.C. 78s(b)(3)(A)(iii).

[76]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Commission that such action is 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:

Electronic comments:

- Use the Commission's Internet comment form

  (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-

  NASDAQ-2020-083 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-2020-083. 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-2020-083 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.[77]

> J. Matthew DeLesDernier
> Assistant Secretary

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[77]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

The Nasdaq Stock Market LLC Rules

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Options Rules

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.

* * * * *

(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.

* * * * *

(48) The term "Public Customer' means a person or entity that is not a broker or dealer in securities and is not a Professional as defined within Options 1, Section 1(a)(47).

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Options 2 Options Market Participants

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Section 5. Market Maker Quotations

(a) – (c) No change.

(d) *Intra-day Quotes*. A Market Maker must enter bids and offers for the options to which it is registered, as follows:

    (1) No change.

    (2) **Intra-Day Bid/ask Differentials (Quote Spread Parameters)**. Options on equities (including Exchange-Traded Fund Shares), and on index options must be quoted with a difference not to exceed $5 between the bid and offer regardless of the price of the bid, [including before and during the opening]. However, respecting in-the-money series where the market for the underlying security is wider than $5, the bid/ask differential

may be as wide as the spread between the national best bid and offer in the underlying security. The Exchange may establish differences other than the above for one or more series or classes of options.

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Options 3 Options Trading Rules

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Section 5. Entry and Display of Orders

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

* * * * *

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

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

(1) "Cancel-Replacement Order" [shall mean]<u>is</u> a single message for the immediate cancellation of a previously received order and the replacement of that order with a new order with new terms and conditions. If the previously placed order is already filled partially or in its entirety, the replacement order is automatically canceled or reduced by the number of contracts that were executed. [The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained.]<u>The replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended, and the size is not increased.</u>

(2) "Limit Order[s]" [are]<u>is an</u> order[s] to buy or sell an option at a specified price or better. <u>A marketable limit order is a limit order to buy (sell) at or above (below) the best offer (bid) on the Exchange.</u> [A limit order is marketable when, for a limit order to buy, at the time it is entered into the System, the order is priced at the current inside offer or higher, or for a limit order to sell, at the time it is entered into the System, the order is priced at the inside bid or lower.]

(3) "Minimum Quantity Order[s]" [are]is an order[s] that requires that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders are treated as having a time-in-force designation of Immediate or Cancel. Minimum Quantity Orders received prior to the opening cross or after market close will be rejected.

(4) "Market Order[s]" [are]is an order[s] to buy or sell at the best price available at the time of execution. Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant, once an option series has opened for trading. Market Orders on the Order Book would be immediately cancelled if an options series halted, provided the Participant designated the cancellation of Market Orders.

(5) "Price Improving Order[s]" [are]is an order[s] to buy or sell an option at a specified price at an increment smaller than the minimum price variation in the security. Price Improving Orders may be entered in increments as small as one cent. Price Improving Orders that are available for display shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders.

(6) [The term]"On the Open Order" [shall mean]is an order with a designated time-in-force of "OPG". An On the Open Order will be executable only during the Opening Cross. If such order is not executed in its entirety during the Opening Cross, the order, or any unexecuted portion of such order, will be cancelled back to the entering participant.

(7) "Intermarket Sweep Order" or "ISO" [are]is a [l]Limit [o]Order[s] that meets the requirements of Options 5, Section 1(8). Orders submitted to the Exchange as ISO are not routable and will ignore the ABBO and trade at allowable prices on the Exchange. ISOs may be entered on the Order Book. ISOs may have any time-in-force designation and are handled within the System pursuant to Options 3, Section 10 and shall not be eligible for routing as set out in Options 5, Section 4. ISO Orders may not be submitted during the opening.

[that are designated as ISOs in the manner prescribed by Nasdaq and are executed within the System by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Options 5, Section 1. ISOs may have any time-in-force designation except WAIT, are handled within the System pursuant to Options 3, Section 10 and shall not be eligible for routing as set out in Options 3, Section 19. ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day.]

([1]A) Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Options 5, Section 1) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an intermarket sweep order (as defined in Options 5, Section 1). These additional routed orders must be identified as ISOs.

([7]8) "One-Cancels-the-Other Order" [shall mean]is an order entered by a Market Maker that consists of a buy order and a sell order treated as a unit; the full execution of one of the orders causes the other to be canceled.

([8]9) "All-or-None Order" [shall mean]is a [m]Market or [l]Limit [o]Order which is to be executed in its entirety or not at all. All-or-None Orders are treated as having a time-in-force designation of Immediate or Cancel. All-or-None Orders received prior to the opening cross or after market close will be rejected.

([9]10) "Post-Only Order[s]" [are]is an order[s] that will not remove liquidity from the System. Post-[ ]Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post-Only Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Options 3, Section 22(b)(3)(C). Participants may choose to have their Post-Only Orders returned whenever the order would lock or cross the NBBO or be placed on the book at a price other than its limit price. Post-Only Orders received prior to the opening will be eligible for execution during the opening cross and will be processed as per Options 3, Section 8. Post-Only Orders received after market close will be rejected. Post-Only Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel.

(b) The term "Time in Force" or "TIF" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1) "On the Open Order" or "OPG" shall mean for orders so designated, that if after entry into the System, the order is not fully executed in its entirety during the Opening Cross, the order, or any unexecuted portion of such order, will be cancelled back to the entering participant. OPG orders may not route.

(2) "Immediate-Or-Cancel" or "IOC" is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled and/or routed pursuant to Participant's instruction. IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route.

[shall mean for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. IOC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close. IOC Orders entered between the time specified by the Exchange on its website and

9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the System shall determine whether such orders are marketable.]

(3) "DAY" [shall mean for orders so designated,]is an order entered with a TIF of "Day" that expires at the end of the day on which it was entered, if not executed. All orders by their terms are Day Orders unless otherwise specified. Day orders may be entered through FIX or OTTO.[that if after entry into the System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution until market close, unless canceled by the entering party, after which it shall be returned to the entering party. DAY Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close.]

(4) "Good Til Cancelled" or "GTC" [shall mean for orders so designated,] is an order entered with a TIF of "GTC" that, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close. GTC Orders may only be entered through FIX. [that if after entry into System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close.]

[(5) "WAIT" shall mean for orders so designated, that upon entry into the System, the order is held for one second without processing for potential display and/or execution. After one second, the order is processed for potential display and/or execution in accordance with all order entry instructions as determined by the entering party.]

(c) Routing Strategies. Orders may be entered on the Exchange with a routing strategy of SEEK, SRCH or Do-Not-Route ("DNR") as provided in Options 5, Section 4 through FIX only.

([c]d) The term "Order Size" shall mean the number of contracts up to 999,999 associated with the Order.

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

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Section 10. Order Book Allocation
(a) System Orders shall be executed through the Nasdaq Book Process set forth below:

(1) Execution Algorithm - The Exchange will determine to apply, for each option, one of the following execution algorithms described in paragraphs (A) or (B). The Exchange will issue an Options Alert specifying which execution algorithm will govern which options any time it is modified.

(A) and (B) No change.

(C) Priority Overlays Applicable to Size Pro-Rata Execution Algorithm: the Exchange will apply the following designated Participant priority overlays, which are always in effect when the Size Pro-Rata execution algorithm is in effect.

(i) Public Customer Priority: the highest bid and lowest offer shall have priority except that Public Customer orders shall have priority over non-Public Customer orders at the same price. If there are two or more Public Customer orders for the same options series at the same price, priority shall be afforded to such Public Customer orders in the sequence in which they are received by the System. [For purposes of this Rule, a Public Customer order does not include a Professional Order.]

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Section 15. Risk Protections

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

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

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Section 23. Data Feeds and Trade Information
(a) The following data feeds are offered by NOM:

(1) Nasdaq ITCH to Trade Options (ITTO) is a data feed that provides full order and quote depth information for individual orders and quotes on the NOM book[,]and last sale information for trades executed on NOM.[, and Order Imbalance Information as set forth in NOM Rules Options 3, Section8.] The data provided for each options series includes the symbols (series and underlying security) put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on NOM and identifies if the series is available for closing transactions only. The feed also provides

order imbalances on opening/reopening (size of matched contracts and size of the imbalance).

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