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

File No. * SR 2021 - * 075

Amendment No. (req. for Amendments *)

Filing by The Nasdaq Stock Market LLC

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
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 *).

Proposal to Amend the Exchanges Discretion Attribute, at Equity 4, Rule 4703, in Light of Pending Changes to the Exchanges System

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 * Brett Last Name * Kitt

Title * AVP, Principal Associate General Counsel

E-mail * brett.kitt@nasdaq.com

Telephone * (301) 978-8132 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, The Nasdaq Stock Market LLC has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.


Date 09/23/2021

(Title *)

By John Zecca
(Name *)

EVP and Chief Legal Counsel

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

 Date: 2021.09.23 17:13:02 -04'00'

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-NASDAQ-2021-075 19b-4.doc

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

Exhibit 1 - Notice of Proposed Rule Change *

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SR-NASDAQ-2021-075 Exhibit 1.doc

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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SR-NASDAQ-2021-075 Exhibit 5.doc

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 Discretion Attribute, at Rule 4703, in light of planned changes to the System, as described further below.

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:

Brett M. Kitt
AVP, Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8132

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

Presently, the Exchange is making functional enhancements and improvements to specific Order Types³ and Order Attributes⁴ that are currently only available via the RASH Order entry protocol.⁵ Specifically, the Exchange will be upgrading the logic and implementation of these Order Types and Order Attributes so that the features are more streamlined across the Nasdaq Systems and order entry protocols, and will enable the Exchange to process these Orders more quickly and efficiently. Additionally, this System upgrade will pave the way for the Exchange to enhance the OUCH Order entry protocol⁶ so that Participants may enter such Order Types and Order Attributes via OUCH, in

³ An "Order Type" is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. See Equity 1, Section 1(a)(7).

⁴ An "Order Attribute" is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. See id.

⁵ The RASH (Routing and Special Handling) Order entry protocol is a proprietary protocol that allows members to enter Orders, cancel existing Orders and receive executions. RASH allows participants to use advanced functionality, including discretion, random reserve, pegging and routing. See http://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/rash_sb.pdf.

⁶ The OUCH Order entry protocol is a Nasdaq proprietary protocol that allows subscribers to quickly enter orders into the System and receive executions. OUCH accepts limit Orders from members, and if there are matching Orders, they will execute. Non-matching Orders are added to the Limit Order Book, a database of available limit Orders, where they are matched in price-time priority. OUCH only provides a method for members to send Orders and receive status updates on those Orders. See <https://www.nasdaqtrader.com/Trader.aspx?id=OUCH>.

addition to the RASH Order entry protocols.⁷ The Exchange plans to implement its enhancement of the OUCH protocol sequentially, by Order Type and Order Attribute.⁸

To support and prepare for these upgrades and enhancements, the Exchange recently submitted three rule filings to the Commission that amended its rules pertaining to, among other things, Market Maker Peg Orders, Orders with Reserve Size, and Orders with Pegging and Trade Now Attributes.⁹ The Exchange now proposes to further amend its Rules governing the Discretion Order Attribute, at Rule 4703(g), so that it aligns with how the System, once upgraded, will handle these Orders with Discretion going forward.

As set forth in Rule 4703(g), Discretion is an Order Attribute under which an Order has a non-displayed discretionary price range within which the entering Participant is willing to trade. Presently, the Rule provides that the System will process Discretionary Orders, upon entry, by generating a Non-Displayed Order with a Time-in-Force of Immediate-or-Cancel (a "Discretionary IOC") that will attempt to access liquidity available within the discretionary price range. The System will not permit the

⁷ The Exchange designed the OUCH protocol to enable members to enter Orders quickly into the System. As such, the Exchange developed OUCH with simplicity in mind, and it therefore lacks more complex order handling capabilities. By contrast, the Exchange specifically designed RASH to support advanced functionality, including discretion, random reserve, pegging and routing. Once the System upgrades occur, then the Exchange intends to propose further changes to its Rules to permit participants to utilize OUCH, in addition to RASH, to enter order types that require advanced functionality.

⁸ The Exchange notes that its sister exchanges, Nasdaq BX and Nasdaq PSX, plan to file similar proposed rule changes with the Commission shortly.

⁹ See Securities Exchange Act Release No. 34-92180 (June 15, 2021), 86 FR 33420 (June 24, 2021) (SR-NASDAQ-2021-044); Securities Exchange Act Release No. 34-91109 (February 11, 2021), 86 FR 10141 (February 18, 2021) (SR-NASDAQ-2020-090); Securities Exchange Act Release No. 34-90389 (November 10, 2020), 85 FR 73304 (November 17, 2020) (SR-NASDAQ-2020-071).

Discretionary IOC to execute, however, if the price of the execution would trade through a Protected Quotation. If more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously, the order in which such Discretionary IOCs will be presented for execution is random, based on the respective processing time for each such Order. Whenever a Discretionary IOC is generated, the underlying Order with Discretion will be withheld or removed from the Exchange's Book and will then be routed and/or placed on the Exchange's Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. In addition to prescribing a procedure for handling Discretionary Orders generally, the existing Rule also describes special procedures for handling Discretionary Orders with various types of Routing Attributes and with pegged discretionary price ranges.

The Exchange proposes to amend the process by which it processes Discretionary Orders in several respects. First, the Exchange proposes to clarify existing text which states that “[a] Participant may also specify a limit price beyond which the discretionary price range does not extend.” The Exchange intended for this clause to address the specific scenario where a Participant enters a Discretionary Order with a Discretionary Pegging Attribute, but the existing text is not explicit in this regard and thus is amenable to confusion. The Exchange proposes to restate this provision as follows to make its intention explicit: “[a] Participant may also specify a limit on the discretionary price range of an Order that is entered with a Discretionary Pegging Attribute,” and then further clarify the outcome of setting such a limit by stating “beyond which the

discretionary pegged price may not extend.”¹⁰ The Exchange notes that it uses the word “may” in this provision rather than “shall” because for Discretionary Orders with Pegging Attributes, the Rules specify the discretionary range applicable to those Orders; setting a limit on how far that range is allowed to extend is optional.

As a further organizational matter, the Exchange proposes to consolidate the portion of the Rule that describes the general procedure for handling Discretionary Orders with the portion that described the process for handling Discretionary Orders without a Routing Attribute assigned to them. Because non-routed orders conform to the general procedure, it is redundant to restate the process.

Second, as to the substance of the general Discretionary Order handling procedures, the Exchange proposes the following changes. Rather than generate a Discretionary IOC immediately upon Order entry (regardless of available liquidity within the discretionary price range) and then post the unexecuted portion of the Discretionary Order on the Exchange’s Book, the Exchange proposes instead to first, upon entry, execute the Discretionary Order against any previously posted Orders on the Exchange Book that are priced equal to or better than the limit price of the Discretionary Order. If no such Order exists with which the Discretionary Order may fully execute upon entry, then the Exchange will post the Discretionary Order to the Exchange’s Book in accordance with the parameters that apply to the underlying Order Type. In such case, the

¹⁰ For example, a displayed Order to buy might have a limit price of \$11.00 and a discretionary price range pegged to the Best Bid with a discretionary limit of \$11.05. If the NBB is \$11.02 at the time of entry, the order will be displayed at \$11.00 with a discretionary price range up to \$11.02. If the NBB later become \$11.06, the Order will still be displayed at \$11.00 and its discretionary price range will be capped at \$11.05.

Exchange will generate a Discretionary IOC, with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range and a size equal to the order available for execution, if and when the System determines that liquidity within the discretionary price range is available for execution. The Exchange will then execute the Discretionary IOC (provided that doing so would not trade-through a Protected Quotation). The Exchange proposes this change to increase the efficiency with which the Exchange processes Discretionary Orders. The Exchange intended for the existing process to enable Discretionary Orders to execute immediately within the discretionary price range upon entry, but in practice, the Exchange observes that they rarely do so. Attempts to locate available liquidity within the discretionary range immediately upon entry delay Discretionary Orders from entering the priority queue on the Nasdaq Book, resulting in an opportunity cost when no such liquidity is located. The proposed rule change will reorient the order handling process for Discretionary Orders so that it no longer sacrifices potential queue priority for attempts at possible immediate executions within the discretionary price range. Given that immediate executions of Discretionary Orders within the discretionary price range rarely occur, the Exchange does not believe that this change will have any material adverse impact on the performance of such Orders. Moreover, the Exchange will still allow for Discretionary Orders to attempt to execute against available liquidity immediately upon entry if contra-side liquidity, priced equal to or better than the limit price of the Discretionary Order, is resting on the Book at that time. And, if participants select a Time-in-Force of Immediate-or-Cancel for such Orders, then the orders will attempt to execute against available liquidity within the discretionary price range, which is unchanged from current functionality.

As noted above, whereas now, the Exchange generates a Discretionary IOC that is equal to the size of the Discretionary Order, and then posts shares to the Book that remain unexecuted after the Exchange executes the Discretionary IOC against available liquidity in the discretionary price range, the Exchange instead proposes to generate a Discretionary IOC that will be equal to the size of the available liquidity within the discretionary range, with any residual shares of the Discretionary Order remaining on the Book and retaining their existing priority. If the Discretionary IOC is not fully executed,¹¹ the posted portion of the Discretionary Order will be reentered on the Nasdaq Book as a new Discretionary Order with a new timestamp and with an increased size to include the unexecuted portions of the Discretionary IOC. The Exchange believes that the proposed rule change will benefit participants by enabling their Discretionary Orders to remain executable against new incoming liquidity when available liquidity within the discretionary price range is smaller than the full size of the Discretionary Order (provided that Participants have not specified a minimum quantity for execution).

The Exchange proposes to move existing rule text that governs the situations where more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously. Whereas now, in all such situations, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order; going forward, the system will present Discretionary IOCs associated with Discretionary Orders without Routing differently as it gains responsibility for handling such Orders from RASH. That is, the

¹¹ A Discretionary IOC may not execute fully in a race condition where an incoming order executes against all or a portion of the available liquidity within the discretionary price range before the Discretionary IOC is able to do so.

system will present multiple Discretionary IOCs associated with such Orders for execution in price-time priority, as is specified in Rule 4757(a). The price by which the Orders will be prioritized for execution refers to the price of the Discretionary IOCs that are generated, meaning the highest price for the Order with Discretion to buy (lowest price for the Order with Discretion to sell) within the discretionary price range. This change will not affect Discretionary Orders with Routing, when Discretionary IOCs are generated for routing, which will continue to be handled by RASH under the existing random presentment procedures.

The Exchange proposes to add to the Rule the following example to illustrate the new procedures. If a Participant enters a Price to Display Order to buy 500 shares at \$11 with a discretionary price range of up to \$11.03, then upon entry, the Nasdaq Market Center will first execute the Order against any orders resting on the Nasdaq Book that are priced equal to or better than the limit price of the Discretionary Order. Assuming that no such resting order exists, the Nasdaq Market Center will post the full size of the Price to Display Order to the Nasdaq Book in accordance with its parameters. If there is an Order on the Nasdaq Book to sell 200 shares priced at \$11.03, the Nasdaq Market Center will generate a Discretionary IOC to buy priced at \$11.03 to execute against the Order on the Nasdaq Book, if an execution at \$11.03 would not trade through a Protected Quotation; the remaining 300 shares of the original Order with Discretion will remain posted on the Nasdaq Book.¹²

¹² The Exchange also proposes to move and reorganize, but not substantively modify, certain text within Rule 4703(g) to eliminate duplication and improve its readability.

With respect to procedures for processing Discretionary Orders with Routing Attributes assigned to them, the Exchange proposes to reorganize and consolidate the procedures, as well as to eliminate obsolete and duplicative text, and to improve readability.

Specifically, the Exchange proposes to largely delete bulleted text that presently describes distinct procedures for handling Discretionary Orders with passive and reactive routing strategies, as well as for handling Discretionary Orders with Routing Attributes depending upon whether the discretionary price range of the Order is pegged. The Exchange proposes to eliminate certain existing text that describes order handling procedures for Discretionary Orders with passive and reactive routing strategies after being posted because such procedures do not differ from the general procedures for handling Discretionary Orders with respect to available liquidity on the Nasdaq Book within the discretionary price range.¹³ As to Discretionary Orders with reactive routing strategies, the Exchange believes that it is sufficient to state, going forward, that if a Discretionary IOC associated with such an Order does not exhaust the full size of the Discretionary Order, then the Exchange will generate and route additional Discretionary IOCs in response to new quotations within the discretionary price range according to the routing strategy assigned to the Order. Moreover, the Exchange proposes to retain

¹³ The Exchange proposes to retain the concept in the existing rule that whenever it generates a Discretionary IOC, the underlying Order with Discretion will be withheld or removed from the Exchange's Book and will then be routed and/or placed on the Exchange's Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. However, rather than applying this concept to all Discretionary Orders going forward, the proposal will apply it only to Discretionary Orders with Routing Attributes, as this is the context in which the concept applies, in practice.

language in the existing rule which states that, if a Discretionary Order uses a passive routing strategy, the System will not generate additional Discretionary IOC orders in response to new away market quotations within the discretionary price range unless the Order is updated in a manner that causes it to receive a new timestamp, in which case the Order will behave in the same manner as a newly entered Discretionary Order.

Moreover, the Exchange proposes to delete existing Rule text that describes how the Exchange handles Discretionary Orders with Routing Attributes in scenarios where such Orders do and do not have pegged discretionary price ranges associated with them. The text presently states that where a Discretionary IOC associated with such an Order does not exhaust the full size of the Order, the Exchange will post the remaining size of the Order to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. With respect to Discretionary Orders with reactive routing strategies, the Exchange will examine whether there is an order on the Nasdaq Book or an accessible quotation at another trading venue that is within the discretionary price range and against which the Discretionary Order could execute. When the Exchange currently examines the Nasdaq Book in the scenario where the Discretionary Order with reactive routing has a pegged discretionary price range, it examines only displayed orders on the Nasdaq Book for this purpose, whereas if the Discretionary Order with Routing has no pegged discretionary price range, the Exchange examines all orders on its Book, including non-displayed orders. This distinction in order handling procedures is a legacy of the existing limitations of the RASH protocol that will no longer be applicable after the Exchange migrates responsibility from RASH to the System for handling Discretionary Orders. That is, going forward, the System will be capable of and will

examine the Nasdaq Book for both displayed and non-displayed orders in the discretionary price range against which to execute Discretionary Orders with Routing, regardless of whether the discretionary price range of such Orders is pegged.

In the new proposed paragraph that governs Discretionary Orders with Routing, the Exchange also proposes to amend existing text concerning the price and size at which the Exchange will generate a Discretionary IOC when, before routing, it determines that there is liquidity available on the Nasdaq Book within the discretionary price range with which the Discretionary Orders may interact.¹⁴ Whereas existing rule text states that the Exchange will generate a Discretionary IOC in this instance that matches the price and size of the Order on the Nasdaq Book, the proposed rule text states that the Exchange will generate a Discretionary IOC equal to the highest price for the Order with Discretion to buy (lowest price for the Order with Discretion to sell) within the discretionary price range and a size equal to the applicable size of the available liquidity on the Nasdaq Book.

Additionally in that same paragraph, the Exchange proposes to change existing language that governs the generation of a Discretionary IOC in response to accessible quotations within the discretionary price range at away market centers. The existing rule text states that the Exchange will generate a Discretionary IOC in this instance that matches the price and size of the away market quotation within the discretionary price range. The proposed rule, by contrast, states that the Exchange will generate one or more Discretionary IOCs that will match the price of the away market quotation. The size of

¹⁴ The Exchange notes that certain routing strategies, such as Directed Orders, do not check the Nasdaq system first before routing to other market centers.

the Discretionary IOC(s) generated in this instance will be determined by the router to maximize execution opportunities, consistent with existing routing strategies.

Last, as explained above, the Exchange proposes to move the following existing text to the new consolidated paragraph governing procedures for handling Discretionary Orders with Routing. The text clarifies that for these Orders (as opposed to Discretionary Orders without Routing), the existing practice of randomly presenting for execution simultaneously generated Discretionary IOCs for routing is still applicable; because responsibility for this functionality is still being managed by RASH, it will not be affected by the present system changes:

Furthermore, if a new quotation satisfies conditions that would cause the simultaneous generation of a Discretionary IOC for more than one Order with Discretion that have been assigned a Routing Order Attribute, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order.

The Exchange intends to implement the foregoing changes during the Fourth Quarter of 2021. The Exchange will issue an Equity Trader Alert at least 7 days in advance of implementing the changes.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁶ 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.

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

The Exchange believes that its proposed amendments to the Discretionary Order Attribute, at Rule 4703(g), are consistent with the Act. The Exchange believes that its proposal to revise its process for handling Discretionary Orders so that they post to the Exchange Book, upon entry after checking for available interest at or better than their limit price, rather than attempt to execute against available liquidity within the discretionary price range immediately upon entry, will benefit Participants and investors because such immediate attempts at execution within the discretionary price range rarely succeed and typically result only in Discretionary Orders posting to the Book later than they would otherwise, and thus resulting in potentially lower queue priority. The proposed amendments will provide Participants with an opportunity to first secure queue priority by posting to the Book upon entry (after checking for available interest at or better than their limit price), and only generate a Discretionary IOC if and when the System later determines that liquidity within the discretionary price range is available for execution. The Exchange notes that it will still allow for Discretionary Orders to attempt to execute against available liquidity within the discretionary price range immediately upon entry if Participants select a Time-in-Force of Immediate-or-Cancel for such Orders.

Additionally, the proposal to generate Discretionary IOCs that equal the size of available liquidity within the discretionary range, rather than the full size of Discretionary Orders, will benefit participants by enabling their Discretionary Orders to maintain their queue priority on the Exchange Book when available liquidity within the discretionary price range is smaller than the full size of the Discretionary Order.

The Exchange believes that it is consistent with the Act to amend the Rule to state that if the Discretionary IOC is not fully executed, the posted portion of the Discretionary Order will be reentered on the Nasdaq Book as a new Discretionary Order with a new timestamp and with an increased size to include the unexecuted portions of the Discretionary IOC. The Exchange believes that the proposed rule change will benefit participants by enabling their Discretionary Orders to remain executable against new incoming liquidity when available liquidity within the discretionary price range is smaller than the full size of the Discretionary Order (provided that Participants have not specified a minimum quantity for execution).

Furthermore, it is consistent with the Act to reorganize, consolidate, and otherwise amend the provisions of the existing Rule that describe procedures for handling Discretionary Orders with Routing Attributes, passive and reactive routing strategies, and pegged and non-pegged discretionary price ranges. The proposed changes will improve the clarity and readability of the Rule by eliminating unnecessary and duplicative text. It will also reflect an upgrade in the ability of the Exchange to examine its Book for both displayed and non-displayed orders against which a Discretionary Order with Routing and a pegged discretionary price range may execute (with such upgrade occurring as a product of responsibility for Discretionary Order handling migration from RASH to the Exchange's matching System). It also is consistent with the Act to clarify that for Discretionary Orders with Routing Attributes, the existing practice of randomly presenting for execution simultaneously generated Discretionary IOCs for routing still applies.

Likewise, it is consistent with the Act to modify the price at which the Exchange will generate Discretionary IOCs when, before routing a Discretionary Order with Routing, the Exchange determines that there is liquidity available on the Nasdaq Book within the discretionary price range with which the Discretionary Orders may interact. The current practice of generating a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book does not maximize the potential for executions, whereas, generating a Discretionary IOC with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range allows the Discretionary IOC to access additional liquidity at a more aggressive price in the event of a race condition where the liquidity with which the Order with Discretion is reacting is removed before the Discretionary IOC is able to execute against it.

Finally, it is consistent with the Act to amend existing rule text to state that when the Exchange generates a Discretionary IOC to attempt to execute accessible liquidity within the discretionary price range at another market center, the Exchange will generate a Discretionary IOC that will match the price of the away market quotation, but the size will be determined by the router to maximize execution opportunities, consistent with existing routing strategies. The current rule, as written, does not contemplate the scenario where the remaining size of the Order with Routing is less than the size of the away market quotation; in which case a smaller order must be routed to the quoting market, comprising the full size of the Order with Routing. The new rule text allows for this behavior, and so more clearly communicates the operation of the System to Participants. Furthermore, additional non-displayed liquidity may exist on the quoting market in excess of the displayed size of the quote. It benefits the Participant to maximize

execution opportunities for their orders, so the new rule text allows the router to send orders that are larger than the size of the away market quotation. Because an Order assigned both Discretion and Routing Order Attributes is withheld or removed from the Nasdaq Book whenever a Discretionary IOC is generated, thereby yielding priority on the Nasdaq Book, there are no opportunity costs to routing additional shares in excess of the displayed quote.

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

The Exchange does not believe that its proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. As a general principle, the proposed changes are reflective of the significant competition among Exchanges and non-exchange venues for order flow. In this regard, proposed changes that facilitate enhancements to the Exchange's System and order entry protocols as well as those that amend and clarify the Exchange's Rules regarding its Order Attributes, are pro-competitive because they bolster the efficiency, integrity, and overall attractiveness of the Exchange in an absolute sense and relative to its peers.

Moreover, none of the proposed changes will unduly burden intra-market competition among various Exchange participants. The Exchange's proposal to revise its processes for handling Discretionary Orders upon entry does have the potential to improve the relative queue positions of Discretionary Orders on the Exchange's Book, but these changes are warranted because existing processes are inefficient and result in opportunity costs to users of Discretionary Orders. Indeed, participants potentially lose queue priority when the System delays posting their Discretionary Orders to the Book only after making attempts to execute those Orders against liquidity within its discretionary price range immediately upon entry. Similarly, participants potentially lose

queue priority whenever available liquidity within the discretionary price range is less than the size of a Discretionary IOC, and the System processes residual shares by posting them to the Book with new timestamps.

Furthermore, routing orders to away markets for only the displayed size of their quotes unnecessarily limits the opportunity for execution against non-displayed liquidity, while restricting the price of a Discretionary IOC to the price of an available order on the Nasdaq Book (as opposed to assigning the most aggressive price allowed within the discretionary range) limits opportunities for execution when race conditions cause the original order that the Discretionary IOC was created to execute against to no longer be available by the time the Discretionary IOC is received by the System. The proposed changes have the potential to increase execution opportunities, but these changes are warranted because they will equally benefit all Exchange participants utilizing the Discretion Attribute by making the processes more efficient.

Likewise, there will be no adverse competitive impact from the Exchange's proposal to examine both displayed and non-displayed orders in the Nasdaq Book (as opposed to only displayed orders, in current practice) in the scenario where the Discretionary Order with reactive routing has a pegged discretionary price range. As explained above, existing handling procedures in in this scenario a legacy of the limitations of the RASH protocol, which will no longer be applicable after the Exchange migrates responsibility from RASH to the System for handling Discretionary Orders.

For similar reasons, there will be no adverse competitive impact associated with the Exchange's proposal to present Discretionary IOCs associated with Discretionary Orders without Routing in price-time priority, rather than in random order, as is currently

the case and as will remain the case for Discretionary IOCs associated with Discretionary Orders with Routing. Whereas RASH is unable to present Discretionary IOCs in time-price priority, the Exchange's system will be capable of doing so, and thus it will do so when it assumes responsibility for handling Discretionary Orders without routing. Insofar as RASH will continue to handle Discretionary Orders with Routing, existing randomized processes for presenting Discretionary IOCs associated with those Orders will continue to apply.

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)¹⁷ of the Act and Rule 19b-4(f)(6) thereunder¹⁸ 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.

¹⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁸ 17 CFR 240.19b-4(f)(6).

As noted above, the proposed changes do not significantly affect the protection of investors or the public interest; instead, they will further the interests of investors and the public by, among other things: (i) by eliminating order handling inefficiencies that potentially cost participants queue priority or execution opportunities; (ii) reorganizing and consolidating the relevant rule text to improve its readability; and (iii) updating existing procedures governing the prices and sizes of Discretionary IOCs that the Exchange generates to interact with liquidity within the discretionary price range to maximize execution opportunities. Moreover, the proposed changes will not impose any significant or undue burden on competition to the extent that they serve these purposes.

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

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

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

Not applicable.

¹⁹ 17 CFR 240.19b-4(f)(6)(iii).

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-2020-075)

September __, 2021

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Discretion Attribute, at Equity 4, Rule 4703, in light of planned changes to the System

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 September 23, 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 Discretion Attribute, at Equity 4, Rule 4703³ in light of planned changes to the System, as described further below.

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.

³ References herein to Nasdaq Rules in the 4000 Series shall mean Rules in Nasdaq Equity 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

Presently, the Exchange is making functional enhancements and improvements to specific Order Types⁴ and Order Attributes⁵ that are currently only available via the RASH Order entry protocol.⁶ Specifically, the Exchange will be upgrading the logic and implementation of these Order Types and Order Attributes so that the features are more streamlined across the Nasdaq Systems and order entry protocols, and will enable the Exchange to process these Orders more quickly and efficiently. Additionally, this System

⁴ An "Order Type" is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. See Equity 1, Section 1(a)(7).

⁵ An "Order Attribute" is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. See id.

⁶ The RASH (Routing and Special Handling) Order entry protocol is a proprietary protocol that allows members to enter Orders, cancel existing Orders and receive executions. RASH allows participants to use advanced functionality, including discretion, random reserve, pegging and routing. See http://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/rash_sb.pdf.

upgrade will pave the way for the Exchange to enhance the OUCH Order entry protocol⁷ so that Participants may enter such Order Types and Order Attributes via OUCH, in addition to the RASH Order entry protocols.⁸ The Exchange plans to implement its enhancement of the OUCH protocol sequentially, by Order Type and Order Attribute.⁹

To support and prepare for these upgrades and enhancements, the Exchange recently submitted three rule filings to the Commission that amended its rules pertaining to, among other things, Market Maker Peg Orders, Orders with Reserve Size, and Orders with Pegging and Trade Now Attributes.¹⁰ The Exchange now proposes to further amend its Rules governing the Discretion Order Attribute, at Rule 4703(g), so that it aligns with how the System, once upgraded, will handle these Orders with Discretion going forward.

⁷ The OUCH Order entry protocol is a Nasdaq proprietary protocol that allows subscribers to quickly enter orders into the System and receive executions. OUCH accepts limit Orders from members, and if there are matching Orders, they will execute. Non-matching Orders are added to the Limit Order Book, a database of available limit Orders, where they are matched in price-time priority. OUCH only provides a method for members to send Orders and receive status updates on those Orders. See <https://www.nasdaqtrader.com/Trader.aspx?id=OUCH>.

⁸ The Exchange designed the OUCH protocol to enable members to enter Orders quickly into the System. As such, the Exchange developed OUCH with simplicity in mind, and it therefore lacks more complex order handling capabilities. By contrast, the Exchange specifically designed RASH to support advanced functionality, including discretion, random reserve, pegging and routing. Once the System upgrades occur, then the Exchange intends to propose further changes to its Rules to permit participants to utilize OUCH, in addition to RASH, to enter order types that require advanced functionality.

⁹ The Exchange notes that its sister exchanges, Nasdaq BX and Nasdaq PSX, plan to file similar proposed rule changes with the Commission shortly.

¹⁰ See Securities Exchange Act Release No. 34-92180 (June 15, 2021), 86 FR 33420 (June 24, 2021) (SR-NASDAQ-2021-044); Securities Exchange Act Release No. 34-91109 (February 11, 2021), 86 FR 10141 (February 18, 2021) (SR-NASDAQ-2020-090); Securities Exchange Act Release No. 34-90389 (November 10, 2020), 85 FR 73304 (November 17, 2020) (SR-NASDAQ-2020-071).

As set forth in Rule 4703(g), Discretion is an Order Attribute under which an Order has a non-displayed discretionary price range within which the entering Participant is willing to trade. Presently, the Rule provides that the System will process Discretionary Orders, upon entry, by generating a Non-Displayed Order with a Time-in-Force of Immediate-or-Cancel (a "Discretionary IOC") that will attempt to access liquidity available within the discretionary price range. The System will not permit the Discretionary IOC to execute, however, if the price of the execution would trade through a Protected Quotation. If more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously, the order in which such Discretionary IOCs will be presented for execution is random, based on the respective processing time for each such Order. Whenever a Discretionary IOC is generated, the underlying Order with Discretion will be withheld or removed from the Exchange's Book and will then be routed and/or placed on the Exchange's Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. In addition to prescribing a procedure for handling Discretionary Orders generally, the existing Rule also describes special procedures for handling Discretionary Orders with various types of Routing Attributes and with pegged discretionary price ranges.

The Exchange proposes to amend the process by which it processes Discretionary Orders in several respects. First, the Exchange proposes to clarify existing text which states that "[a] Participant may also specify a limit price beyond which the discretionary price range does not extend." The Exchange intended for this clause to address the

specific scenario where a Participant enters a Discretionary Order with a Discretionary Pegging Attribute, but the existing text is not explicit in this regard and thus is amenable to confusion. The Exchange proposes to restate this provision as follows to make its intention explicit: “[a] Participant may also specify a limit on the discretionary price range of an Order that is entered with a Discretionary Pegging Attribute,” and then further clarify the outcome of setting such a limit by stating “beyond which the discretionary pegged price may not extend.”¹¹ The Exchange notes that it uses the word “may” in this provision rather than “shall” because for Discretionary Orders with Pegging Attributes, the Rules specify the discretionary range applicable to those Orders; setting a limit on how far that range is allowed to extend is optional.

As a further organizational matter, the Exchange proposes to consolidate the portion of the Rule that describes the general procedure for handling Discretionary Orders with the portion that described the process for handling Discretionary Orders without a Routing Attribute assigned to them. Because non-routed orders conform to the general procedure, it is redundant to restate the process.

Second, as to the substance of the general Discretionary Order handling procedures, the Exchange proposes the following changes. Rather than generate a Discretionary IOC immediately upon Order entry (regardless of available liquidity within the discretionary price range) and then post the unexecuted portion of the Discretionary

¹¹ For example, a displayed Order to buy might have a limit price of \$11.00 and a discretionary price range pegged to the Best Bid with a discretionary limit of \$11.05. If the NBB is \$11.02 at the time of entry, the order will be displayed at \$11.00 with a discretionary price range up to \$11.02. If the NBB later become \$11.06, the Order will still be displayed at \$11.00 and its discretionary price range will be capped at \$11.05.

Order on the Exchange's Book, the Exchange proposes instead to first, upon entry, execute the Discretionary Order against any previously posted Orders on the Exchange Book that are priced equal to or better than the limit price of the Discretionary Order. If no such Order exists with which the Discretionary Order may fully execute upon entry, then the Exchange will post the Discretionary Order to the Exchange's Book in accordance with the parameters that apply to the underlying Order Type. In such case, the Exchange will generate a Discretionary IOC, with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range and a size equal to the order available for execution, if and when the System determines that liquidity within the discretionary price range is available for execution. The Exchange will then execute the Discretionary IOC (provided that doing so would not trade-through a Protected Quotation). The Exchange proposes this change to increase the efficiency with which the Exchange processes Discretionary Orders. The Exchange intended for the existing process to enable Discretionary Orders to execute immediately within the discretionary price range upon entry, but in practice, the Exchange observes that they rarely do so. Attempts to locate available liquidity within the discretionary range immediately upon entry delay Discretionary Orders from entering the priority queue on the Nasdaq Book, resulting in an opportunity cost when no such liquidity is located. The proposed rule change will reorient the order handling process for Discretionary Orders so that it no longer sacrifices potential queue priority for attempts at possible immediate executions within the discretionary price range. Given that immediate executions of Discretionary Orders within the discretionary price range rarely occur, the Exchange does not believe that this change will have any material adverse impact on the performance of

such Orders. Moreover, the Exchange will still allow for Discretionary Orders to attempt to execute against available liquidity immediately upon entry if contra-side liquidity, priced equal to or better than the limit price of the Discretionary Order, is resting on the Book at that time. And, if participants select a Time-in-Force of Immediate-or-Cancel for such Orders, then the orders will attempt to execute against available liquidity within the discretionary price range, which is unchanged from current functionality.

As noted above, whereas now, the Exchange generates a Discretionary IOC that is equal to the size of the Discretionary Order, and then posts shares to the Book that remain unexecuted after the Exchange executes the Discretionary IOC against available liquidity in the discretionary price range, the Exchange instead proposes to generate a Discretionary IOC that will be equal to the size of the available liquidity within the discretionary range, with any residual shares of the Discretionary Order remaining on the Book and retaining their existing priority. If the Discretionary IOC is not fully executed,¹² the posted portion of the Discretionary Order will be reentered on the Nasdaq Book as a new Discretionary Order with a new timestamp and with an increased size to include the unexecuted portions of the Discretionary IOC. The Exchange believes that the proposed rule change will benefit participants by enabling their Discretionary Orders to remain executable against new incoming liquidity when available liquidity within the discretionary price range is smaller than the full size of the Discretionary Order (provided that Participants have not specified a minimum quantity for execution).

¹² A Discretionary IOC may not execute fully in a race condition where an incoming order executes against all or a portion of the available liquidity within the discretionary price range before the Discretionary IOC is able to do so.

The Exchange proposes to move existing rule text that governs the situations where more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously. Whereas now, in all such situations, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order; going forward, the system will present Discretionary IOCs associated with Discretionary Orders without Routing differently as it gains responsibility for handling such Orders from RASH. That is, the system will present multiple Discretionary IOCs associated with such Orders for execution in price-time priority, as is specified in Rule 4757(a). The price by which the Orders will be prioritized for execution refers to the price of the Discretionary IOCs that are generated, meaning the highest price for the Order with Discretion to buy (lowest price for the Order with Discretion to sell) within the discretionary price range. This change will not affect Discretionary Orders with Routing, when Discretionary IOCs are generated for routing, which will continue to be handled by RASH under the existing random presentment procedures.

The Exchange proposes to add to the Rule the following example to illustrate the new procedures. If a Participant enters a Price to Display Order to buy 500 shares at \$11 with a discretionary price range of up to \$11.03, then upon entry, the Nasdaq Market Center will first execute the Order against any orders resting on the Nasdaq Book that are priced equal to or better than the limit price of the Discretionary Order. Assuming that no such resting order exists, the Nasdaq Market Center will post the full size of the Price to Display Order to the Nasdaq Book in accordance with its parameters. If there is an Order on the Nasdaq Book to sell 200 shares priced at \$11.03, the Nasdaq Market Center will

generate a Discretionary IOC to buy priced at \$11.03 to execute against the Order on the Nasdaq Book, if an execution at \$11.03 would not trade through a Protected Quotation; the remaining 300 shares of the original Order with Discretion will remain posted on the Nasdaq Book.¹³

With respect to procedures for processing Discretionary Orders with Routing Attributes assigned to them, the Exchange proposes to reorganize and consolidate the procedures, as well as to eliminate obsolete and duplicative text, and to improve readability.

Specifically, the Exchange proposes to largely delete bulleted text that presently describes distinct procedures for handling Discretionary Orders with passive and reactive routing strategies, as well as for handling Discretionary Orders with Routing Attributes depending upon whether the discretionary price range of the Order is pegged. The Exchange proposes to eliminate certain existing text that describes order handling procedures for Discretionary Orders with passive and reactive routing strategies after being posted because such procedures do not differ from the general procedures for handling Discretionary Orders with respect to available liquidity on the Nasdaq Book within the discretionary price range.¹⁴ As to Discretionary Orders with reactive routing

¹³ The Exchange also proposes to move and reorganize, but not substantively modify, certain text within Rule 4703(g) to eliminate duplication and improve its readability.

¹⁴ The Exchange proposes to retain the concept in the existing rule that whenever it generates a Discretionary IOC, the underlying Order with Discretion will be withheld or removed from the Exchange's Book and will then be routed and/or placed on the Exchange's Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. However, rather than applying this concept to all Discretionary Orders going

strategies, the Exchange believes that it is sufficient to state, going forward, that if a Discretionary IOC associated with such an Order does not exhaust the full size of the Discretionary Order, then the Exchange will generate and route additional Discretionary IOCs in response to new quotations within the discretionary price range according to the routing strategy assigned to the Order. Moreover, the Exchange proposes to retain language in the existing rule which states that, if a Discretionary Order uses a passive routing strategy, the System will not generate additional Discretionary IOC orders in response to new away market quotations within the discretionary price range unless the Order is updated in a manner that causes it to receive a new timestamp, in which case the Order will behave in the same manner as a newly entered Discretionary Order.

Moreover, the Exchange proposes to delete existing Rule text that describes how the Exchange handles Discretionary Orders with Routing Attributes in scenarios where such Orders do and do not have pegged discretionary price ranges associated with them. The text presently states that where a Discretionary IOC associated with such an Order does not exhaust the full size of the Order, the Exchange will post the remaining size of the Order to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. With respect to Discretionary Orders with reactive routing strategies, the Exchange will examine whether there is an order on the Nasdaq Book or an accessible quotation at another trading venue that is within the discretionary price range and against which the Discretionary Order could execute. When the Exchange currently examines the Nasdaq Book in the scenario where the Discretionary Order with reactive

forward, the proposal will apply it only to Discretionary Orders with Routing Attributes, as this is the context in which the concept applies, in practice.

routing has a pegged discretionary price range, it examines only displayed orders on the Nasdaq Book for this purpose, whereas if the Discretionary Order with Routing has no pegged discretionary price range, the Exchange examines all orders on its Book, including non-displayed orders. This distinction in order handling procedures is a legacy of the existing limitations of the RASH protocol that will no longer be applicable after the Exchange migrates responsibility from RASH to the System for handling Discretionary Orders. That is, going forward, the System will be capable of and will examine the Nasdaq Book for both displayed and non-displayed orders in the discretionary price range against which to execute Discretionary Orders with Routing, regardless of whether the discretionary price range of such Orders is pegged.

In the new proposed paragraph that governs Discretionary Orders with Routing, the Exchange also proposes to amend existing text concerning the price and size at which the Exchange will generate a Discretionary IOC when, before routing, it determines that there is liquidity available on the Nasdaq Book within the discretionary price range with which the Discretionary Orders may interact.¹⁵ Whereas existing rule text states that the Exchange will generate a Discretionary IOC in this instance that matches the price and size of the Order on the Nasdaq Book, the proposed rule text states that the Exchange will generate a Discretionary IOC equal to the highest price for the Order with Discretion to buy (lowest price for the Order with Discretion to sell) within the discretionary price range and a size equal to the applicable size of the available liquidity on the Nasdaq Book.

¹⁵ The Exchange notes that certain routing strategies, such as Directed Orders, do not check the Nasdaq system first before routing to other market centers.

Additionally in that same paragraph, the Exchange proposes to change existing language that governs the generation of a Discretionary IOC in response to accessible quotations within the discretionary price range at away market centers. The existing rule text states that the Exchange will generate a Discretionary IOC in this instance that matches the price and size of the away market quotation within the discretionary price range. The proposed rule, by contrast, states that the Exchange will generate one or more Discretionary IOCs that will match the price of the away market quotation. The size of the Discretionary IOC(s) generated in this instance will be determined by the router to maximize execution opportunities, consistent with existing routing strategies.

Last, as explained above, the Exchange proposes to move the following existing text to the new consolidated paragraph governing procedures for handling Discretionary Orders with Routing. The text clarifies that for these Orders (as opposed to Discretionary Orders without Routing), the existing practice of randomly presenting for execution simultaneously generated Discretionary IOCs for routing is still applicable; because responsibility for this functionality is still being managed by RASH, it will not be affected by the present system changes:

Furthermore, if a new quotation satisfies conditions that would cause the simultaneous generation of a Discretionary IOC for more than one Order with Discretion that have been assigned a Routing Order Attribute, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order.

The Exchange intends to implement the foregoing changes during the Fourth Quarter of 2021. The Exchange will issue an Equity Trader Alert at least 7 days in advance of implementing the changes.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁷ 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.

The Exchange believes that its proposed amendments to the Discretionary Order Attribute, at Rule 4703(g), are consistent with the Act. The Exchange believes that its proposal to revise its process for handling Discretionary Orders so that they post to the Exchange Book, upon entry after checking for available interest at or better than their limit price, rather than attempt to execute against available liquidity within the discretionary price range immediately upon entry, will benefit Participants and investors because such immediate attempts at execution within the discretionary price range rarely succeed and typically result only in Discretionary Orders posting to the Book later than they would otherwise, and thus resulting in potentially lower queue priority. The proposed amendments will provide Participants with an opportunity to first secure queue priority by posting to the Book upon entry (after checking for available interest at or better than their limit price), and only generate a Discretionary IOC if and when the System later determines that liquidity within the discretionary price range is available for execution. The Exchange notes that it will still allow for Discretionary Orders to attempt to execute against available liquidity within the discretionary price range immediately

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

upon entry if Participants select a Time-in-Force of Immediate-or-Cancel for such Orders.

Additionally, the proposal to generate Discretionary IOCs that equal the size of available liquidity within the discretionary range, rather than the full size of Discretionary Orders, will benefit participants by enabling their Discretionary Orders to maintain their queue priority on the Exchange Book when available liquidity within the discretionary price range is smaller than the full size of the Discretionary Order.

The Exchange believes that it is consistent with the Act to amend the Rule to state that if the Discretionary IOC is not fully executed, the posted portion of the Discretionary Order will be reentered on the Nasdaq Book as a new Discretionary Order with a new timestamp and with an increased size to include the unexecuted portions of the Discretionary IOC. The Exchange believes that the proposed rule change will benefit participants by enabling their Discretionary Orders to remain executable against new incoming liquidity when available liquidity within the discretionary price range is smaller than the full size of the Discretionary Order (provided that Participants have not specified a minimum quantity for execution).

Furthermore, it is consistent with the Act to reorganize, consolidate, and otherwise amend the provisions of the existing Rule that describe procedures for handling Discretionary Orders with Routing Attributes, passive and reactive routing strategies, and pegged and non-pegged discretionary price ranges. The proposed changes will improve the clarity and readability of the Rule by eliminating unnecessary and duplicative text. It will also reflect an upgrade in the ability of the Exchange to examine its Book for both displayed and non-displayed orders against which a Discretionary Order with Routing

and a pegged discretionary price range may execute (with such upgrade occurring as a product of responsibility for Discretionary Order handling migration from RASH to the Exchange's matching System). It also is consistent with the Act to clarify that for Discretionary Orders with Routing Attributes, the existing practice of randomly presenting for execution simultaneously generated Discretionary IOCs for routing still applies.

Likewise, it is consistent with the Act to modify the price at which the Exchange will generate Discretionary IOCs when, before routing a Discretionary Order with Routing, the Exchange determines that there is liquidity available on the Nasdaq Book within the discretionary price range with which the Discretionary Orders may interact. The current practice of generating a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book does not maximize the potential for executions, whereas, generating a Discretionary IOC with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range allows the Discretionary IOC to access additional liquidity at a more aggressive price in the event of a race condition where the liquidity with which the Order with Discretion is reacting is removed before the Discretionary IOC is able to execute against it.

Finally, it is consistent with the Act to amend existing rule text to state that when the Exchange generates a Discretionary IOC to attempt to execute accessible liquidity within the discretionary price range at another market center, the Exchange will generate a Discretionary IOC that will match the price of the away market quotation, but the size will be determined by the router to maximize execution opportunities, consistent with existing routing strategies. The current rule, as written, does not contemplate the scenario

where the remaining size of the Order with Routing is less than the size of the away market quotation; in which case a smaller order must be routed to the quoting market, comprising the full size of the Order with Routing. The new rule text allows for this behavior, and so more clearly communicates the operation of the System to Participants. Furthermore, additional non-displayed liquidity may exist on the quoting market in excess of the displayed size of the quote. It benefits the Participant to maximize execution opportunities for their orders, so the new rule text allows the router to send orders that are larger than the size of the away market quotation. Because an Order assigned both Discretion and Routing Order Attributes is withheld or removed from the Nasdaq Book whenever a Discretionary IOC is generated, thereby yielding priority on the Nasdaq Book, there are no opportunity costs to routing additional shares in excess of the displayed quote.

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

The Exchange does not believe that its proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. As a general principle, the proposed changes are reflective of the significant competition among Exchanges and non-exchange venues for order flow. In this regard, proposed changes that facilitate enhancements to the Exchange's System and order entry protocols as well as those that amend and clarify the Exchange's Rules regarding its Order Attributes, are pro-competitive because they bolster the efficiency, integrity, and overall attractiveness of the Exchange in an absolute sense and relative to its peers.

Moreover, none of the proposed changes will unduly burden intra-market competition among various Exchange participants. The Exchange's proposal to revise its processes for handling Discretionary Orders upon entry does have the potential to

improve the relative queue positions of Discretionary Orders on the Exchange's Book, but these changes are warranted because existing processes are inefficient and result in opportunity costs to users of Discretionary Orders. Indeed, participants potentially lose queue priority when the System delays posting their Discretionary Orders to the Book only after making attempts to execute those Orders against liquidity within its discretionary price range immediately upon entry. Similarly, participants potentially lose queue priority whenever available liquidity within the discretionary price range is less than the size of a Discretionary IOC, and the System processes residual shares by posting them to the Book with new timestamps.

Furthermore, routing orders to away markets for only the displayed size of their quotes unnecessarily limits the opportunity for execution against non-displayed liquidity, while restricting the price of a Discretionary IOC to the price of an available order on the Nasdaq Book (as opposed to assigning the most aggressive price allowed within the discretionary range) limits opportunities for execution when race conditions cause the original order that the Discretionary IOC was created to execute against to no longer be available by the time the Discretionary IOC is received by the System. The proposed changes have the potential to increase execution opportunities, but these changes are warranted because they will equally benefit all Exchange participants utilizing the Discretion Attribute by making the processes more efficient.

Likewise, there will be no adverse competitive impact from the Exchange's proposal to examine both displayed and non-displayed orders in the Nasdaq Book (as opposed to only displayed orders, in current practice) in the scenario where the Discretionary Order with reactive routing has a pegged discretionary price range. As

explained above, existing handling procedures in in this scenario a legacy of the limitations of the RASH protocol, which will no longer be applicable after the Exchange migrates responsibility from RASH to the System for handling Discretionary Orders.

For similar reasons, there will be no adverse competitive impact associated with the Exchange's proposal to present Discretionary IOCs associated with Discretionary Orders without Routing in price-time priority, rather than in random order, as is currently the case and as will remain the case for Discretionary IOCs associated with Discretionary Orders with Routing. Whereas RASH is unable to present Discretionary IOCs in time-price priority, the Exchange's system will be capable of doing so, and thus it will do so when it assumes responsibility for handling Discretionary Orders without routing. Insofar as RASH will continue to handle Discretionary Orders with Routing, existing randomized processes for presenting Discretionary IOCs associated with those Orders will continue to apply.

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 Act¹⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁹

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-2021-075 on the subject line.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁹ 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-2021-075. 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-2021-075 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.²⁰

J. Matthew DeLesDernier
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

The Nasdaq Stock Market LLC Rules

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Equity Rules

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Equity 4: Equity Trading Rules

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4703. Order Attributes

As described in Rule 4702, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) – (f) No change.

(g) Discretion. Discretion is an Order Attribute under which an Order has a non-displayed discretionary price range within which the entering Participant is willing to trade; such an Order may be referred to as a "Discretionary Order." Thus, an Order with Discretion has both a price (for example, buy at \$11) and a discretionary price range (for example, buy up to \$11.03). Depending on the Order Type used, the price may be displayed (for example, a Price to Display Order) or non-displayed (for example, a Non-[]Displayed Order). The discretionary price range is always non-displayed. In addition, it should be noted that the Discretion Order Attribute may be combined with the Pegging Order Attribute, in which case either the price of the Order or the discretionary price range or both may be pegged in the ways described in Rule 4702(d) with respect to the Pegging Order Attribute. For example, an Order with Discretion to buy might be pegged to the Best Bid with a \$0.05 passive Offset and might have a discretionary price range pegged to the Best Bid with a \$0.02 passive Offset. In that case, if the Best Bid was \$11, the price of the Order would be \$10.95, with a discretionary price range up to \$10.98. If the Best Bid moved to \$10.99, the price of the Order would then be \$10.94, with a discretionary price range up to \$10.97. Alternatively, if the price of the Order was pegged but the discretionary price range was not, the price of the Order would be \$10.94, but the discretionary price range would continue to range up to \$10.98. Likewise, if the discretionary price range was pegged but the price of the Order was not, the Order would remain priced at \$10.95 but with a discretionary price range of up to \$10.97. A Participant may also specify a limit [price] on the discretionary price range of an Order that is entered with a Discretionary Pegging Attribute, beyond which the discretionary pegged price [range]may not extend.

[Under the circumstances described below, t]The Nasdaq Market Center processes an Order with Discretion as follows. First, upon entry of an Order with Discretion, the Exchange will execute the Order against any previously posted Orders on the Nasdaq Book that are priced equal to or better than the limit price of the Order with Discretion.

If, however, an Order with Discretion has a Time-in-Force of IOC upon entry, then the Order will immediately attempt to execute against available liquidity in the discretionary range without first posting to the Nasdaq Book. Second, any portion of the Order with Discretion that cannot be executed immediately will post to the Nasdaq Book, in accordance with the parameters of the underlying Order Type. Third, once the Order with Discretion posts to the Nasdaq Book and thereafter, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine whether at any time there is liquidity available within the discretionary price range against which the Order with Discretion could execute. Fourth, if the Nasdaq Market Center observes liquidity available within the discretionary price range, it will [by generating]generate a Non-Displayed Order with a Time-in-Force of IOC (a "Discretionary IOC"), with a price equal to the highest price for the Order with Discretion to buy (lowest price for the Order with Discretion to sell) within the discretionary price range and a size equal to the applicable size of the available liquidity on the Nasdaq Book, [that]which will attempt to access that liquidity[available within the discretionary price range]. The Discretionary IOC will not be permitted to execute, however, if the price of the execution would trade through a Protected Quotation. Fifth, if the available liquidity does not fully exhaust the Discretionary IOC, then the Nasdaq Market Center will remove any remaining shares of the Order with Discretion from the Nasdaq Book, combine them with the unexecuted portion of the Discretionary IOC, and post the Discretionary Order back to the Nasdaq Book with a new timestamp.[If more than one Order with Discretion satisfies conditions that would cause the generation of a Discretionary IOC simultaneously, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order. Whenever a Discretionary IOC is generated, the underlying Order with Discretion will be withheld or removed from the Nasdaq Book and will then be routed and/or placed on the Nasdaq Book if the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, with its price determined by the underlying Order Type and Order Attributes selected by the Participant. Because the circumstances under which a Discretionary IOC will be generated are dependent upon a range of factors, several specific scenarios are described below.] Thus, for example, if a Participant enters a Price to Display Order to buy 500 shares at \$11 with a discretionary price range of up to \$11.03, then upon entry, the Nasdaq Market Center will first execute the Order against any orders resting on the Nasdaq Book that are priced equal to or better than the limit price of the Discretionary Order. Assuming that no such resting orders exist, the Nasdaq Market Center will post the full size of the Price to Display Order to the Nasdaq Book in accordance with its parameters. If there is an Order on the Nasdaq Book to sell 200 shares priced at \$11.03, the Nasdaq Market Center will generate a Discretionary IOC to buy priced at \$11.03 to execute against the Order on the Nasdaq Book, so long as an execution at \$11.03 would not trade through a Protected Quotation; the remaining 300 shares of the original Order with Discretion will remain posted on the Nasdaq Book.

Notwithstanding the above, the following process shall apply to an Order that has been assigned both Discretion and Routing Order Attributes. For those routing strategies that first examine the Nasdaq Book for available liquidity, upon entry of the Order, the

Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is liquidity available within the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such liquidity, it will generate a Discretionary IOC with a price equal to the highest price for the Order with Discretion to buy (lowest price for the Order with Discretion to sell) within the discretionary price range and a size equal to the applicable size of the available liquidity on the Nasdaq Book. If existing liquidity on the Nasdaq Book does not exhaust the full size of the Order with Discretion, or if the selected routing strategy does not examine the Nasdaq Book for available liquidity before routing, the Nasdaq Market Center System will determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, in accordance with the applicable routing strategy, with a price that matches the price of the market center's quotation and a size determined by the router to maximize execution opportunities. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the routed Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will examine the Nasdaq Book for available liquidity at any time and/or post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. Thereafter, if the Order with Discretion uses a reactive routing strategy (i.e., a strategy that seeks routing opportunities after posting to the Nasdaq Book), the Nasdaq Market Center System will generate and route one or more additional Discretionary IOCs in response to new away market quotations within the discretionary price range according to the routing strategy assigned to the Discretionary Order, with a price that matches the price of the away market quotation and a size determined by the router to maximize execution opportunities. If the Order with Discretion uses a passive routing strategy (i.e., a strategy that does not seek routing opportunities after posting to the Nasdaq Book), the Nasdaq Market Center System will not generate additional Discretionary IOC orders in response to new away market quotations within the discretionary price range unless the Order is updated in a manner that causes it to receive a new timestamp, in which case the Order will behave in the same manner as a newly entered Discretionary Order. Whenever a Discretionary IOC is generated in response to quotations as set forth in this paragraph, the underlying Order with Discretion will be withheld (if not yet booked) or removed (if already booked) from the Nasdaq Book; if execution against the Discretionary IOC does not exhaust the full size of the underlying Order with Discretion, the remaining shares will be routed again in accordance with the applicable routing strategy, with a price that matches the price of the away market quotation and a size determined by the router to maximize execution opportunities, and/or placed on the Nasdaq Book, with a price determined by the underlying Order Type and Order Attributes selected by the Participant. Furthermore, if a new quotation satisfies conditions that would cause the simultaneous generation of a Discretionary IOC for more than one Order with Discretion that have been assigned a Routing Order Attribute, the order in which such Discretionary IOCs are presented for execution is random, based on the respective processing time for each such Order.

- [• If an Order has been assigned a Discretion Order Attribute, but has not been assigned a Routing Order Attribute, upon entry of the Order, the Nasdaq Market Center will automatically generate a Discretionary IOC with a price equal to the highest price for an Order with Discretion to buy (lowest price for an Order with Discretion to sell) within the discretionary price range and a size equal to the full size of the underlying Order to determine if there are any Orders within the discretionary price range on the Nasdaq Book. If the Discretionary IOC does not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. Thus, for example, if a Participant enters a Price to Display Order to buy at \$11 with a discretionary price range of up to \$11.03, upon entry the Nasdaq Market Center will generate a Discretionary IOC to buy priced at \$11.03. If there is an Order on the Nasdaq Book to sell priced at \$11.02 and an execution at \$11.02 would not trade through a Protected Quotation, the Discretionary IOC will execute against the Order on the Nasdaq Book, up to the full size of each Order. Any remaining size of the Price to Display Order would post to the Nasdaq Book in accordance with its parameters.]
- [• After the Order posts to the Nasdaq Book, the Nasdaq Market Center System will examine whether at any time there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. In doing so, the Nasdaq Market Center System will examine all Orders (including Orders that are not Displayed). If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the highest price for an Order to buy (lowest price for an Order to sell) within the discretionary price range and a size equal to the full size of the Order.]
- [• If an Order that uses a passive routing strategy (i.e., a strategy that does not seek routing opportunities after posting to the Nasdaq Book) has been assigned a Discretion Order Attribute but does not have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System's routing broker may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order

Type. The Nasdaq Market Center System will then examine whether at any time there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. In doing so, the Nasdaq Market Center System will examine all Orders (including Orders that are not Displayed). If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book.]

- [• If an Order that uses a reactive routing strategy (i.e., a strategy that seeks routing opportunities after posting to the Nasdaq Book) has been assigned a Discretion Order Attribute but does not have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. The Nasdaq Market Center System will then examine whether at any time there is an Order on the Nasdaq Book or an accessible quotation at another trading venue with a price in the discretionary price range against which the Order with Discretion could execute. In examining the Nasdaq Book, the Nasdaq Market Center System will examine all Orders (including Orders that are not Displayed). If the Nasdaq Market Center System observes such an Order or quotation, it will generate a Discretionary IOC with a price equal to the price of such the Order or quotation and a size equal to the applicable size of the Order on the Nasdaq Book or the displayed size of the quotation.]
- [• If an Order that uses a passive routing strategy has been assigned a Discretion Order Attribute and does have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the

Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. Thereafter, the Order will not generate further Discretionary IOCs unless the Order is updated in a manner that causes it to receive a new timestamp, in which case the Order will behave in the same manner as a newly entered Order.]

- [• If an Order that uses a reactive routing strategy has been assigned a Discretion Order Attribute and does have a pegged discretionary price range, upon entry of the Order, the Nasdaq Market Center will examine all Orders (including Orders that are not Displayed) on the Nasdaq Book to determine if there is an Order on the Nasdaq Book with a price in the discretionary price range against which the Order with Discretion could execute. If the Nasdaq Market Center System observes such an Order, it will generate a Discretionary IOC with a price equal to the price of the Order on the Nasdaq Book and a size equal to the applicable size of the Order on the Nasdaq Book. The Nasdaq Market Center System will also determine if there are any accessible quotations with prices that are within the discretionary price range at destinations on the applicable routing table for the selected routing strategy. If there are such quotations, the Nasdaq Market Center System will generate one or more Discretionary IOCs to route to such destinations, with a price and size that match the price and size of the market center's quotation. If necessary to maximize execution opportunities and comply with Regulation NMS, the System may mark such Discretionary IOCs as Intermarket Sweep Orders. If the Discretionary IOC(s) do not exhaust the full size of the Order with Discretion, the remaining size of the Order with Discretion will post to the Nasdaq Book in accordance with the parameters that apply to the underlying Order Type. The Nasdaq Market Center System will then examine whether at any time there is an Order on the Nasdaq Book or an accessible quotation at another trading venue with a price in the discretionary price range against which the Order with Discretion could execute. In examining the Nasdaq Book, the Nasdaq Market Center System will examine Displayed Orders but will not examine Non-Displayed Orders. If the Nasdaq Market Center System observes such an Order or quotation, it will generate a Discretionary IOC with a price equal to the price of such the Order or quotation and a size equal to the applicable size of the Order on the Nasdaq Book or the displayed size of the quotation.]

(h) – (n) No change.

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