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

**Section 806(e)(1)***

**Section 806(e)(2)***

**Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934**

**Section 3C(b)(2)***

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**Exhibit 2 Sent As Paper Document**

**Exhibit 3 Sent As Paper Document**

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**Filing by** The Nasdaq Stock Market LLC

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

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**Pilot**

**Extension of Time Period for Commission Action ***

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

**Section 806(e)(1)***

**Section 806(e)(2)***

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**Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934**

**Section 3C(b)(2)***

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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposal to amend the Market Order Spread Protection and reorganize Rule Chapter VI, Section 18 entitled, Order Price Protections.

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**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

**First Name *** Angela

**Last Name *** Dunn

**Title *** Principal Associate General Counsel

**E-mail *** angela.dunn@nasdaq.com

**Telephone * (215) 496-5692**

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**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

**Date** 04/30/2018

**By** Edward S. Knight

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**NOTE:** Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

**Executive Vice President and General Counsel**

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

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

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

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of the Proposed Rule Change**

   (a) The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend the Market Order Spread Protection and reorganize Rule Chapter VI, Section 18 entitled, "Order Price Protections."

   A notice of the proposed rule change for publication in the Federal Register is at Exhibit 1 and the text of the amended Exchange Rule is at Exhibit 5.

   (b) Not applicable.

   (c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

   The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the "Board") on September 19, 2017. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

   Questions and comments on the proposed rule change may be directed to:

   Angela Saccomandi Dunn  
   Principal Associate General Counsel  
   Nasdaq, Inc.  
   215-496-5692.

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

   a. **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. The Valid Width NBBO is configurable by underlying, and tables with valid width differentials are posted by Nasdaq on its website. The Exchange’s threshold for the Market Order Spread Protection is currently set at $5. Today, the maximum bid/ask differentials are more restrictive for both Penny and Non-Penny issues that are not LEAPS (up to $2.00 and

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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.

b. Statutory Basis

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

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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).
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.

4. **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 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.

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

   No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

   The Exchange does not consent to an extension of the time period for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

   The foregoing rule change has become effective pursuant to Section
19(b)(3)(A)(iii)\textsuperscript{10} of the Act and Rule 19b-4(f)(6) thereunder\textsuperscript{11} in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest because the proposed changes to reorganize and relocate various rules into Rule Chapter VI, Section 18 are non-substantive and are merely intended to provide more organization to the existing Rules. The Exchange believes that the Market Order Spread Protection does not significantly affect the protection of investors or the public interest because 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 believes adding order/quote in each instance it appears within the Acceptable Trade Range rule will bring greater transparency to the rule. The Exchange believes that this proposal to reorganize and relocate various rules into Rule Chapter VI, Section 18 does not impose a significant burden on competition because these changes are non-substantive and are merely intended to provide more organization to the existing Rules. Applying the Market Order Spread Protection during the Opening Process and during a trading halt does not impose a significant burden on competition an undue burden on competition because


\textsuperscript{11} 17 CFR 240.19b-4(f)(6).
these mechanisms have the same or more restrictive protections as the Market Order
Spread Protection. The amendments to the Acceptable Trade Range rule brings more
transparency to the existing rule.

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

At any time within 60 days of the filing of the proposed rule change, the
Commission summarily may temporarily suspend such rule change if it appears to the
Commission that such action is: (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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become
operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), 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 requests that the Commission waive
the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may organize the
rules within its rulebook immediately as proposed and amend the Market Order Spread
Protection and Acceptable Trade Range rule to provide more transparency to market
participants. The Exchange believes that 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.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**
   
   Not applicable.

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**
   
   Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**
    
    Not applicable.

11. **Exhibits**
    
    
    5. Text of the proposed rule change.
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 "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 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](http://nasdaq.cchwallstreet.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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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 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

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\(^3\) 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).
Nasdaq on its website.\textsuperscript{4} The Exchange’s threshold for the Market Order Spread Protection is currently set at $5.\textsuperscript{5} Today, the maximum bid/ask differentials are more restrictive for both Penny and Non-Penny issues that are not LEAPS\textsuperscript{6} (up to $2.00 and $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

\textsuperscript{4} The table with the differentials is published on the Exchange’s website at: [http://www.nasdaqtrader.com/content/technicalsupport/NOM_SystemSettings.pdf](http://www.nasdaqtrader.com/content/technicalsupport/NOM_SystemSettings.pdf)

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

\textsuperscript{6} LEAPS are option series with a time to expiration greater than nine (9) months. See Chapter VI, Section 8.
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, in general, and furthers the objectives of Section 6(b)(5) of the Act, 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

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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 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

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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).
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 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)(iii) of the Act\(^\text{10}\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^\text{11}\)

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.


\(^{11}\) 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.
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 Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing
also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-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.¹²

Eduardo A. Aleman
Assistant Secretary

Options Rules

Chapter VI Trading Systems

Sec. 6 Acceptance of Quotes and Orders

All bids or offers made and accepted on NOM in accordance with the NOM Rules shall constitute binding contracts, subject to applicable requirements of the Rules of the Exchange and the Rules of the Clearing Corporation.

(a) and (b) No change.

(c) Reserved. [Market Order Spread Protection. System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO (the “Reference BBO”) is wider than a preset threshold at the time the order is received by the System.]

(d) and (e) No change.

Sec. 10 Book Processing

System orders shall be executed through the Nasdaq Book Process set forth below:

(1) – (5) No change

[(6) Exception: Anti-Internalization - Quotes and orders entered by Options Market Makers will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same market participant identifier, or alternatively, if selected by the member, the same Exchange account identifier or member firm identifier. In such a case, the System will cancel the oldest of the quotes or orders back to the entering party prior to execution.

(7) Acceptable Trade Range.

(A) The system will calculate an Acceptable Trade Range to limit the range of prices at which an order will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e.,]
the reference price - (x) for sell orders and the reference price + (x) for buy orders). Upon receipt of a new order, the reference price is the NBB for sell orders and the NBO for buy orders or the last price at which the order is posted whichever is higher for a buy order or lower for a sell order.

(B) If an order reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the order or an updated NBB for buy orders or the NBO for sell orders (whichever is higher for a buy order/lower for a sell order) then becomes the reference price for calculating a new Acceptable Trade Range. If the order remains unexecuted, a New Acceptable Trade Range will be calculated and the order will execute, route, or post up to the new Acceptable Trade Range Threshold Price. This process will repeat until either i) the order/quote is executed, cancelled, or posted at its limit price or ii) the order has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

(C) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the order triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using the "non-firm" indicator message in accordance with the specifications of the network processor. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

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Sec. 18 [Order Price |Risk Protections]

(a) The following are order risk protections on NOM:

(1) Order Price Protection ("OPP") is a feature of the System that prevents certain day limit, good til cancelled, and immediate or cancel orders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to market orders or Intermarket Sweep Orders.

([a]A) OPP is operational each trading day after the opening until the close of trading, except during trading halts.

([b]B) OPP will reject incoming orders that exceed certain parameters according to the following algorithm:

(i) If the better of the NBBO or the internal market BBO (the "Reference BBO") on the contra-side of an incoming order is greater than $1.00, orders with a limit more than 50% through such contra-side Reference BBO will be rejected by the System
upon receipt. For example, if the Reference BBO on the offer side is $1.10, an order to buy options for more than $1.65 would be rejected. Similarly, if the Reference BBO on the bid side is $1.10, an order to sell options for less than $0.55 will be rejected.

(ii) If the Reference BBO on the contra-side of an incoming order is less than or equal to $1.00, orders with a limit more than 100% through such contra-side Reference BBO will be rejected by the System upon receipt. For example, if the Reference BBO on the offer side is $1.00, an order to buy options for more than $2.00 would be rejected. However, if the Reference BBO of the bid side of an incoming order to sell is less than or equal to $1.00, the OPP limits set forth above will result in all incoming sell orders being accepted regardless of their limit.

(2) Market Order Spread Protection. System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO (the “Reference BBO”) is wider than a preset threshold at the time the order is received by the System. Market Order Spread Protection shall not apply to the Opening Process or during a halt.

(b) The following are order and quote risk protections on NOM:

(1) Acceptable Trade Range. The system will calculate an Acceptable Trade Range to limit the range of prices at which an order/quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders/quotes). Upon receipt of a new order/quote, the reference price is the NBB for sell orders/quotes and the NBO for buy orders/quotes or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.

(A) If an order/quote reaches the outer limit of the Acceptable Trade Range (the “Threshold Price”) without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second (“Posting Period”), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the order/quote or an updated NBB for buy orders/quotes or the NBO for sell orders/quotes (whichever is higher for a buy order/quote lower for a sell order/quote) then becomes the reference price for calculating a new Acceptable Trade Range. If the order remains unexecuted, a New Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Acceptable Trade Range Threshold Price. This process will repeat until either i) the order/quote is executed, cancelled, or posted at its limit price or ii) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

(B) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the order/quote triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using the “non-firm” indicator message in accordance with the specifications of the network
processor. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

(c) The following are Market Maker risk protections on NOM:

(1) **Anti-Internalization.** Quotes and orders entered by Options Market Makers will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same market participant identifier, or alternatively, if selected by the member, the same Exchange account identifier or member firm identifier. In such a case, the System will cancel the oldest of the quotes or orders back to the entering party prior to execution.

(2) **Automated Removal of Quotes and Orders.**

(A) A NOM Market Maker may provide a specified time period and specified percentage (as these terms are defined below) by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the NOM Market Maker not to exceed 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the number of contracts available at the time of execution plus the number of contracts executed in unexpired prior executions of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a NOM Market Maker not less than 1% ("Specified Percentage"), the System will automatically remove a NOM Market Maker's quotes and orders in all series of the underlying security submitted through designated NOM protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period ("Percentage-Based Threshold"). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.

(B) A NOM Market Maker may provide a specified time period and a volume threshold by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the NOM Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the NOM Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-
Based Threshold". The NOM Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the Percentage Based Threshold. A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(C) A NOM Market Maker or NOM Market Maker Group (multiple affiliated NOM Market Makers is a "Group" as defined by a NOM Participant and provided by such Participant to the Exchange) may provide a specified time period and number of allowable triggers by which the Exchange will automatically remove quotes and orders in all options series in all underlying issues submitted through designated NOM protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period(s) established by the NOM Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the NOM Market Maker's or Group's quotes and orders in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in (f)(i) above, as well as the Volume-Based Threshold described in (f)(ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove quotes and orders in all options series in an underlying issue. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in (f)(iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(D) The System will automatically remove quotes in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the NOM Market Maker for all affected options when the above thresholds have been reached.

(i) The Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.
(ii) Marketable orders or quotes will be automatically executed up to the NOM Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.

(E) If a NOM Market Maker requests the System to remove quotes and orders in all options series in an underlying security, the System will automatically reset the Percentage-Based Threshold or Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(F) When the System removes quotes or orders as a result of the Percentage-Based Threshold or Volume-Based Threshold, the NOM Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes or orders as a result of the Multi-Trigger Threshold, the System will not accept orders or quotes through designated protocols until the NOM Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.

(G) The Exchange will require NOM Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold. The Multi-Trigger Threshold is optional.

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Chapter VII Market Participants

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Sec. 6 Market Maker Quotations

(a) – (e) No change.

(f) **Reserved.** [Automated Removal of Orders and Quotes]

(i) A NOM Market Maker may provide a specified time period and specified percentage (as these terms are defined below) by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the NOM Market Maker not to exceed 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the number of contracts available at the time of execution plus the number of contracts executed in unexpired prior executions of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue...
(“Issue Percentage”). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a NOM Market Maker not less than 1% (“Specified Percentage”), the System will automatically remove a NOM Market Maker's quotes and orders in all series of the underlying security submitted through designated NOM protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period (“Percentage-Based Threshold”). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.

(ii) A NOM Market Maker may provide a specified time period and a volume threshold by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the NOM Market Maker not to exceed 15 seconds (“Volume-Based Specified Time Period”) when the NOM Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security (“Volume-Based Threshold”). The NOM Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the Percentage Based Threshold. A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(iii) A NOM Market Maker or NOM Market Maker Group (multiple affiliated NOM Market Makers is a “Group” as defined by a NOM Participant and provided by such Participant to the Exchange) may provide a specified time period and number of allowable triggers by which the Exchange will automatically remove quotes and orders in all options series in all underlying issues submitted through designated NOM protocols, as specified by the Exchange (“Multi-Trigger Threshold”). During a specified time period(s) established by the NOM Market Maker not to exceed 15 seconds (“Multi-Trigger Specified Time Period”), the number of times the System automatically removes the NOM Market Maker's or Group's quotes and orders in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in (f)(i) above, as well as the Volume-Based Threshold described in (f)(ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a Multi-Trigger Specified Time Period, the
System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove quotes and orders in all options series in an underlying issue. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in (f)(iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(iv) The System will automatically remove quotes in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the NOM Market Maker for all affected options when the above thresholds have been reached.

(a) The Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.

(b) Marketable orders or quotes will be automatically executed up to the NOM Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.

(v) If a NOM Market Maker requests the System to remove quotes and orders in all options series in an underlying security, the System will automatically reset the Percentage-Based Threshold or Volume-Based Specific Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(vi) When the System removes quotes or orders as a result of the Percentage-Based Threshold or Volume-Based Threshold, the NOM Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes or orders as a result of the Multi-Trigger Threshold, the System will not accept orders or quotes through designated protocols until the NOM Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.
(vii) The Exchange will require NOM Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold. The Multi-Trigger Threshold is optional.

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