IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, 36 that the proposed rule change (SR–NYSE–2018–54), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority. 37

Eduardo A. Aleman, Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New SCAR Routing Option

March 20, 2019.

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 March 6, 2019, The Nasdaq Stock Market LLC (“Nasdaq” or “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 to adopt a new SCAR routing option under Rule 4758.

The text of the proposed rule change is available on the Exchange’s website at http://nasdaq.cboiwallstreet.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 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 is proposing to adopt SCAR, a new order routing 3 option under Rule 4758(a)(1)(A). The Exchange currently provides a variety of routing options under Rule 4758(a)(1)(A). Routing options may be combined with all available Order Types and Times-in-Force, with the exception of Order Types and Times-in-Force whose terms are inconsistent with the terms of a particular routing option. The SCAR routing option would allow members to seek liquidity on the Exchange and the other equity markets operated by Nasdaq, Inc., the Nasdaq BX Equities Market (“BX”) and Nasdaq PSX (“PSX”) and together with BX and the Exchange, the “Nasdaq Affiliated Exchanges”). SCAR will operate in the same manner as the current CART strategy, but will differ in the initial order routing to the Nasdaq Affiliated Exchanges. Whereas CART orders route sequentially to BX, PSX and then check the System, 4 SCAR orders will route simultaneously to all three Nasdaq Affiliated Exchanges in accordance with the System routing table. 5

2. Routing is an Order Attribute that allows a Participant to designate an Order to employ one of several Routing Strategies offered by Nasdaq, as described in Rule 4758; such an Order may be referred to as a “Routable Order.” Upon receipt of an Order with the Routing Attribute, the System will process the Order in accordance with the applicable Routing Strategy. In the case of a limited number of Routing Strategies, the Order will be sent directly to other market centers for potential execution. For most other Routing Strategies, the Order will attempt to access liquidity available on Nasdaq in the manner specified for the underlying Order Type and will then be routed in accordance with the applicable Routing Strategy. Shares of the Order that cannot be executed are then returned to Nasdaq, where they will (i) again attempt to access liquidity available on Nasdaq and (ii) post to the Nasdaq Book or be cancelled, depending on the Time-in-Force of the Order. See Rule 4701(a).


5. The term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. Nasdaq reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. See Rule 4758(a)(1)(A).
Specifically as proposed, SCAR would be a routing option under which orders check the System 6 for available shares and simultaneously route 7 to BX and PSX in accordance with the System routing table.8 Similar to CART, if shares remain unexecuted after routing, they are posted on the Exchange’s book or cancelled, depending on the Time-in-Force of the order.9 Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. This is also similar to how CART treats or crossed by another market center, the order subsequently be locked or cancelled, depending on the Time-in-Force of the order.9 Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. This is also similar to how CART treats orders check the System6 for available shares before cancelling if the order above.

In such an environment, proprietary routing systems, and service bureaus. In such an environment, proprietary routing systems, and service bureaus.

The Exchange believes that the proposed rule change will accomplish those ends by providing market participants with an additional voluntary routing option that will allow them to easily access liquidity available on all Nasdaq Affiliated Exchanges. The Exchange expects the proposed routing strategy will benefit firms that do not employ routing or trading strategies under which the firm itself would rapidly access liquidity provided on the multiple venues. SCAR would not provide any advantage, including latency and priority, to members when routing to the Nasdaq Affiliated Exchanges as compared to other methods of routing or connectivity available to members by the Exchange. Lastly, the Exchange notes that routing options enabling the routing of orders between affiliated exchanges is not unique, and that the proposed SCAR routing option is similar to those already offered by the Exchange (i.e., CART) and by other exchange groups. Specifically, Cboe BZX Exchange (“BZX”), Cboe BYX Exchange (“BYX”), Cboe EDGA Exchange (“EDGA”), and Cboe EDGX Exchange (“EDGX”) offer a routing option called ALLB that enables an order, whether sent to BZX, BYX, EDGA, or EDGX, to check the BZX, BYX, EDGA, and EDGX books for liquidity before optionally posting on the BZX, BYX, EDGA, or EDGX book.13 For the foregoing reasons, the Exchange believes that the proposed rule change is consistent with the Act.

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. As discussed above, the proposed functionality is partly based on existing functionality available on competitor exchanges.14 Furthermore, the Exchange provides routing services in a highly competitive market in which participants may avail themselves of a wide variety of routing options offered by other exchanges, alternative trading systems, other broker-dealers, market participants’ own proprietary routing systems, and service bureaus. In such an environment, system enhancements such as the changes proposed in this rule filing do not burden competition, because they can succeed in attracting order flow to the Exchange only if they offer investors higher quality and better value than services offered by others. Encouraging competitors to provide higher quality and better value is the essence of a well-functioning competitive marketplace. Lastly, SCAR would not provide any advantage to members when routing to the Nasdaq Affiliated Exchanges as compared to other methods of routing or connectivity available to members by the Exchange. For the foregoing reasons, the Exchange does not believe the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 Act15 and Rule 19b–4(f)(6) thereunder.16

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission 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.

8 The term “System” shall mean the automated system for order execution and trade reporting owned and operated by The Nasdaq Stock Market LLC. See Rule 4701(a).

9 As with all routing strategies that provide for simultaneous routing, the incoming SCAR order would be broken up into child orders. For SCAR routing, the orders would be sent to the Exchange, BX, and PSX at the same time based on the available displayed interest on these exchanges. In particular, the Exchange would allocate the number of shares from the parent order based on the System routing table for SCAR, and route the allocated shares (i.e., the child orders) to the executing venues simultaneously.

10 17 CFR 242.611.


13 See BZX Rule 11.13(b)(3)(O), BYX Rule 11.13(b)(3)(M), EDGA Rule 11.11(g)(7), and EDGX Rule 11.11(g)(7). ALLB is also substantially similar to the Exchange’s CART strategy, as described above.

14 Id.


16 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.
SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIAX PEARL Fee Schedule

March 20, 2019.

Pursuant to the provisions of 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 March 8, 2019, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a 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 is filing a proposal to amend the MIAX PEARL Fee Schedule (the “Fee Schedule”).

The text of the proposed rule change is available on the Exchange’s website at http://www.miaxoptions.com/rule-filings/pearl at MIAX PEARL’s principal office, 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 those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant 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 (i) make a number of non-substantive, technical corrections to its routing fee table set forth in Section 1(b) of the Fee Schedule to reflect the recent addition of a new national securities exchange, MIAX Emerald, LLC (“MIAX Emerald”),3 to be listed in the routing fee table; (ii) change the exchange groupings of options exchanges within the routing fee table and to adjust the fee for certain groupings, to reflect the associated fee for customer orders that are routed to those options exchanges for execution; and (iii) make a non-substantive, technical formatting correction.

Addition of MIAX Emerald

MIAX Emerald commenced operations as a national securities exchange registered under Section 6 of the Act 4 on March 1, 2019. The names of all options exchanges are set forth in the Exchange’s routing fee table set forth in Section 1(b) of the Fee Schedule, which sets forth the fees for customer orders that are routed to those options exchanges for execution. Accordingly, the Exchange proposes to update its routing fee table set forth in Section 1(b) of the Fee Schedule to reflect the addition of MIAX Emerald as a national securities exchange. The amount of the applicable fee is determined based upon (i) the origin type of the order, (ii) whether or not it is an order for an option in a Penny or Non-Penny class (or other explicitly identified classes) and (iii) to which away market it is being routed.5 The Exchange proposes to add MIAX Emerald to the second “Routed, Priority Customer, Penny Pilot” exchange grouping, the second “Routed, Priority Customer, Non-Penny Pilot” exchange grouping, the “Routed, Public Customer that is not a Priority Customer, Penny Pilot” exchange grouping, and the second “Routed, Public Customer that is not a Priority Customer, Non-Penny Pilot” exchange grouping.

In determining its Routing Fees, the Exchange takes into account transaction fees and rebates assessed by the away markets to which the Exchange routes orders, as well as the

3 This is similar to the methodologies utilized by BATS in assessing Routing Fees. See Choe BZX Options Fee Schedule under “Fee Codes and Associated Fees.”

Eduardo A.Aleman,
Deputy Secretary.


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