

addition to the existing requirements relating to the Actual Portfolio and the Proxy Portfolio, is designed to prevent fraud and manipulation with respect to Active Proxy Portfolio Shares.

The Commission also believes that the proposed amendments to the initial and continued listing requirements for Active Proxy Portfolio Shares are adequate to ensure transparency of information relating to Custom Baskets utilized by a fund and to ensure that such information is available to the rest of the market participants at the same time. Specifically, prior to the opening of trading on each business day, the Investment Company will make publicly available on its website the composition of any Custom Basket transacted on the previous business day, except a Custom Basket that differs from the applicable Proxy Portfolio only with respect to cash.<sup>20</sup> In addition, prior to the initial listing of the Active Proxy Portfolio Shares, the Exchange will be required to obtain a representation from the issuer of each series of Active Proxy Portfolio Shares that the issuer and any person acting on behalf of the series of Active Proxy Portfolio Shares will comply with Regulation FD, including with respect to any Custom Basket.<sup>21</sup> These measures help to mitigate concerns that certain information regarding the funds will be available only to select market participants and thereby helps to prevent fraud and manipulation.

The Commission notes that, as set forth in the definition of “Custom Basket,” a series of Active Proxy Portfolio Shares may only utilize Custom Baskets to the extent consistent with the exemptive relief issued pursuant to the 1940 Act applicable to such series.<sup>22</sup> The Commission further notes that all series of Active Proxy Portfolio Shares will continue to be subject to the existing rules and procedures that govern the listing and trading of Active Proxy Portfolio Shares and the trading of equity securities on the Exchange.

<sup>20</sup> See proposed NYSE Arca Rule 8.601–E(d)(2)(B)(ii).

<sup>21</sup> See proposed NYSE Arca Rule 8.601–E(d)(1)(B)(iii). The Commission notes that a fund’s use of, or conversations with authorized participants about, Creation Baskets that would result in selective disclosure of non-public information would effectively be limited by the funds’ obligation to comply with Regulation Fair Disclosure. See, e.g., Natixis ETF Trust II, et al., Investment Company Act Release No. 34171 (January 12, 2021).

<sup>22</sup> See proposed NYSE Arca Rule 8.601–E(c)(4).

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Exchange Act<sup>23</sup> that the proposed rule change (SR–NYSEArca–2021–64), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–93121; File No. SR–BX–2021–040]

#### Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend BX Options 7, Section 2, BX Options Market-Fees and Rebates

September 24, 2021.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b–4 thereunder,<sup>3</sup> notice is hereby given that, on September 10, 2021, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (the “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 BX Options 7, Section 2, “BX Options Market-Fees and Rebates.”

The Exchange originally filed the proposed pricing changes on August 27, 2021 (SR–BX–2021–036). On September 10, 2021, the Exchange withdrew that filing and submitted this filing.

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

<sup>23</sup> 15 U.S.C. 78s(b)(2).

<sup>24</sup> 17 CFR 200.30–3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b–4.

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

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

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

##### 1. Purpose

The Exchange proposes to amend BX’s Pricing Schedule at Options 7, Section 2, “BX Options Market-Fees and Rebates.” Specifically, within Options 7, Section 2(1), the Exchange proposes to: (1) Increase the Non-Penny Symbol Customer Taker Fee; and (2) amend note 3 of that section that reduces the Non-Penny Symbol Customer Maker Rebate in certain circumstances.

Today, Customers are assessed a Non-Penny Symbol Taker Fee of \$0.65 per contract for removing liquidity and paid a Non-Penny Symbol Maker Rebate of \$0.90 per contract for adding liquidity. Today, with respect to the Customer Non-Penny Symbol Maker Rebate, Customer orders receive a \$0.45 per contract Non-Penny Symbol Maker Rebate, instead of the aforementioned \$0.90 per contract rebate, if the quantity of transactions where the contra-side is also a Customer is greater than 25% of Participant’s total Customer Non-Penny Symbol volume which adds liquidity in that month.<sup>4</sup>

The Exchange proposes to increase the Customer Non-Penny Symbol Taker Fee from \$0.65 to \$0.79 per contract. The Exchange also proposes to amend the percentage within note 3, related to the quantity of transactions where the contra-side is also a Customer, from 25% to 50%. Proposed note 3 would provide, “Customer orders will receive a \$0.45 per contract Non-Penny Symbol Maker Rebate if the quantity of transactions where the contra-side is also a Customer is greater than 50% of

<sup>4</sup> See Options 7, Section 2(1) note 3. The 25% calculation does not consider orders within the Opening Process per Options 3, Section 8, orders that generate an order exposure alert per BX Options 5, Section 4, or orders transacted in the Price Improvement Auction (“PRISM”) per Options 3, Section 13.

Participant's total Customer Non-Penny Symbol volume which adds liquidity in that month. The aforementioned calculation of 50% will not consider orders within the Opening Process per Options 3, Section 8, orders that generate an order exposure alert per BX Options 5, Section 4, or orders transacted in the Price Improvement Auction ("PRISM") per Options 3, Section 13."

The Exchange would continue to pay a Customer Non-Penny Symbol Maker Rebate of \$0.90 per contract. Also, the Exchange would continue to pay the lower Non-Penny Symbol Maker Rebate of \$0.45 per contract if the quantity of transactions where the contra-side is also a Customer is greater than the proposed 50% of Participant's total Customer Non-Penny Symbol volume which adds liquidity in that month.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>6</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' . . . As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers.' . . ."<sup>7</sup>

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."<sup>8</sup>

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options security transaction services. The Exchange is only one of sixteen options exchanges to which market participants may direct their order flow. Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange's proposal to increase the Customer Non-Penny Symbol Taker Fee from \$0.65 to \$0.79 per contract is reasonable. While the Exchange's Customer Non-Penny Symbol Taker Fee is increasing, the Exchange believes its fees remain competitive with other options exchanges.<sup>9</sup> Also, BX continues to offer the highest base rebate of \$0.90 per contract prior to taking into account volume or contra-party.<sup>10</sup> Of note, other

exchanges have higher simple order rebates, provided certain volume criteria are met.<sup>11</sup> Accordingly, the Exchange believes that the proposed Customer Non-Penny Symbol Taker Fee remains competitive and will continue to attract order flow to BX to the benefit of all market participants.

The Exchange's proposal to increase the Customer Non-Penny Symbol Taker Fee from \$0.65 to \$0.79 per contract is equitable and not unfairly discriminatory because the proposed pricing will apply uniformly to all similarly situated Participants for Non-Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to amend the percentage within note 3 related to the volume consideration for the ratio of Customer to Customer orders as compared to total Participant volume which adds Non-Penny Symbol liquidity in order to receive the \$0.90 per contract Customer Non-Penny Symbol rebate as compared to the reduced \$0.45 per contract rebate is

volume tiers. See CboeEDGX's Fee Schedule. Miami International Securities Exchange, LLC ("MIAX") pays no customer rebate for non-penny classes. See MIAX's Fee Schedule. MIAX PEARL, LLC ("PEARL") pays Priority Customer Non-Penny Classes Maker Rebates which range from \$0.85 to \$1.04 based on volume. See PEARL's Fee Schedule. MIAX Emerald, LLC ("EMERALD") pays Priority Customer Maker Rebates which range from \$0.43 to \$0.53, except that SPY, QQQ and IWM rebates are \$0.45 and Priority Customer Simple Order rebates when contra is an Affiliated Market Maker are \$0.49. See EMERALD's Fee Schedule. NYSEArca pays a Customer a \$0.75 rebate to post liquidity unless contra a lead market maker, in which case no rebate is paid. See NYSE Arca Options Fees and Charges. NYSE American LLC ("NYSEAmerican") pays no Customer rebates. See NYSE American Options Fee Schedule. The Nasdaq Stock Market LLC ("NOM") pays an \$0.80 per contract Customer Non-Penny Symbol Rebate and in some cases \$1.00, or \$1.05 if other criteria are met. See NOM's Pricing Schedule. Nasdaq Phlx LLC ("Phlx") pays Customer Non-Penny rebates which range from \$0.00 to \$0.27. See Phlx's Pricing Schedule. Nasdaq ISE, LLC ("ISE") pays no Non-Penny Priority Customer rebates. See ISE's Pricing Schedule. Nasdaq GEMX, LLC ("GEMX") pays Priority Customer Non-Penny Symbol Maker Rebates which range from \$0.75 to \$1.05. See GEMX's Pricing Schedule. Nasdaq MRX, LLC ("MRX") pays no Priority Customer Non-Penny Symbol rebates. See MRX's Pricing Schedule.

<sup>11</sup> *Id.*

<sup>5</sup> 15 U.S.C. 78 f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>7</sup> *NetCoalition v. SEC*, 615 F.3d 525, 539 (DC Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

<sup>8</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) ("Regulation NMS Adopting Release").

<sup>9</sup> NYSE Arca, Inc. ("NYSEArca Options Fees") currently assesses customers a Take Liquidity fee of \$0.85 per contract in Non-Penny Issues (or \$0.67 per contract if the Customer is trading against a lead market maker). See NYSEArca Options Fees and Charges, Transaction Fee for Electronic Executions—Per Contract.

<sup>10</sup> The examples which follow represent options fees. BOX Exchange LLC ("BOX") pays no Non-Penny Interval Class Public customer Maker Rebate. See BOX's Fee Schedule at Section I, A. Cboe Exchange, Inc. ("Cboe") pays a Non-Penny Class rebate to customers of \$0.18 per contract only if the original order is greater than or equal to 100 contracts and removes liquidity. See Cboe's Fee Schedule. Cboe C2 Exchange, Inc. ("C2") pays a Non-Penny Class rebate to customers of \$0.80 per contract to transactions which add liquidity. See C2's Fee Schedule. Cboe BZX Exchange, Inc. ("CboeBZX") pays Non-Penny Program Securities rebates to customers which range from \$0.85 to \$1.06 per contract to transactions which add liquidity. See CboeBZX's Fee Schedule. Cboe EDGX Exchange, Inc. ("CboeEDGX") pays Non-Penny Program Securities rebates to customers which range from \$0.01 to \$0.21 based on customer

reasonable. With this proposal, the Exchange would assess a \$0.79 per contract Customer Non-Penny Taker Fee, the lowest BX Taker Fee for Non-Penny Symbols,<sup>12</sup> and, currently, the Exchange pays the highest Customer Maker Rebate of \$0.90 per contract that does not consider volume or contra-party. The Exchange continues to offer Customers the highest Non-Penny Maker Rebate on BX by assessing higher Non-Penny Taker Fees to Non-Customers.<sup>13</sup> To the extent a Participant submits a Non-Penny Customer order to add liquidity which interacts with a Non-Penny Customer order that removes liquidity, both Participants benefit from the higher Non-Penny Maker Rebate and lower Non-Penny Taker Fee. The Exchange's intention for assessing Customer orders with the reduced Non-Penny Taker Fee was designed to bolster interaction with Non-Customer participants. Today, Non-Penny Customer orders which add liquidity have priority<sup>14</sup> ahead of Non-Penny Non-Customer orders and, therefore, the Exchange's intention to enhance Non-Customer liquidity is subverted when a Non-Penny Customer order transacts with another Non-Penny Customer order. As a result, when Non-Penny Customers interact with other Non-Penny Customer orders more than by happenstance, the Exchange believes it is reasonable to pay Customer orders which add liquidity a lower rebate. The Exchange notes that Participants do occasionally submit Non-Penny Customer orders which add liquidity in Non-Penny Symbols to the order book that trade against Non-Penny Customer orders that remove liquidity in Non-Penny Symbols. The Exchange believes that type of behavior occurs, by happenstance, a small percentage of the time in a month. The Exchange initially determined that 25% was the proper percentage which represented the quantity of transactions that would demarcate the point at which a Participant should receive the lower Customer Non-Penny Symbol Maker Rebate of \$0.45 per contract because it does not believe that the type of behavior outlined herein should occur more than a certain percentage of the time (in this case 25% of a Participant's total Customer Non-Penny Symbol volume) unless the trading behavior was intended. After reviewing the trading behavior for a period of time since the

adoption of the 25% threshold, the Exchange believes that a percentage of 50% would be a more accurate demarcation. The Exchange has monitored Customer to Customer trading behavior transacted on BX since the inception of the 25% threshold. The Exchange believes that the addition of the threshold deterred certain intended Customer to Customer transactions, and the Exchange observed an expansion of counter parties on Customer to Customer trades after the threshold was introduced. The Exchange believes that increasing the percentage to 50% will more reasonably account for inadvertent Customer to Customer trades while still deterring those Customer to Customer transactions which occur more than by happenstance given the number of Non-Penny Symbol Customer to Customer orders transacted on BX.

While this proposal would continue to provide Customer orders with lower rebates if they transact the requisite number of Customer-to Customer trades, the Exchange continues to believe that the \$0.45 per contract rebate remains competitive and equal to or greater than the rebates that other Participants are afforded.<sup>15</sup>

The Exchange's proposal to amend the percentage within note 3 related to the volume consideration for the ratio of Customer to Customer orders as compared to total Participant volume which adds Non-Penny Symbol liquidity in order to receive the \$0.90 per contract Customer Non-Penny Symbol rebate as compared to the reduced \$0.45 per contract rebate is equitable and not unfairly discriminatory. The Exchange would uniformly apply the criteria to all Customer orders to determine the applicable rebate.

#### *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.

#### *Inter-market Competition*

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice

of where to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other options exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

#### *Intra-Market Competition*

The Exchange's proposal to increase the Customer Non-Penny Symbol Taker Fee from \$0.65 to \$0.79 per contract does not impose an undue burden on competition because the proposed pricing will apply uniformly to all similarly situated Participants for Non-Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to pay a \$0.45 per contract Customer Non-Penny Symbol Maker Rebate if the quantity of transactions where the contra-side is also a Customer is greater than 50% of Participant's total Customer Non-Penny Symbol volume which adds liquidity<sup>16</sup> in that month does not impose an undue burden on competition as the Exchange would uniformly apply the criteria to all Customer orders to determine the applicable rebate.

<sup>12</sup> Non-Customer orders are assessed a \$1.10 Non-Penny Symbol Taker Fee.

<sup>13</sup> A Non-Customer includes a Professional, Broker-Dealer and Non-BX Options Market Maker. See BX Options 7, Section 1.

<sup>14</sup> See Options 3, Section 10.

<sup>15</sup> Today, Lead Market Makers are paid \$0.45 per contract Non-Penny Symbol Maker Rebates and Market Maker are paid \$0.40 per contract Non-Penny Symbol Maker Rebates. Firms and Non-Customers are not eligible for Non-Penny Symbol Maker Rebates and instead are charged a Maker Fee of \$0.45 per contract.

<sup>16</sup> As proposed, the 25% calculation will not consider orders within the Opening Process per Options 3, Section 8, orders that generate an order exposure alert per BX Options 5, Section 4, or orders transacted in the Price Improvement Auction ("PRISM") per Options 3, Section 13.

*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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>17</sup>

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 should be approved or disapproved.

### IV. Solicitation of Comments

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

#### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2021-040 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-BX-2021-040. 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 (<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-BX-2021-040, and should be submitted on or before October 21, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-93119; File No. SR-NASDAQ-2021-045]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To Modify Certain Pricing Limitations for Companies Listing in Connection With a Direct Listing Primary Offering

September 24, 2021.

#### I. Introduction

On June 11, 2021, The Nasdaq Stock Market LLC ("Nasdaq" or the "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to modify certain pricing limitations for companies listing in connection with a direct listing primary offering in which the company will sell shares itself in the opening auction on the first day of trading on the Exchange. The proposed rule change was published for comment in the **Federal**

**Register** on June 30, 2021.<sup>3</sup> On August 12, 2021, pursuant to Section 19(b)(2) of the Exchange Act,<sup>4</sup> the Commission designated a longer period within which to either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> This order institutes proceedings under Section 19(b)(2)(B) of the Exchange Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.

#### II. Description of the Proposal

Nasdaq Listing Rule IM-5315-2 provides listing requirements for Nasdaq's Global Select Market for a company that has not previously had its common equity securities registered under the Exchange Act to list its common equity securities on the Exchange at the time of effectiveness of a registration statement<sup>7</sup> pursuant to which the company will sell shares itself in the opening auction on the first day of trading on the Exchange (a "Direct Listing with a Capital Raise").<sup>8</sup> Securities qualified for listing under Nasdaq Listing Rule IM-5315-2 must begin trading on the Exchange following the initial pricing through the mechanism outlined in Nasdaq Rule 4120(c)(9) and Nasdaq Rule 4753 for the opening auction, otherwise known as the Nasdaq Halt Cross.<sup>9</sup> Currently, in

<sup>3</sup> See Securities Exchange Act Release No. 92256 (June 24, 2021), 86 FR 34815 (June 30, 2021) ("Notice"). Comments received on the proposal are available on the Commission's website at: <https://www.sec.gov/comments/sr-nasdaq-2021-045/srnasdaq2021045.htm>.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 92649 (August 12, 2021), 86 FR 46295 (August 18, 2021). The Commission designated September 28, 2021, as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> The reference to a registration statement refers to a registration statement effective under the Securities Act of 1933 ("Securities Act").

<sup>8</sup> A Direct Listing with a Capital Raise includes listings where either: (i) Only the company itself is selling shares in the opening auction on the first day of trading; or (ii) the company is selling shares and selling shareholders may also sell shares in such opening auction. See Nasdaq Listing Rule IM-5315-2. See also Securities Exchange Act Release No. 91947 (May 19, 2021), 86 FR 28169 (May 25, 2021) (order approving rules to permit a Direct Listing with a Capital Raise and adopting related rules concerning how the opening transaction for such listing will be effected) ("2021 Order"). The Exchange's rules provide for a company listing pursuant to a Direct Listing with a Capital Raise to list only on the Nasdaq Global Select Market.

<sup>9</sup> See Nasdaq Listing Rule IM-5315-2. "Nasdaq Halt Cross" means the process for determining the price at which Eligible Interest shall be executed at the open of trading for a halted security and for executing that Eligible Interest. See Nasdaq Rule 4753(a)(4). "Eligible Interest" means any quotation or any order that has been entered into the system

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>18</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.