Rule 12f–1 (17 CFR 240.12f–1) under the Securities Exchange Act of 1934 (''Act'') (15 U.S.C. 78a *et seq.*).

Rule 12f–1 (''Rule''), originally adopted in 1979 pursuant to Sections 12(f) and 23(a) of the Act, and as further modified in 1995 and 2005, sets forth the requirements for filing an exchange application to reinstate unlisted trading privileges (''UTP'') in a security in which UTP has been suspended by the Commission pursuant to Section 12(f)(2)(A) of the Act. Under Rule 12f–1, an exchange must submit one copy of an application for reinstatement of UTP to the Commission that contains specified information, as set forth in the Rule. The application for reinstatement, pursuant to the Rule, must provide the name of the issuer, the title of the security, the name of each national securities exchange, if any, on which the security is listed or admitted to unlisted trading privileges, whether transaction information concerning the security is reported pursuant to an effective transaction reporting plan contemplated by Rule 601 of Regulation NMS, the date of the Commission's suspension of unlisted trading privileges in the security on the exchange, and any other pertinent information related to whether the reinstatement of UTP in the subject security is consistent with the maintenance of fair and orderly markets and the protection of investors. Rule 12f–1 further requires a national securities exchange seeking to reinstate its ability to extend unlisted trading privileges in a security to indicate that it has provided a copy of such application to the issuer of the security, as well as to any other national securities exchange on which the security is listed or admitted to unlisted trading privileges.

The information required by Rule 12f–1 enables the Commission to make the necessary findings under the Act prior to granting applications to reinstate unlisted trading privileges. This information is also made available to members of the public who may wish to comment upon the applications. Without the Rule, the Commission would be unable to fulfill these statutory responsibilities.

This information collection requirement was previously approved by OMB, but the approval expired on May 31, 2024. Accordingly, the Commission will request a reinstatement of OMB's approval.

There are currently 25 national securities exchanges subject to Rule 12f–1. The burden of complying with Rule 12f–1 arises when a potential respondent seeks to reinstate its ability to extend unlisted trading privileges to any security for which unlisted trading privileges have been suspended by the Commission, pursuant to Section 12(f)(2)(A) of the Act. The staff estimates that each application would require approximately one hour to complete. Thus, each potential respondent would incur on average one burden hour in complying with the Rule.

The Commission staff estimates that there could be as many as 25 responses annually for an aggregate annual hour burden for all respondents of approximately 25 hours (25 responses × 1 hour per response). Each respondent's related internal cost of compliance for Rule 12f–1 would be approximately $242.00 (the cost of one hour of professional work of a paralegal needed to complete the application). The total annual cost of compliance for all potential respondents, therefore, is approximately $6,050 (25 responses × $242.00 per response).

Compliance with Rule 12f–1 is mandatory. Rule 12f–1 does not have a record retention requirement *per se.* However, responses made pursuant to Rule 12f–1 are subject to the recordkeeping requirements of Rules 17a–3 and 17a–4 of the Act. Information received in response to Rule 12f–1 shall not be kept confidential; the information collected is public information.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: *www.reginfo.gov.* Find this particular information collection by selecting ''Currently under 30-day Review—Open for Public Comments'' or by using the search function. Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice by December 20, 2024 to (i) *www.reginfo.gov/public/do/PRAMain* or *MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov,* and (ii) Austin Gerig, Director/Chief Data Officer, Securities and Exchange Commission, c/o Tanya Ruttenberg, 100 F Street NE, Washington, DC 20549, or by sending an email to: *PRA_Mailbox@sec.gov.*

Dated: November 15, 2024.

Vanessa A. Countryman,

Secretary.

[FR Doc. 2024–27118 Filed 11–19–24; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 101620; File No. SR–NASDAQ–2024–065]

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

November 14, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1], and Rule 19b–4 thereunder,[2] notice is hereby given that on November 6, 2024, 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 Equity 4 to establish halt cross price protections and make other related changes.

The text of the proposed rule change is available on the Exchange's website at *https://listingcenter.nasdaq.com/rulebook/nasdaq/rules,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend the Exchange's

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

[2] 17 CFR 240.19b–4.

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. The Exchange proposes to introduce price protections to the halt cross process that are similar to the protections currently employed in other auctions the Exchange conducts. In addition, the Exchange proposes to establish a ''Hybrid Closing Cross'' and introduce related price protections, as described below. With the proposed changes, the Exchange's processes would be more harmonized, which the Exchange believes would promote a more consistent experience for members and investors participating in the Exchange's auctions.

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,[3] replacing the prior procedures; (ii) adding information about dissemination of Auction Reference Prices and Auction Collars in Rule 4753(a)(3); and (iii) adding Rules for a modified closing cross in Rule 4754(b)(7).

In addition, the Exchange proposes to make a number of changes in Equity 4, including: (i) removing references to the Limit-Up-Limit-Down (''LULD'') Closing Cross in Rule 4702 and Rule 4755; (ii) clarifying how Auction Reference Prices and Auction Collars are disseminated in Rule 4753(a)(3); (iii) clarifying rule language about cancellation of IOC Orders for halted securities in Rule 4753(e); (iv) specifying that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6); (v) adding ''NOII'' as an alternative defined term for ''Order Imbalance Indicator'' in Rule 4754(a)(7); (vi) adding ''EOII'' as an alternative defined term for ''Early Order Imbalance Indicator'' in Rule 4754(a)(10); (vii) amending language related to handling of late Limit on Close (''LOC'') Orders[4] in Rule 4754(b)(6); and (viii) modifying the priority for orders participating in the LULD Closing Cross in 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 (''MWCB'') halts,[5] and LULD pauses[6]). In February 2023, there was an instance where a stock was halted for pending news and reopened at a price that was significantly away from its current market value due to an erroneous market order. Given such event, the Exchange believes that additional price protections specific to the halt cross process are needed. Implementing these new protections would help to ensure that securities reopen within a reasonable price range after the Exchange halts a security.

The Exchange proposes to implement a new price protection mechanism to the Nasdaq Halt Cross[7] process. In 2017, the Exchange amended its auction process for reopening a Nasdaq listed security following a trading pause initiated pursuant to the LULD Plan.[8] Specifically, the Exchange modified its Rules such that initial Auction Collars following a trading pause are calculated based on the Price Band that triggered the trading pause, and instituted the process for extending the auction and further widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect.[9] In 2020, the Exchange amended its auction process for reopening a Nasdaq listed security following a MWCB halt to follow a process similar to the process applied for releasing a security following a trading pause under the LULD Plan.[10] The Exchange believes that these changes have been effective in facilitating a fair and orderly market following trading pauses initiated pursuant to the LULD Plan and following MWCB halts, and proposes to implement similar functionality for certain trading halts.[11] The Exchange believes that the proposed changes would promote price formation and provide a more consistent reopening process for members and investors following such trading halts.

The new price protection mechanism would be similar to what is currently utilized for reopening stocks following a MWCB halt or LULD trading pause, where pre-determined price collars would be built into the halt cross process. As described in more detail below, 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. 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.

Customers would benefit from having the new price collar protections in place as it would ensure that executions received during the halt cross process are filled at prices that reflect the true market for the security. Allowing additional time for improved price discovery could increase market participation, improving liquidity and helping reduce price volatility.[12]

Proposed Changes to Rule 4120 (Limit Up-Limit Down Plan and Trading Halts)

As noted above, the Exchange proposes to introduce price protections to the halt cross process that are similar to the protections used today for reopening stocks following a LULD pause and MWCB 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 Rule 4120(c)(7) and replace

[3] All of the Rule 4000 series referenced in this filing are within Equity 4.

[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* 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* Rule 4121.

[6] A 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* 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* Securities Exchange Act Release No. 79876 (January 25, 2017), 82 FR 8888 (January 31, 2017) (SR–NASDAQ–2016–131).

[9] *Id.*

[10] *See* Securities Exchange Act Release No. 88383 (March 13, 2020), 85 FR 15819 (March 19, 2020) (SR–NASDAQ–2020–012).

[11] *See infra* note 13. The Exchange also notes that both NYSE Arca, Inc. and Cboe BZX Exchange, Inc. implemented similar processes for resuming trading following non-LULD regulatory halts. *See* Securities Exchange Act Release Nos. 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (SR–NYSEArca–2016–130); and 84927 (December 21, 2018), 83 FR 67768 (December 31, 2018) (SRCboeBZX–2018–090).

[12] During 2023, there were 541 halts that would have been subject to the proposed rule if it was in effect at the time. Of those 540 halts, 296 of the securities would have fallen outside of a 10% collar after the first quoting period. Example A on page 8 illustrates the proposed price protections.

with proposed rule language describing the new procedure in proposed Rule 4120(c)(7). The Exchange believes that the imposition of price collars and a mechanism similar to what it currently utilized for reopening a security following a LULD trading pause or a MWCB halt would provide the Exchange with a price protection mechanism that is lacking under the Exchange's current Rules. 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. The Exchange believes that its proposal would facilitate a fair and orderly market by reducing the potential for significant price disparity in post-auction trading.

Example A: The below is illustrative of the proposed price protections to the halt cross process:

- *1:30p.m.:* assume symbol ABC enters a regulatory halt; the last sale/ reference price is $100.00; and auction collars are calculated at $90.00/$110.00;
- *1:35p.m.:* the calculated auction reference price is $114.00; the display only period is extended to 1:40pm; and the new auction collars are $80.00/ $120.00;
- *1:40p.m.:* the calculated auction reference price is $122.00; the display only period is extended to 1:45pm; and the new auction collars are $60.00/ $140.00;
- *1:45p.m.:* the calculated auction reference price is $132.00; at 1:45:01pm, there is no longer an order imbalance so the halt cross commences and the security is released for trading.

The introductory language in proposed Rule 4120(c)(7) provides that, a trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14) [13] 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. 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 MWCB halts, except that in the case of a MWCB halt, the Initial Display Only Period is 15 minutes in length (as opposed to 5) to coincide with the entire duration of the MWCB halt.[15] In addition, such 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. The types of halts covered by Rule 4120(c)(7) (*i.e.,* trading halt initiated under Rule 4120(a)(1), (4), (5), (6), (9), (10), (11) or (14)) remain unchanged.

Proposed 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'').[16] The Exchange proposes to use the Nasdaq last sale price [17] (or if none, the NOCP) as this price is reflective of the current market for the 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.[18] 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.[19] 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. 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,[20] as the Exchange believes that a different reference is necessary for a reopening process that is unrelated to the LULD mechanism. LULD and halt crosses use distinctly different reference prices in the auction pricing methodology. The reference price in a 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 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.[21]

Proposed 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 increment [22]) is derived by subtracting $1 or 10% of the Auction Reference Price, whichever is greater, from the Auction Reference Price. 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

[13] This covers trading halts related to dissemination of material news for Nasdaq-listed securities (*see* Rule 4120(a)(1)); halts of Nasdaq-listed American Depository Receipts or other Nasdaq-listed securities where underlying securities are halted by foreign markets or regulators for regulatory reasons (*see* 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* Rule 4120(a)(5)); halts related to extraordinary market activity (*see* Rule 4120(a)(6)); halts in certain products where the Intraday Indicative Value or index value is not disseminated as required (*see* 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* Rule 4120(a)(10)); halts related to large price moves for Nasdaq-listed securities not covered by the LULD Plan (*see* Rule 4120(a)(11)), and halts related to reverse stock splits (*see* 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.

[14] *See* Rule 4120(c)(10).

[15] *See* Rule 4121(d).

[16] If there is no Nasdaq last sale price, the prior trading day's NOCP is preferable for establishing the Auction Reference Price. 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.

[17] The Nasdaq last sale price reflects the last sale price of that trading session.

[18] 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. In exercising such limited discretion in these rare instances, MarketWatch would source the best estimation for the Auction Reference Price from an external vendor.

[19] *See* Rule 4121(d)(1)(A).

[20] *See* Rule 4120(c)(10)(A)(i).

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

[22] 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).

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. 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. 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.[23] 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.[24] 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 a MWCB halt. 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, as described below) of the Auction Reference Price. These price collar thresholds are appropriate as they 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. 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.[25] 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,[26] 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. 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.

Proposed 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 imbalance[27] 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 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. 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. The proposed process for initiating extensions is similar to the process currently used for extending trading pauses or halts under LULD[28] and MWCB,[29] with a couple 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, 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.[30] 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.

Proposed 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. 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

[23] *See* Rule 4121(d)(1)(B).

[24] *See* 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 initial price collar thresholds need to be applied symmetrically before arriving at the price at which the security will trade.

[25] For example, 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.

[26] *See* Rule 4120(c)(10)(A)(ii); Rule 4121(d)(1)(B).

[27] The definition of an order imbalance is described below and included in proposed Rule 4120(c)(7)(E).

[28] *See* Rule 4120(c)(10)(B).

[29] *See* Rule 4121(d)(2).

[30] *See* Rule 4120(c)(10)(B); Rule 4121(d)(2).

security for trading at the first point [31] there is no order imbalance.[32] 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). 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 Rule 4120(c)(7)(C) until the security is released for trading. Other than the change in the percentage by which the Exchange will widen the collars, the process in proposed Rule 4120(c)(7)(C) is consistent with that of the LULD and MWCB mechanisms.[33]

Proposed Rule 4120(c)(7)(D) explains that, notwithstanding Rule 4120(c)(7)(A)–(C), a trading halt that exists at or after 3:50 p.m.[34] in a stock shall reopen via a Hybrid Closing Cross pursuant to Rule 4754(b)(7). As described in more detail below, the Hybrid Closing Cross would provide an alternative process for executing closing trades on the Exchange. Proposed Rule 4120(c)(7)(D) is consistent with the LULD mechanism, where a stock reopens via a LULD Closing Cross where a trading pause exists at or after 3:50 p.m.[35]

Proposed Rule 4120(c)(7)(E) explains when an order imbalance exists. Specifically, it provides that, for purposes of 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.[36]

Proposed 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.[37]

In sum, the proposed changes to Rule 4120(c)(7) would establish a price protection mechanism for the halt cross process for securities halted under the provisions noted above.[38] The proposed price protection mechanism is similar to what is currently utilized for reopening stocks following a LULD trading pause or MWCB 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. Customers would benefit from having the new price collar protections in place as it would ensure that executions received during the halt cross process are filled at prices that reflect the true market for the security. Allowing additional time for improved price discovery could increase market participation, improving liquidity and helping reduce price volatility.

Proposed Changes to Rule 4702 (Order Types)

The Exchange proposes to amend Rule 4702 by deleting references to the LULD Closing Cross from Rule 4702(b)(12) (Limit on Close (LOC) Orders) and Rule 4702(b)(17) (Extended Trading Close (ETC) Orders). The Exchange believes that the LULD Closing Cross [39] as well as the proposed Hybrid Closing Cross [40] 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. 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 Rule 4754(a)(6), as described below.

Proposed Changes to 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 Rule 4753(a)(3) accordingly.

The Exchange also proposes to add section (H) in Rule 4753(a)(3). This section (H) would provide that, for purposes of a trading halt initiated under 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 Rule 4120(c)(7)(A).[41] This is consistent with dissemination of Auction Reference Prices and Auction Collars for purposes of LULD pauses and MWCB halts.

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

[31] The "first point" there is no order imbalance would occur after the next NOII message dissemination.

[32] 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 release 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.

[33] *See* Rule 4120(c)(10)(C); Rule 4121(d)(3).

[34] All times referenced in this filing are Eastern Time.

[35] *See* Rule 4120(c)(10)(D).

[36] *See* Rule 4120(c)(10)(E); Rule 4121(d)(4).

[37] *See* Rule 4120(a)(12)(G).

[38] *Supra* note 13.

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

[40] 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 Rules 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.

[41] 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.

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 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.

Proposed Changes to Rule 4754 (Nasdaq Closing Cross)

First, the Exchange proposes to amend the definition of ''Nasdaq Closing Cross'' in 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. The Exchange therefore proposes to clarify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in 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.

Second, the Exchange proposes to add ''NOII'' as an alternative defined term for ''Order Imbalance Indicator'' in 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.

Third, the Exchange proposes to add ''EOII'' as an alternative defined term for ''Early Order Imbalance Indicator'' in 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.

Fourth, the Exchange proposes to make two changes to Rule 4754(b)(6), which relates to the LULD Closing Cross Following Limit-Up-Limit-Down Trading Pause. In part, 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. In addition, the Exchange wishes to modify in Rule 4754(b)(6)(G) 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, 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.[42] Accordingly, the Exchange proposes to update the rule to reflect this current behavior, whereby displayed orders are executed ahead of hidden orders. Such change would provide more specificity in the Rule for accuracy.

Lastly, in proposed 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 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.[43] 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 in practice 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. 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, our 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 halts[44] 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). The Exchange believes that the price protections for the LULD Closing Cross have been effective at facilitating price discovery and ensuring that the closing price of a security is reasonably based on current market conditions in the security, and therefore proposes to adopt similar price protections for its Hybrid Closing Cross.

Under the proposal, a halted security would only be eligible to resume trading via the Hybrid Closing Cross after the Display Only Period begins.[45] The Exchange proposes to define ''Auction Reference Price'', ''Eligible Interest'', and ''Imbalance'' in Rule 4754(b)(7)(A) for purposes of Rule 4754(b)(7). ''Auction Reference Price'' would have the same meaning as defined in Rule 4120(c)(7)(A), discussed above. ''Eligible Interest'' would have the same meaning as ''Close Eligible Interest'' in Rule 4754(a),[46] 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''),[47] LOC Orders, or Eligible Interest that cannot

[42] *See* Rule 4754(b)(3)(B); *see also* Securities Exchange Act Release No. 34–97973 (July 25, 2023), 88 FR 49522 (July 31, 2023) (Notice of Filing and Immediate Effectiveness of File No. SR–NASDAQ–2023–024 to Amend Equity 4, Rules 4752, 4753, and 4754).

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

[44] *See supra* note 13.

[45] 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.

[46] ''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* Rule 4754(a)(1).

[47] 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* Rule 4702(b)(11).

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.[48]

In proposed 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. 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.[49]

Proposed Rule 4754(b)(7)(C) provides information about dissemination of the EOII [50] and NOII [51] 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 Rule 4754(b)(1) until After Hours Trading begins. The Near Clearing Price [52] 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 Price [53] 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.[54]

Proposed Rule 4754(b)(7)(D) would specify that the Hybrid Closing Cross would occur at the price within the threshold prices established pursuant to Rule 4754(b)(7)(E) (''Threshold Prices'') that maximizes the number of shares of Eligible Interest, MOC, LOC, and IO [55] 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 price [56] 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 Rule 4754(b)(7)(D) are consistent with the tiebreakers used for determining the LULD Closing Cross price with one exception.[57] 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 Price [58] 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.[59] 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).

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 current market conditions. Proposed 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 4120(c)(7)(A)(ii) for securities with an Auction Reference Price of greater than $1. 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 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.[60] 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,[61] 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.

Proposed 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 Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13).[62] If the security entered a trading halt prior and up to 3:50 p.m., the System would not accept late LOC Orders.[63] For purposes

[48] *See* Rule 4754(b)(6)(A).

[49] *See* Rule 4754(b)(6)(B).

[50] *See* Rule 4754(a)(10).

[51] *See* Rule 4754(a)(7).

[52] *See* Rule 4754(a)(7)(E)(ii).

[53] *See* Rule 4754(a)(7)(E)(i).

[54] *See* Rule 4754(b)(6)(C).

[55] 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* Rule 4702(b)(13).

[56] The ''entered price'' refers to the price of the cross eligible order interest at which shares would remain unexecuted in the Hybrid Closing Cross.

[57] *See* Rule 4754(b)(6)(D).

[58] *See* Rule 4754(b)(7)(A)(i).

[59] *See* Rule 4754(b)(6)(D)(iv)(b).

[60] *See* Rule 4752(d)(2)(E)(Opening Cross); Rule 4754(b)(2)(E)(Closing Cross); Rule 4754(b)(6)(E)(LULD Closing Cross).

[61] Rule 4754(b)(6)(E)(LULD Closing Cross).

[62] 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 Rules 4702(b)(11), 4702(b)(12), and 4702(b)(13) prevail.

[63] 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.

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,[64] except that the proposed rules do not include certain inapplicable language from the LULD Closing Cross processes.[65]

Proposed 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. In addition, Proposed 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.[66]

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

Proposed Changes to Rule 4755 (Extended Trading Close)

Similar to the revisions made to Rule 4702 (Order Types), the Exchange proposes to delete references to the LULD Closing Cross from 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 Rule 4755 unnecessary.

Implementation

The Exchange will issue an Equities Trader Alert not less than 7 days prior to implementing the proposed changes.

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.[67] The Halts Proposal was approved on June 8, 2022.[68] 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 in order to incorporate the changes herein with those changes in the Halts Proposal. As such, the proposed rule changes described herein reflect changes to the Exchange's currently operative rule language.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[69] in general, and furthers the objectives of Section 6(b)(5) of the Act,[70] 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 the proposed rule change is consistent with the Act because it would amend the halt auction process following certain trading halts[71] 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 halt auctions following a MWCB halt. The current reopening process following a trading pause and following a MWCB halt have been generally successful in facilitating a fair and orderly process for reopening securities. The Exchange has therefore decided to propose a similar process for halt auctions following other types of halts, as specified above. The Exchange believes that its proposal would benefit investors by facilitating price discovery and promoting more consistency in how the Exchange conducts the reopening process following trading halts and pauses. While auctions cannot prevent price volatility, auctions should facilitate ongoing trading and afford market participants with ample time to participate in the auction price discovery process. Accordingly, this proposal balances transparency and timeliness to ensure efficient price discovery. Furthermore, because there are no price protection mechanisms specific to the halt cross process today, the Exchange believes that there is little risk[72] in adopting the proposal.

While the proposed reopening process would largely follow the reopening process in place today for trading pauses under the LULD Plan and/or MWCB halts, there would be several differences. These differences are primarily designed to ensure that suitable Auction Collars are utilized for the reopening process. The Exchange proposes to use the Nasdaq last sale price (or if none, the NOCP) as the Auction Reference Price, similar to the Auction Reference Price under a MWCB halt.[73] However, the Exchange also proposes to provide MarketWatch authority to set an Auction Reference Price in rare situations where there is no Nasdaq last sale price or NOCP.[74] In addition, the Exchange believes that it is appropriate to calculate both upper and lower Auction Collars that are a specified percentage or dollar amount from the reference price because the halts covered in the proposal do not involve security specific buy or sell pressure. With extensions, the Exchange also believes that it is appropriate to widen the collars on both sides to accommodate price swings in either direction and to increase the likelihood of resolving order imbalances. The proposal would utilize price collar thresholds of 10% (and 20% after the first two display only periods) of the Auction Reference Price, as compared to price collar thresholds of 5% of the Auction Reference Price used for the LULD and MWCB mechanisms, to ensure that the parameters are appropriately set to ensure securities are priced within a reasonable range of their halted price but are also not so restrictive as to prevent effective price discovery. These price collar thresholds are appropriate as they 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. Finally, 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

[64] *See* Rule 4754(b)(6)(F).

[65] 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.,* Rule 4754(b)(6)(F)(ii)(b)–(c).

[66] *See* Rule 4754(b)(6)(G).

[67] *See* Securities Exchange Act Release No. 94370 (March 7, 2022), 87 FR 14071 (March 11, 2022). Nasdaq filed an amendment to the proposal on April 29, 2022. *See* Securities Exchange Act Release No. 94838 (May 3, 2022), 87 FR 27683 (May 9, 2022).

[68] *See* Securities Exchange Act Release No. 95069 (June 8, 2022), 87 FR 36018 (June 14, 2022).

[69] 15 U.S.C. 78f(b).

[70] 15 U.S.C. 78f(b)(5).

[71] *See supra* note 13.

[72] There is a risk of a delayed reopening if the price of the halted security is fluctuating.

[73] *Supra* note 16.

[74] *Supra* note 18.

for lower-priced securities are wide enough to allow for reopening and effective price discovery. 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.

Otherwise, the proposed reopening process is consistent with the current LULD and/or MWCB reopening process. Similar to the current LULD and MWCB reopening process, the Exchange also believes that the proposed process is consistent with the protection of investors and the public interest because they are designed to facilitate price discovery by ensuring that all market order interest could be satisfied in the auction process. Furthermore, the Exchange believes that the standardized procedures to extend halt auctions an additional five minutes are appropriate because this would provide additional time to attract offsetting liquidity. If at the end of such extension, market orders still cannot be satisfied within the applicable collars, or if the reopening price would be outside of the applicable collars, the Exchange would extend the halt auction process an additional five minutes. The Exchange believes that extending the auction in these circumstances would protect investors and the public interest by reducing the potential for significant price disparity in post-auction trading.

The Exchange also believes that its proposal to establish a Hybrid Closing Cross and implement price protections for the Hybrid Closing Cross that are similar to the protections used today for the LULD Closing Cross would promote just and equitable principles of trade. For purposes of 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 Exchange believes that this mechanism has been effective in facilitating a fair and orderly price discovery process at the close and ensuring that the cross price derived does not exceed a price reasonably tied to the prevailing market at the time. The Exchange has therefore determined to adopt a Hybrid Closing Cross and apply similar protections to such Hybrid Closing Cross. The Exchange believes that its proposal would facilitate a fair and orderly close. Additionally, the Exchange believes that the proposed rule change would benefit investors by harmonizing the Exchange's LULD and Hybrid Closing Cross processes, thereby promoting a more consistent experience for members and investors and reducing any potential confusion regarding Nasdaq's closing processes.

While the proposed price protections for the Hybrid Closing Cross will largely follow the current implementation of the protections in place today for the LULD Closing Cross, there are certain differences. The differences are designed to account for inherent differences between LULD pauses and other trading halts and ensure that the proposed price protections are reasonably based on market conditions. One of the proposed tiebreakers in Rule 4754(b)(7)(D) references the Auction Reference Price whereas the LULD Closing Cross rule instead refers to a price that minimizes the distance from the last published Upper Band (Lower Band) for a Limit Up (Limit Down) Trading Pause. 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). Similarly, 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, 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. Finally, certain language from the LULD Closing Cross is omitted where it is inapplicable to the Hybrid Closing Cross.[75]

Finally, the Exchange also believes it is appropriate to make clarifying changes in Equity 4 to remove references to the LULD Closing Cross in Rule 4702 and Rule 4755, clarify how Auction Reference Prices and Auction Collars are disseminated in Rule 4753(a)(3), add an exception regarding cancellation of IOC Orders for halted securities in Rule 4753(e), specify that the Nasdaq Closing Cross shall include the LULD Closing Cross and the Hybrid Closing Cross in Rule 4754(a)(6), add ''NOII'' as an alternative defined term for ''Order Imbalance Indicator'' in Rule 4754(a)(7), add ''EOII'' as an alternative defined term for ''Early Order Imbalance Indicator'' in Rule 4754(a)(10), amend language related to handling of late LOC Orders in Rule 4754(b)(6), and modify the priority for orders participating in the LULD Closing Cross in Rule 4754(b)(6). The proposed changes would increase clarity and transparency in the Rules, consistent with the public interest and the protection of investors.

[75] *See supra* note 65.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change is not designed to address any competitive issues, but rather, is designed to provide a measured and transparent process for reopening Nasdaq listed securities after certain trading halts. The proposed rule change is similar to the current reopening process following a trading pause initiated under the LULD Plan, the process following a MWCB halt, and processes implemented on other exchanges for non-LULD regulatory halts. In addition, the proposed rule change is also designed to establish a Hybrid Closing Cross that aligns with the Exchange's LULD Closing Cross to provide for a transparent auction process for executing member interest at the close and promote a more consistent experience for members and investors.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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 (*https://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include file number SR–NASDAQ–2024–065 on the subject line.

Paper Comments

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

All submissions should refer to file number SR–NASDAQ–2024–065. This file number should be included on the subject line if email 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 website (*https://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 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. 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–NASDAQ–2024–065 and should be submitted on or before December 11, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[76]

Vanessa A. Countryman,

Secretary.

[FR Doc. 2024–27019 Filed 11–19–24; 8:45 am]

BILLING CODE 8011–01–P

[76] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–101629; File No. SR–NYSECHX–2024–34]

Self-Regulatory Organizations; NYSE Chicago, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend NYSE Chicago Rule 7.13 To Remove References to the Chair of the Board

November 14, 2024

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (''Act'')[2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on November 8, 2024, the NYSE Chicago, Inc. (''NYSE Chicago'' or the ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 NYSE Chicago Rule 7.13 to remove references to the Chair of the Board. The proposed rule change is available on the Exchange's website at *www.nyse.com,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend NYSE Chicago Rule 7.13 (Trading Suspensions) to remove references to the Chair of the Board of Directors of the Exchange (''Board'').

Under current Rule 7.13,[4] the Chair of the Board or the chief executive officer of the Exchange (the ''CEO''), or the officer designee of the Chair or the CEO, has the power to suspend trading on any and all securities traded on the Exchange whenever in his or her opinion such suspension would be in the public interest. No such action shall continue longer than two days or as soon thereafter as a quorum of Directors can be assembled, unless the Board approves the continuation of such suspension.

The Exchange believes that it Is advisable to remove the references to the Chair in Rule 7.13 because the Chair has not acted under Rule 7.13 since the rule was adopted and the Exchange does not anticipate that an independent or non-employee Chair will have sufficient involvement in the day-to-day operations of the Exchange to act under the Rule.

Moreover, the proposed changes to Rule 7.13 would make it substantially similar to the rule text governing Trading Suspensions currently in place on the Exchange's affiliate the New York Stock Exchange LLC (''NYSE'') in NYSE Rule 7.13.[5] The proposed changes to Rule 7.13 therefore would harmonize the Exchange's rules with those of its affiliate NYSE and provide for consistent authority to suspend trading across the Exchange and the NYSE.

To effectuate the change, the first sentence of the Rule would be amended as follows (proposed deletions bracketed):

> The [Chair of the Board or the] CEO, or the officer designee of [the Chair or] the CEO, shall have the power to suspend trading in any and all securities traded on the Exchange whenever in his or her opinion such suspension would be in the public interest.

The requirement that no such action continue longer than two days or as soon thereafter as a quorum of Directors can be assembled, unless the Board

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

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

[4] The current text of Rule 7.13 was adopted in 2019 to harmonize the Exchange's rules with those of its affiliates NYSE American LLC, NYSE Arca, Inc., and NYSE National, Inc. *See* Securities and Exchange Act Release No. 85716 (April 25, 2019), 84 FR 18623 (May 1, 2019) (SR–NYSECHX–2019–07) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding New Rules on Hours of Business, Holidays and Trading Halts and Suspensions, and Amendment of Article 20, Rule 1).

[5] The difference is that the NYSE rule uses ''trading on the Exchange'' instead of ''traded on the Exchange.'' *See* Securities and Exchange Act Release No. 101477 (October 30, 2024), 89 FR 87917 (November 5, 2024) (SR–NYSE–2024–58) (Order Approving a Proposed Rule Change to Amend NYSE Rule 7.13).