OMB APPROVAL

OMB Number: 3235-0045
Estimated average burden
hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2021 - * 030
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) *
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 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

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

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 Nasdaq Options Market LLC Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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.

Date 04/22/2021

By John A. Zecca

(Name *)

(Title *)

EVP & Chief Legal Officer

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.

john.zecca@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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 *

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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

Add Remove View

Exhibit Sent As Paper Document

☐

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

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

☐

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

Exhibit 4 - Marked Copies

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("Commission") a proposal to amend The Nasdaq Options Market LLC ("NOM") Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

The Exchange also proposes to amend a rule citation within General 1, Section 1, Definitions, and add and reserve certain sections within the Equity Rules.

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 of the Exchange (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:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
215-496-5692

---

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

2 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend NOM's Rules at Options 3, Section 15, Risk Protections, to describe Size Limitation. The Exchange also proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols, to: (1) remove the One-Cancels-the-Other Order; (2) indicate the risk protections that are applicable to On the Open Orders and Immediate or Cancel orders; and (3) remove references to an outdated OTTO protocol; and (4) make technical corrections. The Exchange also proposes to update a rule citation within General 1, Section 1, Definitions, and add and reserve certain sections within the Equity Rules. Each change is described below.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) to describe within its rules a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.[3] Today, Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") describe this limitation within those rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules.

---

3 The Exchange will propose a similar rule change to Nasdaq Phlx LLC ("Phlx") and Nasdaq BX, Inc. ("BX").

Options 3, Section 7

The Exchange proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols, to (1) remove the "One-Cancels-the-Other Order" order type; (2) indicate the risk protections that are applicable to On the Open Orders or "OPG" orders and Immediate or Cancel orders; (3) remove references to an outdated OTTO protocol; and (4) make technical corrections.

The Exchange proposes to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8). A One-Cancels-the-Other Order 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. This order type was adopted in 2011[4] and was to be implemented on or about August 1, 2011 by issuance of an Option Trader Alert as part of a larger implementation related to a technology migration.[5] The One-Cancels-the-Other Order was never implemented on NOM as part of that migration. No Participant was able to utilize this order type as it was not available on NOM's System. The Exchange proposes to remove the order type at this time. The order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOM's Specialized Quote Feed or "SQF"[6] quoting protocol.

---

4 See Securities Exchange Act Release No. 64406 (May 4, 2011), 76 FR 27134 (May 10, 2011) (SR-NASDAQ-2011-065) (The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a Two-Sided Order for NOM Market Makers).

5 Id.

6 SQF is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages

The Exchange would file a rule change with the Commission if it decides to offer this order type in the future. The Exchange would renumber current Options 3, Section 7(a)(9) and (10) new Options 3, Section 7(a)(8) and (9).

The Exchange proposes to amend Options 3, Section 7(b)(1) which describes an On the Open Order or "OPG" order. Today, an OPG order can only be executed in the Opening Cross pursuant to Options 3, Section 8. Further, 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. OPG orders are entered during the Opening Cross utilizing "Financial Information eXchange" or "FIX".[7] OPG orders are currently not subject to any protections listed in Options 3, Section 15 describing risk protections.[8] Options 3, Section 7(b)(1) is currently silent on the application of risk protections. At this time, the Exchange proposes to state that this order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation. With the proposed addition of Size

---

(e.g underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge request from the Market Maker. Market Makers may only enter interest into SQF in their assigned options. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively.

7 FIX is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(e)(1)(A).

8 See Options 3, Section 7(b)(1).

Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note in the proposed new text within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. The Exchange notes that the Opening Cross itself has boundaries within which orders will be executed.[9] Also, any participant may enter an Opening Only Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross. Nasdaq BX's OPG Orders are also not subject to any risk protections aside from Size Limitation.[10]

The Exchange proposes to amend Options 3, Section 7(b)(2) which describes an Immediate-or-Cancel Order or "IOC" order. Today, the Exchange describes an IOC order as 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 the Participant's instruction.[11] The rule text currently also provides that "IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route." The Exchange previously filed to remove its "Ouch to Trade Options" or "OTTO" protocol from its rules.[12] The citations to OTTO within Options 3, Section 7 were inadvertently not removed. At this time, the Exchange proposes to remove those

---

9 See Options 3, Section 8(b).

10 See BX Options 3, Section 7(b)(1) which currently provides that an OPG order is not subject to any protections listed in Options 3, Section 15. The Exchange is in the process of filing a rule change to indicate that BX OPG orders are subject to Size Limitation.

11 See NOM Options 3, Section 7(b)(2).

12 See Securities Exchange Act Release No. 84084 (December 17, 2020), 85 FR 84084 (December 23, 2020) (SR-NASDAQ-2020-089) ("Notice of Filing and Immediate Effectiveness of Proposed Rule Change To No Longer Implement the OTTO Protocol").

remaining references to OTTO within Options 3, Section 7 from the descriptions of IOC orders and DAY orders.[13]

The Exchange also proposes to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through Specialized Quote Feed or "SQF"[14] is not subject to certain risk protections noted within Options 3, Section 15. Today, an IOC order entered through SQF is not subject to the Order Price Protection or Market Order Spread Protections noted within Options 3, Section 15(a)(1) and (a)(2), respectively. Further, with the addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that SQF orders are not subject to Size Limitation. The addition of this rule text will bring greater clarity to the order type.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows

---

13 "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. See proposed Options 3, Section 7(b)(3).

14 See supra note 6.

them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker's erroneous order from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[15] Thus, the Exchange opted to not offer Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF because Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

The Exchange proposes to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph.

General 1, Section 1

The Exchange proposes to update a rule citation within General 1, Section 1 to

15 Market Makers have intra-day quoting obligations as specified in Options 2, Section 5.

Options 3, Section 20. The rule text currently cites Options 3, Section 4, but that citation was incorrectly updated in a prior rule change.[16] The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated to Options 3, Section 20 within that Relocation Rule Change.

Equity Rules

Nasdaq proposes to amend the Rulebook shell to add a new Equity 3A and Equity 8A and reserve those sections. Equity 3A will be utilized by BX Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[17] Equity 8A is utilized by Nasdaq Phlx within its Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[18] Also, Nasdaq proposes to add Sections 15-23 within Equity 9 and reserve those sections to harmonize the numbering of Nasdaq equity rules across its affiliated markets.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[19] in general, and furthers the objectives of Section 6(b)(5) of the Act,[20] in particular,

---

16 See Securities Exchange Act Release No. 87779 (December 17, 2019), 84 FR 70590 (December 23, 2019) (SR-NASDAQ-2019-098) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Rules From Its Current Rulebook Into Its New Rulebook Shell) ("Relocation Rule Change").

17 BX will file a proposed rule change to add and reserve Equity 3A.

18 See Phlx Equity 8A Unlisted Trading Privileges; Proxy and Other Rules.

19 15 U.S.C. 78f(b).

20 15 U.S.C. 78f(b)(5).

in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) is consistent with the Act. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.[21] Today, ISE, GEMX and MRX describe this limitation within those rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange's proposal to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8) is consistent with the Act. This order type was adopted in 2011[22] and was to be implemented on or about August 1, 2011 by issuance of an Option Trader Alert as part of a larger implementation related to a technology migration,[23] however, the new order type was never implemented on NOM as part of that migration. No Participant was able to utilize this order type on NOM's System to date. The Exchange's proposal to remove the order type protects investors and the public

---

21 See supra note 3.

22 See supra note 4.

23 Id.

interest by making clear that the order type is not available. Further, the order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOMs SQF[24] quoting protocol.

The Exchange's proposal to amend OPG orders within Options 3, Section 7(b)(1) to make clear that OPG orders are currently not subject to any protections listed in Options 3, Section 15 describing risk protections,[25] except Size Limitation is consistent with the Act and will bring greater clarity to the order type. Options 3, Section 7(b)(1) is currently silent on the application of risk protections. Today, OPG orders are not subject to any protections listed in Options 3, Section 15. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note in the proposed new text within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. The Exchange believes that it is consistent with the Act to not apply any risk protections during the Opening Cross as the Opening Cross itself has boundaries within which orders will be executed.[26] Any participant may enter an Opening Only Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross. Nasdaq BX's OPG Orders are also not subject to any risk protections aside from Size Limitation.[27]

The Exchange's proposal to amend Options 3, Section 7(b)(2) and (b)(3), which

---

24 See supra note 6.

25 See Options 3, Section 7(b)(1).

26 See Options 3, Section 8(b).

27 See supra note 10.

describes IOC orders and DAY orders, to remove outdated citations to OTTO within Options 3, Section 7 that were inadvertently not removed is consistent with the Act. These amendments are non-substantive and will add clarity to these rules.

The Exchange's proposal to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through SQF is not subject to certain risk protections noted within Options 3, Section 15 is consistent with the Act. Today, an IOC order entered through SQF is not subject to the Order Price Protection or Market Order Spread Protections noted within Options 3, Section 15(a)(1) and (a)(2), respectively. Further, with the addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that SQF orders are not subject to Size Limitation. The addition of this rule text will bring greater clarity to the order type.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker's erroneous order from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[28] The Exchange believes not offering Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF is consistent with the Act because Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

Finally, the Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph is consistent with the Act. These changes are non-substantive.

General 1, Section 1

The Exchange's proposal to update an incorrect rule citation within General 1,

---

[28] See supra note 15.

Section 1 to Options 3, Section 20 is consistent with the Act. The rule text currently cites Options 3, Section 4, but that citation was incorrectly updated in a prior rule change.[29] The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated to Options 3, Section 20 within that Relocation Rule Change. This amendment will bring clarity to this rule.

Equity Rules

Nasdaq's proposal to amend the Rulebook shell to add a new Equity 3A and Equity 8A and reserve those sections is consistent with the Act. Equity 3A will be utilized by the BX Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[30] Equity 8A is utilized by Phlx within its Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[31] Also, Nasdaq proposes to add Sections 15-23 within Equity 9 and reserve those sections to harmonize the numbering of Nasdaq equity rules across its affiliated markets.

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.

---

29 See supra note 16.

30 See supra note 17.

31 See Phlx Equity 8A Unlisted Trading Privileges; Proxy and Other Rules.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not impose an undue burden on competition. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. This System limitation is the same on all Nasdaq affiliated exchanges.[32] Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange's proposal to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8) does not impose an undue burden on competition. No Participant was able to utilize this order type on NOM's System to date. The Exchange's proposal to remove the order type will make clear that the order type is not available. Further, the order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOM's SQF[33] quoting protocol.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders and the remainder of the risk protections noted within Options 3, Section 15 do not apply to OPG orders does not impose an undue burden on competition. The proposed rule text will clarify the manner in which risk protections interact with this order type. The Opening Cross itself has boundaries within

---

32 See supra note 3.

33 See supra note 6.

which orders will be executed. Any participant may enter an Opening Only Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross.

The Exchange's proposal to amend Options 3, Section 7(b)(2) and (b)(3), which describes IOC orders and DAY orders, to remove outdated citations to OTTO within Options 3, Section 7 that were inadvertently not removed does not impose an undue burden on competition. These amendments are non-substantive and will add clarity to these rules.

The Exchange's proposal to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through SQF is not subject to certain risk protections noted within Options 3, Section 15 does not impose an undue burden on competition. Today, an IOC order entered through SQF is not subject to the Order Price Protection or Market Order Spread Protections noted within Options 3, Section 15(a)(1) and (a)(2), respectively. Further, with the addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that SQF orders are not subject to Size Limitation. The addition of this rule text will bring greater clarity to the order type.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[34]

Finally, the Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph does not impose an undue burden on competition. These changes are non-substantive.

General 1, Section 1

The Exchange's proposal to update an incorrect rule citation within General 1, Section 1 to Options 3, Section 20 does not impose an undue burden on competition. The rule text currently cites Options 3, Section 4, but that citation was incorrectly updated in a prior rule change.[35] The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated to Options 3, Section 20 within that Relocation Rule Change. This amendment will bring clarity to this rule.

Equity Rules

Nasdaq's proposal to amend the Rulebook shell to add a new Equity 3A and Equity 8A and reserve those sections does not impose an undue burden on competition.

---

34 See supra note 15.

35 See supra note 16.

Equity 3A will be utilized by the BX Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[36] Equity 8A is utilized by Phlx within its Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[37] Also, Nasdaq proposes to add Sections 15-23 within Equity 9 and reserve those sections to harmonize the numbering of Nasdaq equity rules across its affiliated markets.

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)[38] of the Act and Rule 19b-4(f)(6) thereunder[39] 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

---

36 See supra note 17.

37 See Phlx Equity 8A Unlisted Trading Privileges; Proxy and Other Rules.

38 15 U.S.C. 78s(b)(3)(A)(iii).

39 17 CFR 240.19b-4(f)(6).

interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not significantly affect the protection of investors or the public interest. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.[40] Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules. The Exchange's proposal to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8) does not significantly affect the protection of investors or the public interest. This order type was adopted in 2011[41] and was to be implemented on or about August 1, 2011 by issuance of an Option Trader Alert as part of a larger implementation related to a technology migration,[42] however, the new order type was never implemented on NOM as part of that migration. The Exchange's proposal to remove the order type will make clear that the order type is not available.

The Exchange's proposal to amend OPG orders within Options 3, Section 7(b)(1)

---

40 See supra note 3.

41 See supra note 4.

42 Id.

to make clear that among the risk protections within Options 3, Section 15, only Size Limitation applies will bring greater clarity to the order type. Today, no risk protections apply to OPG orders. The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders and the remainder of the risk protections noted within Options 3, Section 15 do not apply to OPG orders will clarify the manner in which risk protections interact with this order type. The Opening Cross itself has boundaries within which orders will be executed. Any participant may enter an Opening Only Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross. The Exchange's proposal to amend Options 3, Section 7(b)(2) and (b)(3), which describes IOC orders and DAY orders, to remove outdated citations to OTTO within Options 3, Section 7 that were inadvertently not removed does not significantly affect the protection of investors or the public interest. These amendments are non-substantive and will clarity to these rules.

The Exchange's proposal to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through SQF is not subject to certain risk protections noted within Options 3, Section 15 is consistent with the Act. While only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers. Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker's erroneous order from being entered. Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. Allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. The Exchange's proposal to update an incorrect rule citation within General 1, Section 1 to Options 3, Section 20 does not significantly affect the protection of investors or the public interest. The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated to Options 3, Section 20 within that Relocation Rule Change. This amendment will bring clarity to this rule. The remainder of the changes are non-substantive. The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph does not significantly affect the protection of investors or the public interest. This amendment is non-substantive.

The Exchange believes that this proposal does not impose any significant burden on competition. The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2), does not impose any significant burden on competition. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. The Exchange's proposal to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8) does not impose any significant burden on competition. No Participant was able to utilize this order type on NOM's System to date. The Exchange's proposal to remove the order type will make clear that the order type is not available. Further, the order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOMs SQF[43] quoting protocol. The Exchange's proposal to amend OPG orders within Options 3, Section 7(b)(1) to make clear that among the risk protections within Options 3, Section 15, only Size Limitation applies will bring greater clarity to the order type does not impose any significant burden on competition. The Opening Cross itself has boundaries within which orders will be executed. The Exchange's proposal to amend Options 3, Section 7(b)(2) and (b)(3), which describes IOC orders and DAY orders, to remove outdated citations to OTTO within Options 3, Section 7 that were inadvertently not removed does not impose any significant burden on competition. These amendments are non-substantive and will add clarity to these rules. The Exchange's proposal to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through SQF is not subject to certain risk protections noted within Options

---

[43] See supra note 6.

3, Section 15 does not impose any significant burden on competition. Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[44] The Exchange's proposal to update an incorrect rule citation within General 1, Section 1 to Options 3, Section 20 does not impose any significant burden on competition. This amendment will bring clarity to this rule. The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph does not impose any significant burden on competition. This amendment is non-substantive.

Furthermore, Rule 19b-4(f)(6)(iii)[45] requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

---

44 See supra note 15.

45 17 CFR 240.19b-4(f)(6)(iii).

Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may immediately add Size Limitation to proposed new Options 3, Section 15(b)(2) to provide within its rules the current limitation that exists today as to the number of contracts an incoming order or quote may specify. Further, the Exchange's amendments to IOC orders will bring greater clarity to NOM's Rules by indicting the manner in which risk protections apply to this order type. These amendments will bring greater clarity to NOM's rules and serve to protect investors and the public interest.

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

ISE, GEMX and MRX describe size limitation at Options 3, Section 15(a)(2)(B). This risk protection currently exists on NOM as well, but is not noted within NOM's current rule text. NOM's proposal to amend its OPG order to indicate it is not subject to any protections listed in Options 3, Section 15 is similar to BX Options 3, Section 7(b)(1) which currently provides that an OPG order is not subject to any protections listed in Options 3, Section 15.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-NASDAQ-2021-030)

April __, 2021

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend The Nasdaq Options Market LLC ("NOM") Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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 April 22, 2021, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend The Nasdaq Options Market LLC ("NOM") Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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.

---

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

2 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend NOM's Rules at Options 3, Section 15, Risk Protections, to describe Size Limitation. The Exchange also proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols, to: (1) remove the One-Cancels-the-Other Order; (2) indicate the risk protections that are applicable to On the Open Orders and Immediate or Cancel orders; and (3) remove references to an outdated OTTO protocol; and (4) make technical corrections. The Exchange also proposes to update a rule citation within General 1, Section 1, Definitions, and add and reserve certain sections within the Equity Rules. Each change is described below.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) to describe within its rules a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.[3] Today, Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") describe this limitation within those rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols, to (1) remove the "One-Cancels-the-Other Order" order type; (2) indicate the risk protections that are applicable to On the Open Orders or "OPG" orders and Immediate or Cancel orders; (3) remove references to an outdated OTTO protocol; and (4) make technical corrections.

The Exchange proposes to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8). A One-Cancels-the-Other Order 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. This order type was adopted in 2011[4] and was to be implemented on or about August 1, 2011 by issuance of an Option Trader Alert as part of a larger implementation related to a technology migration.[5] The One-Cancels-the-Other Order was never implemented on NOM as part of that migration. No Participant was able to utilize this order type as it was not available on NOM's System. The Exchange proposes to remove the order type at this time. The

---

3 The Exchange will propose a similar rule change to Nasdaq Phlx LLC ("Phlx") and Nasdaq BX, Inc. ("BX").

4 See Securities Exchange Act Release No. 64406 (May 4, 2011), 76 FR 27134 (May 10, 2011) (SR-NASDAQ-2011-065) (The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a Two-Sided Order for NOM Market Makers).

5 Id.

order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOM's Specialized Quote Feed or "SQF"[6] quoting protocol.

The Exchange would file a rule change with the Commission if it decides to offer this order type in the future. The Exchange would renumber current Options 3, Section 7(a)(9) and (10) new Options 3, Section 7(a)(8) and (9).

The Exchange proposes to amend Options 3, Section 7(b)(1) which describes an On the Open Order or "OPG" order. Today, an OPG order can only be executed in the Opening Cross pursuant to Options 3, Section 8. Further, 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. OPG orders are entered during the Opening Cross utilizing "Financial Information eXchange" or "FIX".[7] OPG orders are currently not subject to

---

[6] SQF is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge request from the Market Maker. Market Makers may only enter interest into SQF in their assigned options. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively.

[7] FIX is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(e)(1)(A).

any protections listed in Options 3, Section 15 describing risk protections.[8] Options 3, Section 7(b)(1) is currently silent on the application of risk protections. At this time, the Exchange proposes to state that this order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note in the proposed new text within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. The Exchange notes that the Opening Cross itself has boundaries within which orders will be executed.[9] Also, any participant may enter an Opening Only Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross. Nasdaq BX's OPG Orders are also not subject to any risk protections aside from Size Limitation.[10]

The Exchange proposes to amend Options 3, Section 7(b)(2) which describes an Immediate-or-Cancel Order or "IOC" order. Today, the Exchange describes an IOC order as 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 the Participant's instruction.[11] The rule text currently also provides that "IOC orders may be entered through FIX, OTTO or SQF; IOC Orders entered through OTTO or SQF may not route." The Exchange previously filed to remove its "Ouch to Trade Options" or "OTTO"

---

8 See Options 3, Section 7(b)(1).

9 See Options 3, Section 8(b).

10 See BX Options 3, Section 7(b)(1) which currently provides that an OPG order is not subject to any protections listed in Options 3, Section 15. The Exchange is in the process of filing a rule change to indicate that BX OPG orders are subject to Size Limitation.

11 See NOM Options 3, Section 7(b)(2).

protocol from its rules.[12] The citations to OTTO within Options 3, Section 7 were inadvertently not removed. At this time, the Exchange proposes to remove those remaining references to OTTO within Options 3, Section 7 from the descriptions of IOC orders and DAY orders.[13]

The Exchange also proposes to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through Specialized Quote Feed or "SQF"[14] is not subject to certain risk protections noted within Options 3, Section 15. Today, an IOC order entered through SQF is not subject to the Order Price Protection or Market Order Spread Protections noted within Options 3, Section 15(a)(1) and (a)(2), respectively. Further, with the addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that SQF orders are not subject to Size Limitation. The addition of this rule text will bring greater clarity to the order type.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional

---

12 See Securities Exchange Act Release No. 84084 (December 17, 2020), 85 FR 84084 (December 23, 2020) (SR-NASDAQ-2020-089) ("Notice of Filing and Immediate Effectiveness of Proposed Rule Change To No Longer Implement the OTTO Protocol").

13 "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. See proposed Options 3, Section 7(b)(3).

14 See supra note 6.

traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker's erroneous order from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[15] Thus, the Exchange opted to not offer Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF because Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

---

15 Market Makers have intra-day quoting obligations as specified in Options 2, Section 5.

The Exchange proposes to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph.

General 1, Section 1

The Exchange proposes to update a rule citation within General 1, Section 1 to Options 3, Section 20. The rule text currently cites Options 3, Section 4, but that citation was incorrectly updated in a prior rule change.[16] The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated to Options 3, Section 20 within that Relocation Rule Change.

Equity Rules

Nasdaq proposes to amend the Rulebook shell to add a new Equity 3A and Equity 8A and reserve those sections. Equity 3A will be utilized by BX Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[17] Equity 8A is utilized by Nasdaq Phlx within its Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[18] Also, Nasdaq proposes to add Sections 15-23 within Equity 9 and reserve those sections to harmonize the numbering of Nasdaq equity rules across its affiliated markets.

---

[16] See Securities Exchange Act Release No. 87779 (December 17, 2019), 84 FR 70590 (December 23, 2019) (SR-NASDAQ-2019-098) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Rules From Its Current Rulebook Into Its New Rulebook Shell) ("Relocation Rule Change").

[17] BX will file a proposed rule change to add and reserve Equity 3A.

[18] See Phlx Equity 8A Unlisted Trading Privileges; Proxy and Other Rules.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[19] in general, and furthers the objectives of Section 6(b)(5) of the Act,[20] in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) is consistent with the Act. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.[21] Today, ISE, GEMX and MRX describe this limitation within those rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange's proposal to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8) is consistent with the Act. This order type was adopted in 2011[22] and was to be implemented on or about August 1, 2011 by issuance of

---

19 15 U.S.C. 78f(b).

20 15 U.S.C. 78f(b)(5).

21 See supra note 3.

22 See supra note 4.

an Option Trader Alert as part of a larger implementation related to a technology migration,[23] however, the new order type was never implemented on NOM as part of that migration. No Participant was able to utilize this order type on NOM's System to date. The Exchange's proposal to remove the order type protects investors and the public interest by making clear that the order type is not available. Further, the order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOMs SQF[24] quoting protocol.

The Exchange's proposal to amend OPG orders within Options 3, Section 7(b)(1) to make clear that OPG orders are currently not subject to any protections listed in Options 3, Section 15 describing risk protections,[25] except Size Limitation is consistent with the Act and will bring greater clarity to the order type. Options 3, Section 7(b)(1) is currently silent on the application of risk protections. Today, OPG orders are not subject to any protections listed in Options 3, Section 15. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note in the proposed new text within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. The Exchange believes that it is consistent with the Act to not apply any risk protections during the Opening Cross as the Opening Cross itself has boundaries within which orders will be executed.[26] Any participant may enter an Opening Only

---

23 Id.

24 See supra note 6.

25 See Options 3, Section 7(b)(1).

26 See Options 3, Section 8(b).

Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross. Nasdaq BX's OPG Orders are also not subject to any risk protections aside from Size Limitation.[27]

The Exchange's proposal to amend Options 3, Section 7(b)(2) and (b)(3), which describes IOC orders and DAY orders, to remove outdated citations to OTTO within Options 3, Section 7 that were inadvertently not removed is consistent with the Act. These amendments are non-substantive and will add clarity to these rules.

The Exchange's proposal to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through SQF is not subject to certain risk protections noted within Options 3, Section 15 is consistent with the Act. Today, an IOC order entered through SQF is not subject to the Order Price Protection or Market Order Spread Protections noted within Options 3, Section 15(a)(1) and (a)(2), respectively. Further, with the addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that SQF orders are not subject to Size Limitation. The addition of this rule text will bring greater clarity to the order type.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

---

[27] See supra note 10.

Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker's erroneous order from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[28] The Exchange believes not offering Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF is consistent with the Act because Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

Finally, the Exchange's proposal to amend the description of Specialized Quote

---

[28] See supra note 15.

Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph is consistent with the Act. These changes are non-substantive.

General 1, Section 1

The Exchange's proposal to update an incorrect rule citation within General 1, Section 1 to Options 3, Section 20 is consistent with the Act. The rule text currently cites Options 3, Section 4, but that citation was incorrectly updated in a prior rule change.[29] The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated to Options 3, Section 20 within that Relocation Rule Change. This amendment will bring clarity to this rule.

Equity Rules

Nasdaq's proposal to amend the Rulebook shell to add a new Equity 3A and Equity 8A and reserve those sections is consistent with the Act. Equity 3A will be utilized by the BX Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[30] Equity 8A is utilized by Phlx within its Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[31] Also, Nasdaq proposes to add Sections 15-23 within Equity 9 and reserve those sections to harmonize the numbering of Nasdaq equity rules across its

29 See supra note 16.

30 See supra note 17.

31 See Phlx Equity 8A Unlisted Trading Privileges; Proxy and Other Rules.

affiliated markets.

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 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not impose an undue burden on competition. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. This System limitation is the same on all Nasdaq affiliated exchanges.[32] Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). NOM proposes to similarly describe this limitation in its rules.

Options 3, Section 7

The Exchange's proposal to remove the "One-Cancels-the-Other Order" currently located within Options 3, Section 7(a)(8) does not impose an undue burden on competition. No Participant was able to utilize this order type on NOM's System to date. The Exchange's proposal to remove the order type will make clear that the order type is not available. Further, the order type was intended to permit Market Makers to submit a two-sided order consisting of both a bid and an offer. Today, Market Makers may submit two-sided quotes utilizing NOM's SQF[33] quoting protocol.

---

32 See supra note 3.

33 See supra note 6.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders and the remainder of the risk protections noted within Options 3, Section 15 do not apply to OPG orders does not impose an undue burden on competition. The proposed rule text will clarify the manner in which risk protections interact with this order type. The Opening Cross itself has boundaries within which orders will be executed. Any participant may enter an Opening Only Order. Typically Market Makers submit Valid Width NBBOs, as provided for within Options 3, Section 8, during the Opening Cross.

The Exchange's proposal to amend Options 3, Section 7(b)(2) and (b)(3), which describes IOC orders and DAY orders, to remove outdated citations to OTTO within Options 3, Section 7 that were inadvertently not removed does not impose an undue burden on competition. These amendments are non-substantive and will add clarity to these rules.

The Exchange's proposal to note, similar to Phlx and BX, that an IOC order entered by a Market Maker through SQF is not subject to certain risk protections noted within Options 3, Section 15 does not impose an undue burden on competition. Today, an IOC order entered through SQF is not subject to the Order Price Protection or Market Order Spread Protections noted within Options 3, Section 15(a)(1) and (a)(2), respectively. Further, with the addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that SQF orders are not subject to Size Limitation. The addition of this rule text will bring greater clarity to the order type.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Order Price Protection, Market Order Spread Protection, and Size Limitation on SQF orders, as it did for FIX, because Market Makers only utilize SQF to enter IOC orders and Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike Market Makers.

The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. Further, unlike other market participants, Market Makers provide liquidity to the market place and have obligations.[34]

Finally, the Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".," after an e.g to conform the punctuation in the paragraph does not impose an undue burden on competition. These changes are non-substantive.

General 1, Section 1

The Exchange's proposal to update an incorrect rule citation within General 1, Section 1 to Options 3, Section 20 does not impose an undue burden on competition. The rule text currently cites Options 3, Section 4, but that citation was incorrectly updated in a prior rule change.[35] The original citation was to Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors. This rule was relocated

---

34 See supra note 15.

35 See supra note 16.

to Options 3, Section 20 within that Relocation Rule Change. This amendment will bring clarity to this rule.

Equity Rules

Nasdaq's proposal to amend the Rulebook shell to add a new Equity 3A and Equity 8A and reserve those sections does not impose an undue burden on competition. Equity 3A will be utilized by the BX Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[36] Equity 8A is utilized by Phlx within its Rulebook and the Exchange proposes to reserve that section in this Rulebook to demonstrate the section does not exist for the Nasdaq equity market.[37] Also, Nasdaq proposes to add Sections 15-23 within Equity 9 and reserve those sections to harmonize the numbering of Nasdaq equity rules across its affiliated markets.

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

[36] See supra note 17.

[37] See Phlx Equity 8A Unlisted Trading Privileges; Proxy and Other Rules.

to Section 19(b)(3)(A)(iii) of the Act[38] and subparagraph (f)(6) of Rule 19b-4 thereunder.[39]

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

IV. Solicitation of Comments

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

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-2021-030 on the subject line.

---

38 15 U.S.C. 78s(b)(3)(A)(iii).

39 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

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

All submissions should refer to File Number SR-NASDAQ-2021-030. 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-2021-030 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.[40]

J. Matthew DeLesDernier
Assistant Secretary

[40] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

The Nasdaq Stock Market LLC Rules

* * * * *

General 1 General Provisions
Section 1 Definitions

* * * * *

(b) Unless the context otherwise requires:

* * * * *

> (15) The term "Nasdaq Review Council" means the committee authorized and directed to act for the Board of Directors of Nasdaq in a manner consistent with the Rules and By-Laws of Nasdaq with respect to (1) an appeal or review of a disciplinary proceeding; (2) a statutory disqualification decision; (3) a review of a membership proceeding; (4) a review of an offer of settlement, a letter of acceptance, waiver, and consent, and a minor rule violation plan letter; (5) the exercise of exemptive authority; (6) an appeal of proceedings involving Equity 2, Sections 4, 10, and 11, Exchange Rule 11890, and Options 3, Section [4]<u>20</u>; and (7) such other proceedings or actions authorized by the Rules of Nasdaq.

* * * * *

Equity Rules

* * * * *

<u>Equity 3A Reserved</u>

Equity 4 Equity Trading Rules

* * * * *

<u>Equity 8A Reserved</u>

Equity 9 Business Conduct

* * * * *

<u>Sections 15 -23 Reserved</u>

Equity 10 Other Products and Securities

* * * * *

Options Rules

* * * * *

Options 3 Options Trading Rules

* * * * *

Section 7. Types of Orders and Order and Quote Protocols

* * * * *

(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:

* * * * *

[(8) "One-Cancels-the-Other Order" 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.]

([9]8) "All-or-None Order" is a Market or Limit 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.

([10]9) "Post-Only Order" is an order 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. This order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation.

(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[;], provided that an IOC Order entered by a Market Maker through SQF is not subject to the Order Price Protection, the Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1), (a)(2), and (b)(2), respectively. IOC Orders entered through [OTTO or]SQF may not route.

(3) "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].

* * * * *

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

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

* * * * *

(B) "**Specialized Quote Feed**" or "**SQF**" is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediate-or- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series.

* * * * *

Section 15. Risk Protections

* * * * *

(b) The following are order and quote risk protections on NOM:

* * * * *

(2) **Size Limitation**. There is a limit on the number of contracts an incoming order or quote may specify. Orders or quotes that exceed the maximum number of contracts

<u>are rejected. The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time.</u>

* * * * *