

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–102342; File No. SR–MRX–2025–05]

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delay the Implementation of the New Options Regulatory Fee (ORF) and ORF Methodology Proposed in SR–MRX–2024–45

February 4, 2025.

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 January 28, 2025, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Item I below, which Item has been substantially prepared by the Exchange. The Exchange has designated this proposal for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b–4(f) thereunder.⁴ 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 delay the implementation of SR–MRX–2024–45,⁵ which amended MRX’s Options Regulatory Fee (“ORF”). Specifically, the Exchange proposes to delay the new ORF and methodology therein which now will be implemented on June 1, 2025 and sunset on December 1, 2025.⁶

The proposed rule change, including the Exchange’s statement of the purpose of, and statutory basis for, the proposed

rule change, is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/MRX/rulefilings> and on the Commission’s website at https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/national-securities-exchanges?file_number=SR-MRX-2025-05.

II. 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.⁷ Comments may be submitted electronically by using the Commission’s internet comment form (https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/national-securities-exchanges?file_number=SR-MRX-2025-05) or by sending an email to rule-comments@sec.gov. Please include file number SR–MRX–2025–05 on the subject line. Alternatively, paper comments may be sent to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to file number SR–MRX–2025–05. 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 website (https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/national-securities-exchanges?file_number=SR-MRX-2025-05). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–MRX–2025–05 and should be submitted on or before March 3, 2025.

⁷ 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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–102336; File No. SR–NASDAQ–2024–065]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Order Granting Approval of a Proposed Rule Change To Amend Equity 4 To Establish Halt Cross Price Protections and Make Other Related Changes

February 4, 2025.

I. Introduction

On November 6, 2024, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b–4 thereunder,² a proposed rule change to amend Equity 4 to establish halt cross price protections and make other related changes. The proposed rule change was published for comment in the **Federal Register** on November 20, 2024.³ This order grants approval of the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to amend its rules to implement halt cross protections to prevent clearly erroneous executions after the reopening of trading and ensure that securities are priced within reasonable levels from their halted price. In addition, the Exchange proposes to establish a “Hybrid Closing Cross” and introduce related price protections. To implement the proposed price protections, the Exchange proposes to modify Equity 4 by: (i) adding the proposed halt cross protections to Equity 4, Section 4120, replacing the prior procedures; (ii) adding information about dissemination of Auction Reference Prices and Auction Collars in Nasdaq Rule 4753(a)(3); and (iii) adding rules for a

⁸ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 101620 (Nov. 14, 2024), 89 FR 91853 (“Notice”). The Commission has received no comment letters on the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b–4(f). 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 will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

⁵ See Securities and Exchange Act Release No. 101891 (Dec. 12, 2024), 89 FR 103017 (Dec. 18, 2024) (SR–MRX–2024–45) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New Approach to the Options Regulatory Fee (ORF) in 2025).

⁶ On January 13, 2025, the Exchange filed SR–MRX–2025–03. The Exchange withdrew SR–MRX–2025–03 on January 28, 2025 and replaced it with this filing.

modified closing cross in Nasdaq Rule 4754(b)(7).

In addition, the Exchange proposes to make a number of additional related changes in Equity 4, including: (i) removing references to the Limit-Up-Limit-Down (“LULD”) Closing Cross in Nasdaq Rules 4702 and 4755; (ii) clarifying how Auction Reference Prices and Auction Collars are disseminated in Nasdaq Rule 4753(a)(3); (iii) clarifying rule language about cancellation of IOC Orders for halted securities in Nasdaq Rule 4753(e); (iv) specifying that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Nasdaq Rule 4754(a)(6); (v) adding “NOII” as an alternative defined term for “Order Imbalance Indicator” in Nasdaq Rule 4754(a)(7); (vi) adding “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Nasdaq Rule 4754(a)(10); (vii) amending language related to handling of late Limit on Close (“LOC”) Orders⁴ in Nasdaq Rule 4754(b)(6); and (viii) modifying the priority for orders participating in the LULD Closing Cross in Nasdaq Rule 4754(b)(6).

Background

The Exchange currently offers price protection mechanisms in most of the auctions it conducts during the normal course of trading (including opening/closing auction, market-wide circuit breaker (“MWC”) halts,⁵ and LULD pauses⁶). The Exchange proposes to implement a new price protection mechanism to the Nasdaq Halt Cross⁷ process.⁸

The new price protection mechanism would be similar to what is currently utilized for reopening stocks following an MWC halt or LULD trading pause, where pre-determined price collars

would be built into the halt cross process. The Exchange proposes to establish a threshold of 10% below and above a reference price, within which the price of the stock must fall to reopen.⁹ If the price falls outside of those collars after an initial 5-minute display-only period, the collars would be widened by the same threshold amount as the initial collars and a subsequent 5-minute display-only period would commence. If the price falls outside of those collars after the second 5-minute display-only period, the collars would be widened by 20% below and above the reference price and a third 5-minute period would commence. This process would continue (at 20%) until the price falls within the set thresholds, after which the auction would execute and the stock would reopen for trading.¹⁰

Proposed Changes to Nasdaq Rule 4120 (LULD Plan and Trading Halts)

The Exchange proposes to introduce price protections to the halt cross process that are similar to the protections used today for reopening stocks following an LULD pause and MWC halt and would ensure that the reopening price is reasonably related to current market conditions. The Exchange proposes to remove the current procedure for terminating certain trading halts provided in Nasdaq Rule 4120(c)(7) and replace with proposed rule language describing the new procedure in proposed Nasdaq Rule 4120(c)(7). The current reopening process does not have a mechanism for calculating price collars and a process for widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect.¹¹

The introductory language in proposed Nasdaq Rule 4120(c)(7) provides that, a trading halt initiated under Nasdaq Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)¹² shall be

terminated when Nasdaq releases the security for trading. It would also provide that, for any such security listed on Nasdaq, prior to terminating the halt, there would be a 5-minute “Initial Display Only Period” during which market participants may enter quotations and orders in that security in Nasdaq systems.¹³ According to the Exchange, this is consistent with the process employed for reopening securities following LULD trading pauses.¹⁴ This is also consistent with the process employed for reopening securities following MWC halts, except that in the case of an MWC halt, the Initial Display Only Period is 15 minutes in length (as opposed to 5) to coincide with the entire duration of the MWC halt.¹⁵ In addition, the Exchange explains that the introductory language is consistent with current rule language, with minor revisions. The minor revisions include referencing a “halt” rather than both a “halt or pause” for clarification and adding a specific defined term of “Initial Display Only Period” for the 5-minute period referenced.¹⁶ The types of halts covered by Nasdaq Rule 4120(c)(7) (*i.e.*, trading halt initiated under Nasdaq Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)) remain unchanged.

Proposed Nasdaq Rule 4120(c)(7)(A) describes the Exchange’s proposed process for establishing the “Auction Reference Price.” The Auction Reference Price would mean: (a) the Nasdaq last sale price (either round or odd lot); and (b) if there is no Nasdaq last sale price, the prior trading day’s Nasdaq Official Closing Price (“NOCP”).¹⁷ The Exchange proposes to use the Nasdaq last sale price¹⁸ (or if none, the NOCP) as this price is reflective of the current market for the

4120(a)(10)); halts related to large price moves for Nasdaq-listed securities not covered by the LULD Plan (*see* Nasdaq Rule 4120(a)(11)), and halts related to reverse stock splits (*see* Nasdaq Rule 4120(a)(14)). In 2023, 98% of these aforementioned halts were news-related halts. The Exchange focuses on these specific trading halts because these halts currently not do have any price protection mechanism in place for the reopening of securities following a halt.

¹³ *See* Notice, *supra* note 3, at 91855.

¹⁴ *Id.*; *See* Nasdaq Rule 4120(c)(10).

¹⁵ *See* Notice, *supra* note 3, at 91855; *See* Nasdaq Rule 4121(d).

¹⁶ *See* Notice, *supra* note 3, at 91855.

¹⁷ If there is no Nasdaq last sale price, the Exchange states that the prior trading day’s NOCP is preferable for establishing the Auction Reference Price noting that the NOCP, as opposed to the last sale price on another exchange, serves as the next best reference price as it is derived from the primary market center for the Nasdaq-listed securities. *See* Notice, *supra* note 3, at 91855, n.16.

¹⁸ The Nasdaq last sale price reflects the last sale price of that trading session. *See* Notice, *supra* note 3, at 91855, n.17.

⁴ A “Limit On Close Order” or “LOC Order” is an Order Type entered with a price that may be executed only in the Nasdaq Closing Cross or the LULD Closing Cross, and only if the price determined by the Nasdaq Closing Cross or the LULD Closing Cross is equal to or better than the price at which the LOC Order was entered. *See* Nasdaq Rule 4702(b)(12).

⁵ A market-wide circuit breaker is triggered if the price of the S&P 500 Index declines by a specified amount compared to the closing price for the immediately preceding trading day. *See* Nasdaq Rule 4121.

⁶ An LULD pause is a trading pause pursuant to the Plan to Address Extraordinary Market Volatility or “LULD Plan.” *See* <https://www.luldplan.com/>.

⁷ The “Nasdaq Halt Cross” is the process for determining the price at which Eligible Interest shall be executed at the open of trading for a halted security and for executing that Eligible Interest. *See* Nasdaq Rule 4753(a)(4). “Eligible Interest” shall mean any quotation or any order that has been entered into the system and designated with a time-in-force that would allow the order to be in force at the time of the Halt Cross. *See* Nasdaq Rule 4753(a)(5).

⁸ *See* Notice, *supra* note 3, at 91853–4.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* at 91854–55.

¹² This covers trading halts related to dissemination of material news for Nasdaq-listed securities (*see* Nasdaq Rule 4120(a)(1)); halts of Nasdaq-listed American Depositary Receipts or other Nasdaq-listed securities where underlying securities are halted by foreign markets or regulators for regulatory reasons (*see* Nasdaq Rule 4120(a)(4)); halts related to Exchange requests from issuers relating to material news, the issuer’s ability to meet listing qualification requirements, or other information necessary to protect investors and the public interest (*see* Nasdaq Rule 4120(a)(5)); halts related to extraordinary market activity (*see* Nasdaq Rule 4120(a)(6)); halts in certain products where the Intraday Indicative Value or index value is not disseminated as required (*see* Nasdaq Rule 4120(a)(9)); halts in certain products where the net asset value is not being disseminated to all market participants at the same time (*see* Nasdaq Rule

halted security. The Exchange proposes to use Nasdaq specific prices rather than market-wide prices, consistent with MWCB, because of the accessibility and controllability of the Exchange data. In rare instances where there is no Nasdaq last sale price or NOCP, Nasdaq's MarketWatch Department ("MarketWatch") would have discretion to set the Auction Reference Price.¹⁹ The Exchange proposes to set the Auction Reference Price in a manner similar to that which is utilized for MWCB halts, in which the Auction Reference Price is the Nasdaq last sale price or if none, the NOCP.²⁰ However, the Exchange believes it is important to have a mechanism by which it may set a reference price in rare situations where there is no Nasdaq last sale price or NOCP.²¹

Similar to MWCB, the Exchange is not proposing to use the LULD Auction Reference Price, which is based on the Price Band that triggered the trading pause,²² as the Exchange believes that a different reference is necessary for a reopening process that is unrelated to the LULD mechanism.²³ LULD and halt crosses use distinctly different reference prices in the auction pricing methodology. The reference price in an LULD auction in all cases will be either the pre-calculated upper or lower LULD band value that was last disseminated. In contrast, the reference price of a regulatory halt will use the prevailing last price or designated price in the event there is no last price. The Exchange states that the last prevailing price is more representative of the current value of a security, and as such, a better reference price to use for the halt reopening auction methodology.²⁴

Proposed Nasdaq Rule 4120(c)(7)(A) also describes the Exchange's proposed process for determining the upper and lower "Auction Collar" prices. For securities with an Auction Reference

Price of greater than \$1, the lower Auction Collar price (which is rounded to the nearest minimum price increment²⁵) is derived by subtracting \$1 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price.²⁶ For securities with an Auction Reference Price of \$1 or less, the lower Auction Collar price (which is rounded to the nearest minimum price increment) is derived by subtracting \$0.50 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. For securities with an Auction Reference Price of greater than \$1, the upper Auction Collar price (which is rounded to the nearest minimum price increment) is derived by adding \$1 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price.²⁷ For securities with an Auction Reference Price of \$1 or less, the upper Auction Collar price (which is rounded to the nearest minimum price increment) is derived by adding \$0.50 or 10% of the Auction Reference Price, whichever is greater, to the Auction Reference Price.²⁸ The proposed process for calculating the upper and lower Auction Collars is similar to the process used to calculate MWCB Auction Collars, where initial thresholds are applied on both sides of the Auction Reference Price.²⁹ In contrast, the initial price collar thresholds used for the LULD mechanism are determined by the direction of the trading that invoked the trading pause and the price of the LULD Band in place at the time the trading pause was triggered.³⁰ In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the initial thresholds on both sides of the Auction Reference Price, as is currently done in the case of an MWCB halt.³¹

While the specific price collar thresholds used for the LULD and MWCB mechanisms are 5% of the Auction Reference Price, the proposed rule change would provide price collar thresholds of 10% (and 20% in the event a security enters a third period) of the Auction Reference Price. The Exchange believes it is appropriate to set the price collar thresholds at a higher percentage as compared to the price collar thresholds used for the LULD and MWCB mechanisms because halts under the proposal are more likely to have a significant price impact, warranting wider collars to allow for price discovery to happen quicker.³² While the LULD and MWCB mechanisms provide a price collar threshold of \$0.15 for securities with an Auction Reference Price of \$3 or less,³³ the Exchange proposes to include minimum threshold amounts for calculating the price collars (*i.e.*, \$0.50 for securities with an Auction Reference Price of \$1 or less and \$1 for securities with an Auction Reference Price of greater than \$1) to ensure that the Auction Collars for lower-priced securities are wide enough to allow for reopening and effective price discovery.³⁴ According to the Exchange, this approach is reasonable because lower priced stocks can have significant price movement which warrants a greater minimum threshold in order to allow for efficient price discovery and a more timely reopening.³⁵

Proposed Nasdaq Rule 4120(c)(7)(B) describes what would happen at the end of the Initial Display Only Period, the circumstances when the Exchange would extend the Display Only Period, and how the Exchange would adjust the Auction Collars for an extension. At the conclusion of the Initial Display Only Period, the security would be released for trading unless, at the end of an Initial Display Only Period, Nasdaq detects an order imbalance³⁶ in the security. In that case, Nasdaq would extend the Display Only Period for an additional 5-minute period ("Extended Display Only Period"), and the Auction Collar prices would be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 10% of the initial Auction Reference

¹⁹ Although the proposal would allow for some discretion to MarketWatch, the Exchange notes that such discretion is limited to setting the Auction Reference Price in these rare instances, which does not determine the ultimate price at which the security will trade. The Exchange states that in exercising such limited discretion in these rare instances, MarketWatch would source the best estimation for the Auction Reference Price from an external vendor. See Notice, *supra* note 3, at 91855, n.18.

²⁰ See Notice, *supra* note 3, at 91855; See Nasdaq Rule 4121(d)(1)(A).

²¹ *Id.*

²² See Nasdaq Rule 4120(c)(10)(A)(i).

²³ See Notice, *supra* note 3, at 91855.

²⁴ *Id.* Further, LULD bands are published only during regular trading hours 9:30 a.m.–4:00 p.m. which prevents it from being considered as a reference price as halt auctions can occur at all eligible trading hours 4:00 a.m.–8:00 p.m. *Id.* at 91855, n.21.

²⁵ The term "minimum price increment" means \$0.01 in the case of a System Security priced at \$1 or more per share, and \$0.0001 in the case of a System Security priced at less than \$1 per share. See Equity 1, Section 1(a)(13).

²⁶ See Notice, *supra* note 3, at 91855–6.

²⁷ *Id.* at 91856.

²⁸ *Id.*

²⁹ *Id.*; See Nasdaq Rule 4121(d)(1)(B).

³⁰ See Nasdaq Rule 4120(c)(10)(A)(ii). In the LULD context, the initial price collar thresholds are asymmetrically updated because direction of the order imbalance (buyer/seller imbalances) are known at the time of the pause. In the halt cross context, the direction of the order imbalance (buyer/seller imbalances) is not known at the time of the halt. Accordingly, the Exchange explains that the initial price collar thresholds need to be applied symmetrically before arriving at the price at which the security will trade. See Notice, *supra* note 3, at 91856.

³¹ See Notice, *supra* note 3, at 91856.

³² For example, the Exchange states that a news driven halt related to a drug announcement may warrant a significant price movement in a short period of time and a wider collar would allow the stock to reopen in a reasonable period. See Notice, *supra* note 3, at 91856, n.25.

³³ See Nasdaq Rule 4120(c)(10)(A)(ii); Rule 4121(d)(1)(B).

³⁴ See Notice, *supra* note 3, at 91856.

³⁵ *Id.*

³⁶ The definition of an order imbalance is included in proposed Nasdaq Rule 4120(c)(7)(E).

Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference price of \$1 or less.³⁷ The new upper Auction Collar price is derived by adding \$1 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 10% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less.³⁸ The proposed process for initiating extensions is similar to the process currently used for extending trading pauses or halts under LULD³⁹ and MWCB,⁴⁰ with a few differences. First, the proposed minimum thresholds and percentages used to calculate the Auction Collars during the Extended Display Only Period are consistent with that of the Initial Display Only Period and continue to differ from the LULD and MWCB mechanisms in that regard,⁴¹ as discussed above. Second, the proposed process for calculating the upper and lower Auction Collars during the Extended Display Only Period is similar to the process used to calculate Auction Collars during the Initial Display Only Period, where thresholds are applied on both sides of the Auction Reference Price. In contrast, the price collar thresholds used for the LULD and MWCB mechanisms are applied only in the direction that caused extension of the Display Only Period.⁴² In this case, the Exchange believes that it is appropriate to continue to apply the thresholds on both sides of the Auction Reference Price to accommodate price swings in either direction and to increase the likelihood of resolving order imbalances.⁴³

Proposed Nasdaq Rule 4120(c)(7)(C) explains what would happen at the end of the Extended Display Only Period. At the conclusion of the Extended Display Only Period, the security would be released for trading unless, at the end of the Extended Display Only Period, Nasdaq detects an order imbalance in the security. In that case, Nasdaq would

further extend the Display Only Period for an additional 5-minute period (“Third Period”), and the Auction Collar prices would be adjusted as follows: The new lower Auction Collar price is derived by subtracting \$1 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, from the previous lower Auction Collar price for securities with an Auction Reference price of \$1 or less.⁴⁴ The new upper Auction Collar price is derived by adding \$1 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference Price of greater than \$1 or \$0.50 or 20% of the initial Auction Reference Price, whichever is greater, to the previous upper Auction Collar price for securities with an Auction Reference price of \$1 or less. Nasdaq would release the security for trading at the first point⁴⁵ there is no order imbalance.⁴⁶ The Exchange believes it is appropriate to widen the collars by 20% instead of 10% to the extent a security has not reopened after the Extended Display Only Period because the order imbalance may be indicative that a significant price movement in the security is warranted based on the news announcement (or otherwise).⁴⁷ If the security has not been released for trading by the conclusion of the Third Period, Nasdaq will continue to adjust the Auction Collar prices every five minutes in the manner described in this Nasdaq Rule 4120(c)(7)(C) until the security is released for trading.⁴⁸ Other than the change in the percentage by which the Exchange will widen the

collars, the process in proposed Nasdaq Rule 4120(c)(7)(C) is consistent with that of the LULD and MWCB mechanisms.⁴⁹

Proposed Nasdaq Rule 4120(c)(7)(D) explains that, notwithstanding Nasdaq Rules 4120(c)(7)(A)–(C), a trading halt that exists at or after 3:50 p.m.⁵⁰ in a stock shall reopen via a Hybrid Closing Cross pursuant to Nasdaq Rule 4754(b)(7). The Hybrid Closing Cross would provide an alternative process for executing closing trades on the Exchange. Proposed Nasdaq Rule 4120(c)(7)(D) is consistent with the LULD mechanism, where a stock reopens via an LULD Closing Cross where a trading pause exists at or after 3:50 p.m.⁵¹

Proposed Nasdaq Rule 4120(c)(7)(E) explains when an order imbalance exists. Specifically, it provides that, for purposes of Nasdaq Rule 4120(c)(7), upon completion of the cross calculation an order imbalance shall be established as follows: the calculated price at which the security would be released for trading is above (below) the upper (lower) Auction Collar price; or (ii) all market orders would not be executed in the cross. This is the same manner in which an order imbalance is established under the current reopening process for trading pauses and MWCB halts.⁵²

Proposed Nasdaq Rule 4120(c)(7)(F) provides that, if the Exchange is unable to reopen trading due to a systems or technology issue, it shall notify the securities information processor immediately. This is consistent with the Exchange’s notification process for LULD.⁵³

Proposed Changes to Nasdaq Rule 4702 (Order Types)

The Exchange proposes to amend Nasdaq Rule 4702 by deleting references to the LULD Closing Cross from Nasdaq Rule 4702(b)(12) (Limit on Close (LOC) Orders) and Nasdaq Rule 4702(b)(17) (Extended Trading Close (ETC) Orders). The Exchange believes that the LULD Closing Cross⁵⁴ as well as the proposed

⁴⁴ *Id.*

⁴⁵ The “first point” there is no order imbalance would occur after the next NOII message dissemination.

⁴⁶ The Exchange explains that unlike the Initial Display Only Period and the Extended Display Only Period, the security could be released for trading prior to the end of the Third Period. For example, assume ABC security enters a regulatory halt at 1:30 p.m. The last sale/reference price is \$100. The auction collars are \$90 and \$110. At 1:35 p.m., the calculated price at which the security would be released for trading is \$122. The display only period is extended until 1:40. The new auction collars are \$80 and \$120. At 1:40 p.m., the calculated price at which the security would be released for trading is still \$122. The Third Period commences at 1:40 p.m. The new auction collars are \$60 and \$140. At 1:40:01 p.m., the system detects that there is no longer an Order Imbalance so the Halt Cross commences and the security is released for trading. See Notice, *supra* note 3, at 91857, n.32.

⁴⁷ See Notice, *supra* note 3, at 91857.

⁴⁸ *Id.*

⁴⁹ See Nasdaq Rule 4120(c)(10)(C); Nasdaq Rule 4121(d)(3).

⁵⁰ All times referenced in the proposal are Eastern Time.

⁵¹ See Nasdaq Rule 4120(c)(10)(D).

⁵² See Nasdaq Rule 4120(c)(10)(E); Nasdaq Rule 4121(d)(4).

⁵³ See Nasdaq Rule 4120(a)(12)(G).

⁵⁴ The LULD Closing Cross is the Exchange’s auction process for executing closing trades in Nasdaq-listed securities when a trading pause pursuant to Nasdaq Rule 4120(a)(12) exists at or after 3:50 p.m. and before 4:00 p.m. See Nasdaq Rule 4754(b)(6).

³⁷ See Notice, *supra* note 3, at 91856.

³⁸ *Id.*

³⁹ See Nasdaq Rule 4120(c)(10)(B).

⁴⁰ See Nasdaq Rule 4121(d)(2).

⁴¹ See Notice, *supra* note 3, at 91856.

⁴² See Nasdaq Rule 4120(c)(10)(B); Nasdaq Rule 4121(d)(2).

⁴³ *Id.*

Hybrid Closing Cross⁵⁵ should be included in the definition of the Nasdaq Closing Cross because the LULD Closing Cross and the Hybrid Closing Cross are alternative processes for executing closing trades on the Exchange and therefore do not need to be specifically referenced in the Rules where the Nasdaq Closing Cross is already referenced, thereby simplifying the rule language.⁵⁶ For clarification, the Exchange also proposes to specify that the Nasdaq Closing Cross includes the LULD Closing Cross and Hybrid Closing Cross in the definition of the Nasdaq Closing Cross in Nasdaq Rule 4754(a)(6), as described below.

Proposed Changes to Nasdaq Rule 4753 (Nasdaq Halt Cross)

First, the Exchange proposes to clarify that Auction Reference Prices and Auction Collars are not included in the Order Imbalance Indicator, but instead are disseminated in a separate message. For purposes of LULD and MWCB, the Rules incorrectly state that the Auction Reference Prices and Auction Collars are included in the Order Imbalance Indicator and the Exchange proposes to correct such inaccuracies by modifying Section (F) and (G) in Nasdaq Rule 4753(a)(3) accordingly.⁵⁷

The Exchange also proposes to add section (H) in Nasdaq Rule 4753(a)(3). This section (H) would provide that, for purposes of a trading halt initiated under Nasdaq Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14), the Exchange will disseminate a separate message with Auction Reference Prices and Auction Collars, as defined in Nasdaq Rule 4120(c)(7)(A).⁵⁸ This is consistent with dissemination of Auction Reference Prices and Auction Collars for purposes of LULD pauses and MWCB halts.

Nasdaq Rule 4753(e) currently states that any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt

remains in effect at the commencement of the Nasdaq Closing Cross, shall be cancelled immediately after the Nasdaq Closing Cross. With the introduction of the Hybrid Closing Cross, as described further below, if the quoting period has commenced at any time prior to 4 p.m., IOC orders for halted securities would execute in the Hybrid Closing Cross. Similarly, IOC orders could also execute in the LULD Closing Cross. Therefore, the Exchange proposes to clarify, in Nasdaq Rule 4753(e), that any IOC Order for a halted security that is entered prior to the Nasdaq Closing Cross and for which the halt remains in effect at the commencement of the Nasdaq Closing Cross, shall either execute in the Nasdaq Closing Cross or be cancelled immediately after the Nasdaq Closing Cross.⁵⁹

Proposed Changes to Nasdaq Rule 4754 (Nasdaq Closing Cross)

First, the Exchange proposes to amend the definition of “Nasdaq Closing Cross” in Nasdaq Rule 4754(a)(6). As noted above, the Exchange believes that the LULD Closing Cross and Hybrid Closing Cross should be included in the definition of Nasdaq Closing Cross because they are types of closing crosses.⁶⁰ The Exchange therefore proposes to clarify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Nasdaq Rule 4754(a)(6). Such change would allow the Exchange to simplify its rule language and prevent the Exchange from needing to list the LULD Closing Cross and Hybrid Closing Cross where the Nasdaq Closing Cross is referenced in the Rules.⁶¹

Second, the Exchange proposes to add “NOII” as an alternative defined term for “Order Imbalance Indicator” in Nasdaq Rule 4754(a)(7). NOII is currently referenced in the Rules and the Exchange proposes to add references to NOII in the proposed rule change; however, NOII is not currently defined in the Rules. The Exchange is not proposing to make any substantive changes to the meaning of NOII or Order Imbalance Indicator. Rather, the Exchange wishes to provide clarity regarding the definition of NOII.⁶²

Third, the Exchange proposes to add “EOII” as an alternative defined term for “Early Order Imbalance Indicator” in Nasdaq Rule 4754(a)(10). EOII is currently referenced in the Rules and the Exchange proposes to add references to EOII in the proposed rule change;

however, EOII is not currently defined in the Rules. The Exchange is not proposing to make any substantive changes to the meaning of EOII or Early Order Imbalance Indicator. Rather, the Exchange wishes to provide clarity regarding the definition of EOII.⁶³

Fourth, the Exchange proposes to make two changes to Nasdaq Rule 4754(b)(6), which relates to the LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause. In part, Nasdaq Rule 4754(b)(6)(F)(ii) sets forth Rules as to how the Exchange would handle LOC Orders entered between 3:55 p.m. and immediately prior to 3:58 p.m. The Exchange wishes to make a clarifying change to specify that the relevant timeframe is after the NOII immediately following 3:55 p.m. and immediately prior to 3:58 p.m. In other words, instead of stating “between 3:55 p.m. ET and immediately prior to 3:58 p.m. ET,” the Exchange proposes to state, “after the NOII immediately following 3:55 p.m. ET and immediately prior to 3:58 p.m. ET” to ensure the Rule is precise.⁶⁴ In addition, the Exchange proposes to modify Nasdaq Rule 4754(b)(6)(G) such that orders participating in the LULD Closing Cross shall be executed in price/display/time priority rather than just price/time priority as the current rule language states. This modification would be consistent with how the Exchange generally assigns priority with the execution of Displayed Orders and interest before Non-Displayed Orders. Specifically, Nasdaq Rule 4754(b)(3)(B) prescribes that, in the Closing Cross, the Exchange prioritizes as a group the execution of Displayed Orders and interest, with price as the primary priority, and then within each price level, with time as the secondary priority.⁶⁵ Accordingly, the Exchange proposes to update the rule whereby displayed orders are executed ahead of hidden orders. Such change would provide more specificity in the Rule for accuracy.⁶⁶

Lastly, in proposed Nasdaq Rule 4754(b)(7), the Exchange proposes to adopt a modified closing cross (defined as the “Hybrid Closing Cross”) that the Exchange would conduct for Nasdaq-listed securities when a trading halt pursuant to Nasdaq Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14) exists at or

⁵⁵ As described below, the Exchange proposes to establish the Hybrid Closing Cross in Rule 4754(b)(7). The Hybrid Closing Cross would be the Exchange’s auction process for executing closing trades in Nasdaq-listed securities when a trading halt pursuant to Nasdaq Rule 4120(a)(1), (4), (5), (6), (9), (10), (11), or (14) exists at or after 3:50 p.m. and before 4:00 p.m.

⁵⁶ See Notice, *supra* note 3, at 91857.

⁵⁷ *Id.*

⁵⁸ *Id.* Dissemination will take place on Nasdaq’s proprietary feed, Nasdaq TotalView-ITCH. As is the case with MWCB halts and to be consistent with current Exchange processes, the Exchange will not send auction information to the SIP, including price collars and the number of extensions. While auction information for LULD pauses is disseminated to the SIP per plan requirements, the Exchange does not disseminate auction information to the SIP for other halts.

⁵⁹ See Notice, *supra* note 3, at 91858.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ See Nasdaq Rule 4754(b)(3)(B); see also Securities Exchange Act Release No. 97973 (July 25, 2023), 88 FR 49522 (July 31, 2023) (SR-NASDAQ-2023-024) (Notice of Filing and Immediate Effectiveness to Amend Equity 4, Rules 4752, 4753, and 4754).

⁶⁶ See Notice, *supra* note 3, at 91858.

after 3:50 p.m. and before 4:00 p.m.⁶⁷ Today, the Exchange has not needed to handle a halt reopening auction at or after 3:50 p.m. and before 4:00 p.m. due to the current policy of MarketWatch not scheduling any reopening of a security past 3:30 p.m. The Exchange states that it does not want to negatively impact the price discovery process because of the possibility of a conflict between a halt cross reopening and the official closing cross in the closing minutes of the trading day.⁶⁸ Under the Exchange's halt cross protection proposal, however, and its advent of collars and extensions, it is possible for a stock to be scheduled for reopening well ahead of the 4:00 p.m. close and have its quoting period extended multiple times past 3:50 p.m. due to its reference price falling outside of the established collars. As such, the Exchange's proposed Hybrid Closing Cross process eliminates the possibility of a conflicting cross and allows the Exchange to ensure that it can establish an efficient price discovery process for the closing price upon the market close at 4:00 p.m. The Hybrid Closing Cross provides an alternative process for executing closing trades on Nasdaq for when certain trading halts⁶⁹ exist at or after 3:50 p.m. and before 4:00 p.m. (if the Display Only Period has begun for a halted security).

Under the proposal, a halted security would only be eligible to resume trading via the Hybrid Closing Cross after the Display Only Period begins.⁷⁰ The Exchange proposes to define "Auction Reference Price," "Eligible Interest," and "Imbalance" in Nasdaq Rule 4754(b)(7)(A) for purposes of Nasdaq Rule 4754(b)(7). "Auction Reference Price" would have the same meaning as defined in Nasdaq Rule 4120(c)(7)(A), discussed above. "Eligible Interest" would have the same meaning as "Close Eligible Interest" in Nasdaq Rule 4754(a),⁷¹ with the addition of any new

orders with an eligible underlying Order Type and Attribute, entered during the trading halt. "Imbalance" would mean the number of shares of buy or sell Market on Close ("MOC"),⁷² LOC Orders, or Eligible Interest that cannot be matched with other MOC, LOC, or Imbalance Only ("IO") Order shares or Eligible Interest at a particular price at any given time. These proposed definitions are consistent with the definitions of Eligible Interest and Imbalance used for purposes of the LULD Closing Cross.⁷³

In proposed Nasdaq Rule 4754(b)(7)(B), the Exchange proposes to specify the timing of the Hybrid Closing Cross and After Hours Trading, as well as what happens if there is insufficient trading in the System to execute a Hybrid Closing Cross.⁷⁴ For trading halts existing at or after 3:50 and before 4:00 p.m., the Hybrid Closing Cross would occur at 4:00 p.m. After Hours Trading would commence after the Hybrid Closing Cross executes. If there is insufficient trading interest in the Nasdaq system to execute a Hybrid Closing Cross, Nasdaq would not conduct a cross in that security and would instead use the last sale on Nasdaq as the NOCP in that security for that trading day. After Hours Trading would commence after Nasdaq publishes the NOCP. Such procedures are consistent with that of the LULD Closing Cross.⁷⁵

Proposed Nasdaq Rule 4754(b)(7)(C) provides information about dissemination of the EOII⁷⁶ and NOII⁷⁷ and about the price at which the Hybrid Closing Cross would execute. Specifically, Nasdaq proposes to continue disseminating the EOII and the NOII pursuant to Nasdaq Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price⁷⁸ and Reference Prices contained in the EOII and the NOII, as applicable, would represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, bounded by the Threshold Prices (defined below), and the Far Clearing Price⁷⁹ would represent the price at which the Hybrid Closing Cross would execute should the cross conclude at that time, if it were not bounded by the Threshold Prices

(defined below). Such procedures are similar to that of the LULD Closing Cross.⁸⁰

Proposed Nasdaq Rule 4754(b)(7)(D) would specify that the Hybrid Closing Cross would occur at the price within the threshold prices established pursuant to Nasdaq Rule 4754(b)(7)(E) ("Threshold Prices") that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO⁸¹ Orders in the Nasdaq Market Center to be executed. If more than one price exists, the Hybrid Closing Cross would occur at the price within the Threshold Prices that minimizes any Imbalance. If more than one price still exists, the Hybrid Closing Cross would occur at the entered price⁸² within the Threshold Prices at which shares will remain unexecuted in the cross. If there is no price within the Threshold Prices that satisfies the above conditions, then the Hybrid Closing Cross would occur at: (a) if an Imbalance exists, a price equal to the upper (lower) Threshold Price for a buy (sell) Imbalance; or (b) if no Imbalance exists, a price equal to the Auction Reference Price. The proposed tiebreakers in Nasdaq Rule 4754(b)(7)(D) are consistent with the tiebreakers used for determining the LULD Closing Cross price with one exception.⁸³ Specifically, if there is no price within the Threshold Prices that satisfies the conditions mentioned above and no Imbalance exists, the Hybrid Closing Cross would occur at a price equal to the Auction Reference Price⁸⁴ whereas the LULD Closing Cross occurs at a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause.⁸⁵ Such difference reflects the need for a price that is unrelated to the LULD mechanism in the case of the Hybrid Closing Cross given there would not be a security-specific pricing direction reason for the halt (or LULD Bands).⁸⁶

The Exchange proposes to introduce price protections to the Hybrid Closing Cross that are similar to the protections used today for the LULD Closing Cross and will ensure that the Hybrid Closing Cross price is reasonably related to

⁶⁷ In contrast, today, such halts would typically not be scheduled to resume trading during such period, avoiding interference with the closing cross.

⁶⁸ See Notice, *supra* note 3, at 91858.

⁶⁹ See *supra* note 8.

⁷⁰ A halted stock that has not entered the Display Only Period at or after 3:50 and before 4:00 p.m. would not participate in the Hybrid Closing Cross and would remain halted.

⁷¹ "Close Eligible Interest" means any quotation or any order that may be entered into the system and designated with a time-in-force of SDAY, SGTC, MDAY, MGTC, SHEX, or GTMC. The System will delay processing any full cancellation request for Close Eligible Interest made during the Nasdaq Closing Cross until such time as the Nasdaq Closing Cross concludes, except for securities in a halt or pause. During a halt or pause, the System will process any full or partial cancellation request for Close Eligible Interest made for such halted or paused security during the Nasdaq Closing Cross. See Nasdaq Rule 4754(a)(1).

⁷² A "Market On Close Order" or "MOC Order" is an Order Type entered without a price that may be executed only during the Nasdaq Closing Cross. See Nasdaq Rule 4702(b)(11).

⁷³ See Nasdaq Rule 4754(b)(6)(A).

⁷⁴ See Notice, *supra* note 3, at 91859.

⁷⁵ See Nasdaq Rule 4754(b)(6)(B).

⁷⁶ See Nasdaq Rule 4754(a)(10).

⁷⁷ See Nasdaq Rule 4754(a)(7).

⁷⁸ See Nasdaq Rule 4754(a)(7)(E)(ii).

⁷⁹ See Nasdaq Rule 4754(a)(7)(E)(i).

⁸⁰ See Nasdaq Rule 4754(b)(6)(C).

⁸¹ An "Imbalance Only Order" or "IO Order" is an Order entered with a price that may be executed only in the Nasdaq Closing Cross and only against MOC Orders or LOC Orders. See Nasdaq Rule 4702(b)(13).

⁸² The "entered price" refers to the price of the cross eligible order interest at which shares would remain unexecuted in the Hybrid Closing Cross. See Notice, *supra* note 3, at 91859, n.56.

⁸³ See Nasdaq Rule 4754(b)(6)(D).

⁸⁴ See Nasdaq Rule 4754(b)(7)(A)(i).

⁸⁵ See Nasdaq Rule 4754(b)(6)(D)(iv)(b).

⁸⁶ See Notice, *supra* note 3, at 91859.

current market conditions. Proposed Nasdaq Rule 4754(b)(7)(E) would describe the Threshold Prices within which the Hybrid Closing Cross price must fall. The upper (lower) Threshold Price would be established by adding (subtracting) \$1 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to Nasdaq Rule 4120(c)(7)(A)(ii) for securities with an Auction Reference Price of greater than \$1.⁸⁷ The upper (lower) Threshold Price would be established by adding (subtracting) \$0.50 or a certain percentage of the initial Auction Reference Price, whichever is greater, to the upper (or from the lower) Auction Collar price that was last disseminated pursuant to Nasdaq Rule 4120(c)(7)(A)(ii) for securities with an Auction Reference price of \$1 or less. Nasdaq management would set and modify the thresholds from time to time upon prior notice to market participants. This is similar to the discretion provided to Nasdaq management in connection with the opening cross, closing cross, and LULD Closing Cross, where Nasdaq management has discretion to set and modify thresholds used in determining the Benchmark Prices.⁸⁸ Although the proposed price protections are similar in nature to those used for the LULD Closing Cross, the process for calculating the Benchmark Prices for the LULD Closing Cross is distinct because it involves widening the Auction Collar (or Band) on only one side,⁸⁹ while the proposed process would widen the Auction Reference Price on both sides for the Hybrid Closing Cross. In this case, because there would not be a security-specific pricing direction reason for the halt, the Exchange believes that it is appropriate to apply the thresholds on both sides of the Auction Reference Price.⁹⁰

Proposed Nasdaq Rule 4754(b)(7)(F) sets forth the orders that would be eligible to participate in the Hybrid Closing Cross, including all orders entered into the system and placed on the continuous book prior to the trading halt. Such orders may be modified or cancelled up until the time of the Hybrid Closing Cross. During the halt and prior to 4:00 p.m., new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing

Cross. MOC, LOC and IO Orders may be entered, modified, and cancelled pursuant to Nasdaq Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13).⁹¹ If the security entered a trading halt prior and up to 3:50 p.m., the System would not accept late LOC Orders.⁹² For purposes of Hybrid Closing Cross price selection, buy (sell) IO orders are re-priced to one minimum price increment below (above) the initial Auction Reference Price. Such rules are consistent with the LULD mechanism,⁹³ except that the proposed rules do not include certain inapplicable language from the LULD Closing Cross processes.⁹⁴

Proposed Nasdaq Rule 4754(b)(7)(G) provides that orders participating in the Hybrid Closing Cross would be executed in price/display/time priority order and for purposes of determining priority, eligible IO orders would be priced to the closing price and executed in time priority with other orders at that price. This clarification would be consistent with how the Exchange generally assigns priority with the execution of Displayed Orders and interest before Non-Displayed Orders.⁹⁵ In addition, Proposed Nasdaq Rule 4754(b)(7)(G) provides that any order not executed in the Hybrid Closing Cross would be processed according to the entering firm's instructions. This is consistent with how orders execute in the LULD Closing Cross.⁹⁶

Finally, the Exchange would renumber current Nasdaq Rule 4754(b)(7) as Nasdaq Rule 4754(b)(8) and update a related reference in such Rule.

Proposed Changes to Nasdaq Rule 4755 (Extended Trading Close)

Similar to the revisions made to Nasdaq Rule 4702 (Order Types), the Exchange proposes to delete references to the LULD Closing Cross from Nasdaq

Rule 4755 because the Exchange proposes to include the LULD Closing Cross and the Hybrid Closing Cross in the definition of the Nasdaq Closing Cross, thereby making the specific references to the LULD Closing Cross in Nasdaq Rule 4755 unnecessary.⁹⁷

Implementation

The Exchange represents that it will issue an Equities Trader Alert not less than 7 days prior to implementing the proposed changes.⁹⁸ On February 22, 2022, the Exchange submitted a proposal to amend its Rules related to halts ("Halts Proposal") for the purpose of implementing UTP Plan amendments and establishing common criteria and procedures for halting and resuming trading in equity securities in the event of regulatory or operational issues.⁹⁹ The Halts Proposal was approved on June 8, 2022.¹⁰⁰ The Exchange intends to implement the Halts Proposal in conjunction with other SROs. Because the Exchange continues to await an industry-wide implementation and wishes to implement the proposed enhancements to its halt cross process in the meantime, the Exchange intends to file a proposed rule change in the future to incorporate the changes herein with those changes in the Halts Proposal.¹⁰¹ As such, the proposed rule changes described herein reflect changes to the Exchange's currently operative rule language.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁰² In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁰³ which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to

⁹⁷ See Notice, *supra* note 3, at 91860.

⁹⁸ *Id.*

⁹⁹ See Securities Exchange Act Release No. 94370 (Mar. 7, 2022), 87 FR 14071 (Mar. 11, 2022) (SR-NASDAQ-2022-017) (Notice of Filing of Proposed Rule Change To Modify Equity 4, Section 4120 To Add Categories of Regulatory and Operational Halts, To Reorganize the Remaining Text of the Rule, and To Make Conforming Changes to Related Rule).

¹⁰⁰ See Securities Exchange Act Release No. 95069 (June 8, 2022), 87 FR 36018 (June 14, 2022) (SR-NASDAQ-2022-017).

¹⁰¹ See Notice, *supra* note 3, at 91860.

¹⁰² In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁰³ 15 U.S.C. 78f(b)(5).

⁸⁷ *Id.*

⁸⁸ See Nasdaq Rule 4752(d)(2)(E)(Opening Cross); Nasdaq Rule 4754(b)(2)(E)(Closing Cross); Nasdaq Rule 4754(b)(6)(E)(LULD Closing Cross).

⁸⁹ See Nasdaq Rule 4754(b)(6)(E) (LULD Closing Cross).

⁹⁰ See Notice, *supra* note 3, at 91859.

⁹¹ Though other order types are also applicable, the Exchange calls out MOC, LOC and IO Orders to make it clear that, for these order types, there may be exceptions to the general rule that "During the halt and prior to 4:00 p.m., new orders may be entered, modified, and cancelled and may participate in the Hybrid Closing Cross." As such, the Exchange proposes to make it clear that Nasdaq Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13) prevail. See Notice, *supra* note 3, at 91859, n.62.

⁹² The System would not accept late LOC orders in this scenario because if a security entered a trading halt prior and up to 3:50 p.m. ET, there would be no relevant reference prices, upon which such orders depend.

⁹³ See Nasdaq Rule 4754(b)(6)(F).

⁹⁴ Trading halts subject to the Hybrid Closing Cross would not be entered between 3:50 and 4 p.m. and therefore certain procedures included in the LULD Closing Cross Rules are inapplicable to the Hybrid Closing Cross. See, e.g., Nasdaq Rules 4754(b)(6)(F)(ii)(b)-(c).

⁹⁵ See Notice, *supra* note 3, at 91860.

⁹⁶ See Nasdaq Rule 4754(b)(6)(G).

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, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal would amend the halt auction process following certain trading halts to be more closely aligned with the process currently implemented for halt auctions following a trading pause under the LULD Plan and the process for halting auctions following an MWCBC halt. Price collars would be built into the halt cross process, and if the price falls outside of those collars after an initial 5-minute display only period, the collars would be widened by the same threshold amount as the initial collars and a subsequent 5-minute display only period would commence. If the price falls outside of those collars after the second 5-minute display only period, the collars would be widened by a wider amount and a subsequent, third period would commence. This process would continue until the price falls within the set thresholds, after which the auction would execute and the stock would reopen for trading. As noted by the Exchange, the current reopening process does not have a mechanism for calculating price collars and a process for widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect.

These price collar thresholds balance the need for price protections with the desire to promote efficient price discovery and minimize the length of the interruption from a trading halt. Further, the standardized procedures to extend halt auctions by 5-minute periods are designed to protect investors and the public interest because allowing additional time could help reduce the potential for significant price disparity in post-auction trading and promote improved price discovery, attract offsetting liquidity, and potentially increase market participation, which could improve liquidity and help reduce price volatility. Accordingly, this proposal balances transparency and timeliness to ensure efficient price discovery.

The Exchange also proposes to establish a Hybrid Closing Cross and implement price protections for the Hybrid Closing Cross, which are similar to the protections currently employed for the LULD Closing Cross. With respect to the LULD Closing Cross, the Exchange currently calculates and applies a price threshold to a benchmark value that, when applied to an individual security, determines the

price threshold range within which the security must execute in the LULD Closing Cross. The Hybrid Closing Cross proposal is necessary given the changes the Exchange proposes to make to the halt reopening process. In particular, the Exchange states that it has not needed to handle a halt reopening auction at or after 3:50 p.m. and before 4:00 p.m. due to the current policy of MarketWatch not scheduling any reopening of a security past 3:30 p.m.¹⁰⁴ Because of the potential for a halt reopening to extend beyond 3:50 p.m. under the proposal, the Exchange proposes to establish the Hybrid Closing Cross. Nasdaq's proposal to establish a Hybrid Closing Cross and associated protections similar to the LULD Closing Cross would promote just and equitable principles of trade by facilitating a fair and orderly price discovery process at the close and ensuring that the closing price of a security is reasonably based on current market conditions in the security and that the cross price derived does not exceed a price reasonably tied to the prevailing market at the time.

In addition, the Exchange proposes additional changes to Equity 4 to remove references to the LULD Closing Cross in Nasdaq Rule 4702 and Nasdaq Rule 4755, clarify how Auction Reference Prices and Auction Collars are disseminated in Nasdaq Rule 4753(a)(3), add an exception regarding cancellation of IOC Orders for halted securities in Nasdaq Rule 4753(e), specify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Nasdaq Rule 4754(a)(6), add "NOII" as an alternative defined term for "Order Imbalance Indicator" in Nasdaq Rule 4754(a)(7), add "EOII" as an alternative defined term for "Early Order Imbalance Indicator" in Nasdaq Rule 4754(a)(10), amend language related to handling of late LOC Orders in Nasdaq Rule 4754(b)(6), and modify the priority for orders participating in the LULD Closing Cross in Nasdaq Rule 4754(b)(6) so that priority is assigned to the execution of Displayed Orders and interest before Non-Displayed Orders. The Commission agrees with the Exchange that such proposed changes would increase clarity and transparency in the Rules, consistent with the public interest and the protection of investors.

For the reasons discussed above, the Commission finds that the proposed rule change is consistent with the requirements of the Act.

¹⁰⁴ See Notice, *supra* note 3, at 91858.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰⁵ that the proposed rule change (SR-NASDAQ-2024-065) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰⁶

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102338; File No. SR-MEMX-2025-01]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 21.7 Related to the Exchange's Opening Procedures on MEMX Options

February 4, 2025.

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 January 22, 2025, MEMX LLC ("Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Item I below, which Item has been substantially 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 Rule 21.7 related to the Exchange's opening procedures on MEMX Options. Specifically, the Exchange proposes to open options, other than index options, for trading after the System's observation after 9:30 a.m. Eastern Time of both: (i) the first disseminated transaction on the primary listing market in the securities underlying the options, and (ii) the Limit Up-Limit Down ("LULD") price bands applicable to the securities underlying the options as disseminated by the applicable Securities Information Processor ("SIP"). The Exchange currently opens options, other than index options, for

¹⁰⁵ *Id.*

¹⁰⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.