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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83228; File No. SR-NASDAQ-2018-037)

May 14, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Market Order Spread Protection

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 30, 2018, The Nasdaq Stock Market LLC (“Nasdaq” 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 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 a proposal to amend the Market Order Spread Protection and reorganize Rule Chapter VI, Section 18 entitled, “Order Price Protections.”

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaq.cchwallstreet.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 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Chapter VI, Section 18, entitled, "Order Price Protection" to "Risk Protections" and relocate all the order protections into a single rule and categorize them as either order protections, order and quote protections or market maker protections. The Exchange believes that placing all the order protections into a single rule will provide market participants with information as to the availability of these protections, which are all mandatory. The Exchange also proposes to amend the Market Order Spread Protection and Acceptable Trade Range Rules to add more specificity.

Universal Amendments

The Exchange proposes to restructure Chapter VI, Section 18 into three parts: (1) order protections; (2) order and quote protections; and (3) market maker protections. The Exchange proposes to reletter and renumber the rule as well to provide a more organized structure. The Exchange believes that categorizing the various protections provides more information to market participants as to each of the risk protections.

Order Price Protection

The Exchange proposes only to reorganize the rule by adding new lettering and numbering to conform to the remainder of the proposed rule, no other amendments are being made to Order Price Protection.

Market Order Spread Protection

The Exchange proposes to relocate the Market Order Spread Protection rule from Chapter VI, Section 6(c) into Chapter VI, Section 18. The Exchange also proposes to amend the Market Order Spread Protection at proposed Chapter VI, Section 18(a)(2) by adding an additional sentence stating, “Market Order Spread Protection shall not apply to the Opening Process and during a halt.” Today, the Market Order Spread Protection does not apply during the Opening Process and during a trading halt. The Exchange is adding this additional specificity to the rule to make clear when the protection is operative.

Both the Opening Process and trading halts have the same or more restrictive boundaries as those proposed for the Market Order Spread Protection. With respect to the Opening Process, a Valid Width National Best Bid or Offer is required. A Valid Width National Best Bid or Offer” or “Valid Width NBBO” shall mean the combination of all away market quotes and any combination of NOM-registered Market Maker orders and quotes received over the OTTO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange.³ The Valid Width NBBO is configurable by underlying, and tables with valid width differentials are posted by Nasdaq on its website.⁴ The Exchange’s threshold for the Market Order Spread Protection is currently set at \$5.⁵ Today, the maximum bid/ask differentials are more restrictive for both Penny and Non-Penny issues that are not LEAPS⁶ (up to \$2.00 and

³ Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation. See NOM Chapter VI, Section 8(a)(6).

⁴ The table with the differentials is published on the Exchange’s website at: http://www.nasdaqtrader.com/content/technicalsupport/NOM_SystemSettings.pdf

⁵ The current Market Order Spread Differential is set at \$5. The table in note 4 above notes the current setting.

⁶ LEAPS are option series with a time to expiration greater than nine (9) months. See Chapter VI, Section 8.

\$2.25, respectively, for the bid/ask differentials). The maximum bid/ask differentials are equal to or more restrictive for both Penny and Non-Penny issues that are LEAPS (up to a \$5.00 bid/ask differential.) The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.

As provided in Chapter V, Section 4 trading halts are subject to the reopening process as provided for in Chapter VI, Section 8. The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is unnecessary during a trading halt because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.

Acceptable Trade Range

The Exchange proposes to relocate the Acceptable Trade Protection from Chapter VI, Section 10(7) into Chapter VI, Section 18(b)(1). The Exchange also proposes to note more specifically within the rule that this risk protection applies to both quotes and orders. Today, the rule only refers to “orders” in a few places. The Exchange proposes to note “order/quotes” in those instances to make clear that both orders and quotes are protected. This addition and the categorization proposed within this rule change should make that this protection more transparent.

Anti-Internalization

The Exchange proposes to relocate the Anti-Internalization Protection from Chapter VI, Section 10(6) into Chapter VI, Section 18(c)(1). The Exchange proposes only to reorganize the rule by adding new lettering and numbering to conform to the remainder of the proposed rule, no other amendments are being made to the Anti-Internalization rule.

Automated Removal of Quotes and Orders

The Exchange proposes to relocate the Automated Removal of Quotes and Orders from Chapter VII, Section 6(f) into Chapter VI, Section 18(c)(2). The Exchange proposes only to reorganize the rule by adding new lettering and numbering to conform to the remainder of the proposed rule, no other amendments are being made to the Automated Removal of Quotes and Orders rule.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁸ 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, by grouping the various order protections applied on NOM into a single rule for ease of reference and adding headers to the rule to make clear whether the risk protection is an order, quote or order and market maker protection. The Exchange believes the reorganization of the existing rule and relocation of various rules into Rule Chapter VI, Section 18 is a non-substantive rule change.

The Exchange is amending the Market Order Spread Protection to provide more specificity to that rule. Today, the Market Order Spread Protection does not apply during the Opening Process and during halts. The Exchange is proposing to memorialize this exception into the rule to provide more transparency as to the operation of this protection. Both the Opening Process and trading halts have the same or more restrictive boundaries as those proposed for the Market Order Spread Protection. With respect to the Opening Process, a Valid

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

Width NBBO is required. With respect to the Opening Process, a Valid Width National Best Bid or Offer is required. A Valid Width NBBO is the combination of all away market quotes and any combination of NOM-registered Market Maker orders and quotes received over the OTTO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange.⁹ The Exchange's requirements during the Opening Process are as restrictive as the setting for the Market Order Spread Protection. As provided in Chapter V, Section 4 trading halts are subject to the reopening process as provided for in Chapter VI, Section 8. The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.

The Exchange is also proposing to make clear that the Acceptable Trade Range protection is an order and quote protection. This particular rule does not specifically state orders and quotes in each place either is mentioned with the rule. The Exchange believes adding order/quote in each instance it appears will bring greater transparency to the rule and protect investors and the public interest by providing greater clarity to the rule.

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 proposal does not impose an intra-market burden on competition with respect to the reorganization and

⁹ Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation. See NOM Chapter VI, Section 8(a)(6).

relocation of the various rules into Rule Chapter VI, Section 18 because the various price protections will continue to apply uniformly to all market participants.

The Exchange does not believe that not applying the Market Order Spread Protection during the Opening Process and during a trading halt creates an undue burden on competition because these mechanisms have the same or more restrictive protections as the Market Order Spread Protection.

Finally, the amendments to the Acceptable Trade Range rule creates an undue burden on competition because the additional language brings more transparency to the existing rule.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹² normally does

¹⁰ 15 U.S.C. 78s(b)(3)(A).

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

¹² 17 CFR 240.19b-4(f)(6)(iii).

not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹³ however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative upon filing. The Exchange states that it believes it is important for it to be able to manage the administration of its rules on an immediately effective basis. Further, with respect to the amendment to the Market Order Spread Protection and Acceptable Trade Range, the Exchange believes that the amendment protects investors and the public interest by providing more transparency as to the operation of this protection during the Opening Process and during halts for the Market Order Spread Protection and also clarifies the Acceptable Trade Range rule. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest and, therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁴

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

¹³ 17 CFR 240.19b-4(f)(6)(iii)

¹⁴ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2018-037 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-2018-037. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2018-037 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Eduardo A. Aleman,
Assistant Secretary.

¹⁵ 17 CFR 200.30-3(a)(12).

