

Required fields are shown with yellow backgrounds and asterisks.

Filing by The Nasdaq Stock Market LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

Description

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

A proposal to amend Rule 4702 to establish the Midpoint Extended Life Order and Continuous Book as a new Order Type. Amendment No. 2 supersedes Amendment No. 1 in its entirety and also describes changes from Amendment No. 1.

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 * Brett	Last Name * Kitt
Title * Senior Associate General Counsel	
E-mail * brett.kitt@nasdaq.com	
Telephone * (301) 978-8132	Fax

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.

(Title *)

Date	07/31/2019	Global Chief Legal and Policy Officer
By	Edward S. Knight	<div style="border: 1px solid black; width: 100%; height: 20px;"></div>
	(Name *)	<div style="border: 1px solid black; width: 100%; height: 20px; background-color: #ccc;"></div>

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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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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.

Exhibit 1 - Notice of Proposed Rule Change *

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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)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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.

Exhibit 4 - Marked Copies

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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.

Exhibit 5 - Proposed Rule Text

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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.

Partial Amendment

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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) On May 29, 2019, 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 filed with the Securities and Exchange Commission (“SEC” or “Commission”) proposed rule change SR-NASDAQ-2019-048 (the “Original Proposal”) to amend Rule 4702 to establish the “Midpoint Extended Life Order + Continuous Book” as a new Order Type. On July 1, 2019, the Exchange filed Amendment No. 1 to amend the Original Proposal. Amendment No. 1 superseded the Original Proposal in its entirety and also described changes from the Original Proposal. The Exchange is now filing this proposal (“Amendment No. 2”) to amend the Original Proposal, as amended by Amendment No. 1. Amendment No. 2 supersedes Amendment No. 1 in its entirety and also describes changes from Amendment No. 1.

With this Amendment No. 2, the Exchange is including Exhibit 4, which reflects the changes to the text of the proposed rule change as set forth in Amendment No. 1, and Exhibit 5, which reflects all proposed changes to the Exchange’s current rule text.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on January 30, 2019. No other action is necessary for the filing of the rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Brett M. Kitt
Senior Associate General Counsel
Nasdaq, Inc.
(301) 978-8132

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

a. Purpose

The Exchange proposes to: (1) amend Rule 4702(b) to establish the “Midpoint Extended Life Order + Continuous Book” or “M-ELO+CB” as a new Order Type on the Exchange; and (2) amend Rule 4703(n) to permit midpoint orders on the Continuous Book to execute against M-ELO+CBs when the Midpoint Trade Now Attribute is enabled on such midpoint orders.

Midpoint Extended Life Orders with Continuous Book

On March 7, 2018, the Commission issued an order approving the Exchange’s proposal to adopt the Midpoint Extended Life Order or “M-ELO” as a new Order Type.³ A M-ELO is a non-displayed order that is available to all members but interacts only with other M-ELOs. It is priced at the midpoint between the National Best Bid and Offer (“NBBO”) and it does not become eligible for execution until it completes a one-half second holding period (the “Holding Period”).⁴ Once the Holding Period elapses, a M-

³ See Securities Exchange Act Release No. 34-82825 (Mar. 7, 2018), 83 FR 10937 (Mar. 13, 2018).

⁴ If a member modifies a M-ELO during the Holding Period, other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt, then such modification will cause the Holding Period to reset.

ELO becomes eligible for execution against other M-ELOs on a time-priority basis.⁵

Since its implementation the Midpoint Extended Life Order Type has achieved its design expectations. Approximately 12 million shares transact as Midpoint Extended Life Orders a day, interacting only with other Midpoint Extended Life Orders thus avoiding interaction with Intermarket Sweep Orders, IOC Orders and other aggressively priced Order Types.

M-ELO+CB is a variation on the M-ELO concept. That is, a M-ELO+CB is an Order Type that has all of the characteristics and attributes of a regular M-ELO, except that, in addition to executing against other M-ELO+CBs and M-ELOs, it also may access additional sources of “M-ELO-like” liquidity on the Exchange’s Continuous Book.⁶

Specifically, if a member enters a M-ELO+CB, then the M-ELO+CB will be subject to the same one-half second Holding Period as a regular M-ELO. Upon expiration of the Holding Period, the M-ELO+CB will become available for execution, at the midpoint of the NBBO, against M-ELOs and other M-ELO+CBs. Additionally, it will become eligible to execute, again at the midpoint of the NBBO, against Non-Displayed Orders with Midpoint Pegging and Midpoint Peg Post-Only Orders

⁵ If a member modifies a M-ELO after the Holding Period elapses, other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt, then such modification will trigger a new Holding Period for the order.

⁶ As a caveat to the above, the Exchange notes that while M-ELOs may be entered using the QIX order entry protocol, QIX will not be available to enter M-ELO+CBs. As a practical matter, the Exchange believes that this difference between M-ELOs and M-ELO+CBs is immaterial given that no participant has actually utilized QIX to enter M-ELOs since the Exchange established the Order Type in 2017.

(collectively, “Midpoint Orders”) if: (1) the Midpoint Orders have the Midpoint Trade Now Attribute enabled (as discussed below); (2) the Midpoint Order has rested on the Exchange’s Continuous Book without being modified⁷ for at least one-half second after the NBBO midpoint falls within the limit set by the participant; (3) no other order is resting on the Continuous Book that has a more aggressive price than the current midpoint of the NBBO; and (4) the resting Midpoint Order fulfills any minimum quantity restriction that exists for the M-ELO+CB. The execution priority for the above orders will be ranked based on the time at which such orders become eligible to execute against each other, meaning the time at which they exit their respective one-half second Holding Periods or resting periods, as applicable, and satisfy their other conditions for marketability.⁸

In all respects other than described above, a M-ELO+CB will be identical to an ordinary M-ELO. That is, a M-ELO+CB may be assigned a limit price, in which case it would be: (1) eligible for execution in time priority after satisfying the Holding Period if upon acceptance of the order by the system, the midpoint price is within the limit set by the participant; or (2) held until the midpoint falls within the limit set by the participant,

⁷ As with a regular M-ELO, a M-ELO+CB may be modified during the Holding period, without resetting the period, to decrease the size of the M-ELO+CB or to modify the marking of a sell Order as long, short, or short exempt.

⁸ By way of example, if a Midpoint Order with Midpoint Trade Now to sell, a M-ELO to sell, and a M-ELO+CB to sell each become marketable, in that order, and a M-ELO+CB to buy subsequently becomes marketable, then the buy M-ELO+CB will execute against the sell orders in the following order of priority: (1) the Midpoint Order with Midpoint Trade Now to sell; (2) the M-ELO to sell; and (3) the M-ELO+CB to sell. If, however, the buy order in this example is a regular M-ELO, rather than a M-ELO+CB, then the execution priority will be different, as follows: (1) the M-ELO to sell; and (2) the M-ELO+CB to sell. The M-ELO to buy would not be eligible to execute against the Midpoint Order with Midpoint Trade Now to sell.

at which time the Holding Period would commence and thereafter the system would make the order eligible for execution in time priority.

Also like an ordinary M-ELO, if a M-ELO+CB is modified by a member (other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt) during the Holding Period, the system would restart the Holding Period. Movements in the NBBO while a MELO+CB is in the Holding Period would not reset the Holding Period, even if, as a result of the NBBO move, the MELO+CB's limit price is less aggressive than the NBBO midpoint. Also, if a MELO+CB has met the Holding Period, but the NBBO midpoint is no longer within its limit, it would nonetheless be ranked in time priority among other M-ELOs and M-ELO+CBs and Midpoint Orders if the NBBO later moves such that the midpoint is within the order's limit price (i.e., no new Holding Period).

MELO+CB Orders may be entered via any of the Exchange's order entry protocols (other than QIX)⁹ and the type of communications protocol used would not affect how the system handles M-ELO+CBs. If there is no NBB or NBO, the Exchange would accept M-ELO+CBs but would not allow M-ELO+CB executions until there is an NBBO. M-ELO+CBs would be eligible to execute if the NBBO is locked. If the NBBO is crossed, M-ELO+CBs would be held by the system until such time that the NBBO is no longer crossed, at which time they would be eligible to trade. M-ELO+CBs may be cancelled at any time, including during the Holding Period.

M-ELO+CBs would be active only during Market Hours. M-ELO+CBs entered during Pre-Market Hours would be held by the system in time priority until Market

⁹ See n.6, supra.

Hours. M-ELO+CBs entered during Post-Market Hours would not be accepted by the system, and M-ELO+CBs remaining unexecuted after 4:00 p.m. ET would be cancelled by the system. The Exchange proposes to amend Rule 4703(l) to provide that M-ELO+CB Orders would not be eligible for the Exchange's Opening, Halt, and Closing Crosses.

Like M-ELOs, M-ELO+CBs may be entered in odd-lot sizes.¹⁰ M-ELO+CBs may have a minimum quantity order attribute. M-ELO+CBs may not be designated with a time-in-force of immediate or cancel and are ineligible for routing. They also may not have the discretion, reserve size, attribution, intermarket sweep order, display, trade now, or midpoint trade now order attributes.

M-ELO+CB executions would be reported to Securities Information Processors and provided in the Exchange's proprietary data feed without any new or special indication. The Exchange would, however, include in its existing volume reports delayed weekly aggregated statistics, as well as delayed monthly aggregated block-sized trading statistics, for M-ELO+CB executions. Specifically, the Exchange would add to the existing reports it publishes on *Nasdaqtrader.com* weekly aggregated statistics showing the number of shares and transactions of M-ELO+CBs executed on the Exchange by security. This information would be published with a two-week delay for NMS stocks in Tier 1 of the LULD Plan, and a four-week delay for all other NMS stocks. The Exchange also would add to the existing reports it publishes on *Nasdaqtrader.com* monthly aggregated block-sized trading statistics of total shares and total transactions of M-

¹⁰ The Commission recently approved the Exchange's proposal to permit the entry of M-ELOs in odd lot sizes. See Securities Exchange Act Release No. 34-86416 (July 19, 2019), 84 FR 35918 (July 25, 2019).

ELO+CBs executed on the Exchange. This information would be published no earlier than one month following the end of the month for which trading was aggregated. Under the proposal, a transaction would be considered “block-sized” if it meets any of the following criteria: (1) 10,000 or more shares; (2) \$200,000 or more in value; (3) 10,000 or more shares and \$200,000 or more in value; (4) 2,000 to 9,999 shares; (5) \$100,000 to \$199,999 in value; or (6) 2,000 to 9,999 shares and \$100,000 to \$199,999 in value.

As part of the surveillance the Exchange currently performs, M-ELO+CBs would be subject to real-time surveillance to determine if they are being abused by market participants. In addition, as is the case for ordinary M-ELOs, the Exchange will monitor the use of M-ELO+CBs with the intent to apply additional measures, as necessary, to ensure their usage is appropriately tied to the intent of the Order Type. This monitoring may include metrics tied to participant behavior, such as the percentage of M-ELO+CBs that are cancelled prior to the completion of the Holding Period, the average duration of M-ELO+CBs, and the percentage of M-ELO+CBs where the NBBO midpoint is within the limit price when received. The Exchange is committed to determining whether there is opportunity or prevalence of behavior that is inconsistent with normal risk management behavior. Manipulative abuse is subject to potential disciplinary action under the Exchange's Rules, and other behavior that is not necessarily manipulative but nonetheless frustrates the purposes of the M-ELO+CB Order Type may be subject to penalties or other participant requirements to discourage such behavior, should it occur.¹¹

Amending the Midpoint Trade Now Attribute to Enable Execution Against M-ELO+CB

¹¹ Punitive fees or other participant requirements tied to M-ELO+CB usage would be implemented by rule filing under Section 19(b) of the Act, 15 U.S.C. 78s(b), should the Exchange determine that they are necessary to maintain a fair and orderly market.

To facilitate the establishment of the M-ELO+CB Order Type, the Exchange concurrently proposes to amend the Midpoint Trade Now Attribute, at Rule 4703(n), such that if a participant opts to enable Midpoint Trade Now on a Midpoint Order, then in addition to the normal functionality that the Attribute provides,¹² the Attribute would also permit the Midpoint Order to execute against a M-ELO+CB (provided that the Midpoint Order meets the eligibility requirements for doing so). In other words, a Midpoint Order with the Midpoint Trade Now Attribute enabled would become eligible to execute against a marketable M-ELO+CB only if it does not first execute against another order on the Continuous Book within one-half second of its entry and without changes having been made to the order. Executions with M-ELO+CB orders will be trade reported like any other time they execute.

Example of Use of M-ELO+CB

The following example demonstrates how the M-ELO+CB will operate in practice. Assume for purposes of this example that the NBBO remains constant at \$84.00 x \$86.00, such that the midpoint is \$85.00. At 10:05:27:00 am, Participant A enters a Midpoint Order on the Continuous Book with the Midpoint Trade Now Attribute enabled. The Midpoint Order is to sell 1,000 shares with a limit price of \$85.00. The Midpoint Order posts to the Continuous Order Book at \$85.00. At 10:05:37:00 am, Participant B enters a M-ELO+CB to buy 1,000 shares at \$85.00. After the Holding

¹² The Midpoint Trade Now Order Attribute presently allows a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to automatically execute against crossing or locking interest, including potentially against the Midpoint Peg Post-Only Order that locked the resting Order, as a liquidity taker. See Rule 4703(n); Securities Exchange Act Release No. 84621 (Nov. 19, 2018), 83 FR 60514 (Nov. 26, 2018) (SR-NASDAQ-2018-090).

Period expires, the M-ELO+CB posts to the M-ELO Order Book at \$85.00. No other M-ELOs or M-ELO+CBs are available to execute against the M-ELO+CB at the time it becomes marketable. Because the Midpoint Order with Midpoint Trade Now has rested on the Continuous Order Book for more than one-half second, it becomes eligible to match against the M-ELO+CB, which continues to rest on the M-ELO Book. Because no other orders are resting on the Continuous Book with a price more aggressive than the NBBO Midpoint, the M-ELO+CB will execute in full against the Midpoint Order at \$85.00.

Implementation

The Exchange plans to implement M-ELO+CB within thirty days after Commission approval of the proposal. The Exchange will make the M-ELO+CB available to all members and to all securities upon implementation. The Exchange will announce the implementation date by Equity Trader Alert.¹³

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ 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.

¹³ The Exchange plans to propose a fee structure for the M-ELO+CB in a subsequent Commission rule filing.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

The reasons why the M-ELO+CB Order Type is consistent with the Act are generally the same as those that the Commission identified in its order approving the M-ELO Order Type.¹⁶ The Exchange does not believe that the design of the M-ELO+CB presents concerns that are unique or materially different from those that the M-ELO presents.

For example, just as the Commission determined that the M-ELO “could create additional and more efficient trading opportunities on the Exchange for investors with longer investment time horizons, including institutional investors, and provide these investors with an ability to limit their information leakage and the market impact that could result from their orders,”¹⁷ so too will the M-ELO+CB do so. By proposing to add M-ELO+CB as a new Order Type, the Exchange intends to enhance the utility of the M-ELO concept to investors by providing them with opportunities to execute M-ELOs where they cannot do so now. Indeed, a M-ELO+CB will have all of the characteristics and offer all of the benefits of an ordinary M-ELO, except that it will also afford M-ELO investors the ability to accomplish their investment strategies by sourcing liquidity from the Nasdaq Continuous Book, where approximately 55 million shares trade at Midpoint a day.

The proposal would remain consistent with the underlying purpose of a M-ELO, which is to “provide additional execution opportunities on the Exchange for market participants that may not be as sensitive to very short-term changes in the NBBO and are willing to wait a prescribed period of time following their order submission to receive a

¹⁶ See Securities Exchange Act Release No. 34-82825, supra, 83 FR at 10938-41.

¹⁷ See id. at 10938-39.

potential execution against other market participants that have similarly elected to forgo an immediate execution.”¹⁸ By allowing M-ELO+CBs to access liquidity in the Continuous Book, the Exchange would not dilute the purpose of the M-ELO because the Exchange would only permit the M-ELO+CB to access liquidity on the Continuous Book that resembles M-ELOs – including because eligible orders must have rested on the Book for at least one-half second and because they must be non-displayed orders and execute at the midpoint of the NBBO. In addition, the option to access qualified midpoint liquidity on the continuous book is purely voluntary.

The proposal would also benefit those participants with Midpoint Orders resting on the Exchange’s Continuous Book, insofar as the proposal would provide additional opportunities for such Midpoint Orders to execute against M-ELO+CBs if the Midpoint Order user voluntarily chooses to enable the Midpoint Trade Now Attribute and does not change the Midpoint Order for at least one half-second.

Like the M-ELO, the M-ELO+CB will not discriminate unfairly against other market participants because it will be available for voluntary use by all Exchange members. Moreover, the proposal is not unfairly discriminatory against participants that enter Midpoint Orders that have not rested for at least one-half second because imposition of this resting condition is necessary to ensure that M-ELO+CBs fulfill their purpose without the transitory risk of a change to the NBBO that may have the effect of an adverse execution. And again, participants will have a choice as to whether they wish to enable the Midpoint Trade Now Attribute and allow their order to rest for one-half second so that their Midpoint Orders can interact with M-ELO+CBs.

¹⁸ See id. at 10940.

Like all M-ELOs and all other orders entered into Nasdaq, the Exchange will conduct real-time surveillance to monitor the use of M-ELO+CBs to ensure that such usage is appropriately tied to the intent of the Order Type. Also like the M-ELO, transactions in M-ELO+CB will be reported to the Securities Information Processor and will be provided in Nasdaq's proprietary data feed in the same manner as all other transactions occurring on Nasdaq are done currently, namely, without any new or special indication that it is a M-ELO+CB execution. The Exchange believes that doing so is important to ensuring that investors are protected from any market impact that may occur if M-ELO or M-ELO+CB executions were reported with a special indication.

The Exchange does not believe that the proposed M-ELO+CB will negatively affect the quality of the market. To the contrary, the Exchange believes that the addition of M-ELO+CB will draw new market participants to the Exchange's transparent and well-regulated market, including participants that were previously not utilizing M-ELO orders. Moreover, like the M-ELO, the M-ELO+CB will allow longer term investors an opportunity to find like-minded counterparties at the midpoint on Nasdaq. It will also allow participants with Midpoint Orders the option to enable the Midpoint Trade Now Attribute and to allow their orders to rest for at least one-half second so that their Orders can interact with M-ELO+CBs, and if so, to execute in circumstances where they would not otherwise. Thus, the proposal would enhance liquidity opportunities of midpoint executions on the Exchange.

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 Exchange believes that the introduction of the M-ELO+CB will only boost the utility of the M-ELO among market participants who want the benefits of M-ELO but require additional trading flexibility. Accordingly, the Exchange expects that its proposal will draw new market participants to Nasdaq and increase the extent to which existing participants utilize the M-ELO concept. To the extent the proposed change is successful in attracting additional market participants, Nasdaq believes that the proposed change will promote competition among trading venues by making Nasdaq a more attractive trading venue for long-term investors and therefore capital formation.

Additionally, adoption of M-ELO+CB will not burden any market participants. Just as with an ordinary M-ELOs, the M-ELO+CB will be available to all Nasdaq members and it will be available on an optional basis. Thus, any member that seeks to avail itself of the benefits of a M-ELO+CB can choose accordingly. Although the proposal provides potential benefits for investors that select the M-ELO+CB order type, the Exchange believes that all market participants will benefit to the extent that this proposal contributes to a healthy and attractive market that is attentive to the needs of all types of investors.

The proposal also will not adversely impact market participants that choose not to use this M-ELO+CB because no changes need to be made to participants' systems to account for it. As discussed above, M-ELO+CB executions will be reported the same as other executions, without any new or special indicator.

Similarly, the proposal will benefit members that enter Midpoint Orders on the Continuous Book by providing them with flexibility to have their orders execute in situations where they would not do so now. Again, however, this flexibility will be

optional. Any member that wants its Midpoint Orders to interact with M-ELO+CBs can choose to enable the Midpoint Trade Now Attribute accordingly and allow their orders to rest for at least one-half second.

In any event, the Exchange notes that it operates in a highly competitive market in which market participants can readily choose between competing venues if they deem participation in Nasdaq's market is no longer desirable. In such an environment, the Exchange must carefully consider the impact that any change it proposes may have on its participants, understanding that it will likely lose participants to the extent a change is viewed as unfavorable by them. Because competitors are free to modify the incentives and structure of their markets, the Exchange believes that the degree to which modifying the market structure of an individual market may impose any burden on competition is limited. Last, to the extent the proposed change is successful in attracting additional market participants, Nasdaq also believes that the proposed change will promote competition among trading venues by making Nasdaq a more attractive trading venue for long-term investors and therefore capital formation.

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)

Not applicable.

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

1. Notice of Proposed Rule Change for publication in the Federal Register.
4. Amended text of the proposed rule change.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-NASDAQ-2019-048)

July __, 2019

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Amend Rule 4702 to Establish the “Midpoint Extended Life Order + Continuous Book” as a New Order Type

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 July 31, 2019, 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

On May 29, 2019, Nasdaq filed with the Commission proposed rule change SR-NASDAQ-2019-048 (the “Original Proposal”) to amend Rule 4702 to establish the “Midpoint Extended Life Order + Continuous Book” as a new Order Type. On July 1, 2019, the Exchange filed Amendment No. 1 to amend the Original Proposal. Amendment No. 1 superseded the Original Proposal in its entirety and also described changes from the Original Proposal. The Exchange is now filing this proposal (“Amendment No. 2”) to amend the Original Proposal, as amended by Amendment No.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

1. Amendment No. 2 supersedes Amendment No. 1 in its entirety and also describes changes from Amendment No. 1.

With this Amendment No. 2, the Exchange is including Exhibit 4, which reflects the changes to the text of the proposed rule change as set forth in Amendment No. 1, and Exhibit 5, which reflects all proposed changes to the Exchange's current rule text.

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaq.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in 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

a. Purpose

The Exchange proposes to: (1) amend Rule 4702(b) to establish the "Midpoint Extended Life Order + Continuous Book" or "M-ELO+CB" as a new Order Type on the Exchange; and (2) amend Rule 4703(n) to permit midpoint orders on the Continuous Book to execute against M-ELO+CBs when the Midpoint Trade Now Attribute is enabled on such midpoint orders.

Midpoint Extended Life Orders with Continuous Book

On March 7, 2018, the Commission issued an order approving the Exchange's proposal to adopt the Midpoint Extended Life Order or "M-ELO" as a new Order Type.³ A M-ELO is a non-displayed order that is available to all members but interacts only with other M-ELOs. It is priced at the midpoint between the National Best Bid and Offer ("NBBO") and it does not become eligible for execution until it completes a one-half second holding period (the "Holding Period").⁴ Once the Holding Period elapses, a M-ELO becomes eligible for execution against other M-ELOs on a time-priority basis.⁵ Since its implementation the Midpoint Extended Life Order Type has achieved its design expectations. Approximately 12 million shares transact as Midpoint Extended Life Orders a day, interacting only with other Midpoint Extended Life Orders thus avoiding interaction with Intermarket Sweep Orders, IOC Orders and other aggressively priced Order Types.

M-ELO+CB is a variation on the M-ELO concept. That is, a M-ELO+CB is an Order Type that has all of the characteristics and attributes of a regular M-ELO, except that, in addition to executing against other M-ELO+CBs and M-ELOs, it also may

³ See Securities Exchange Act Release No. 34-82825 (Mar. 7, 2018), 83 FR 10937 (Mar. 13, 2018).

⁴ If a member modifies a M-ELO during the Holding Period, other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt, then such modification will cause the Holding Period to reset.

⁵ If a member modifies a M-ELO after the Holding Period elapses, other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt, then such modification will trigger a new Holding Period for the order.

access additional sources of “M-ELO-like” liquidity on the Exchange’s Continuous Book.⁶

Specifically, if a member enters a M-ELO+CB, then the M-ELO+CB will be subject to the same one-half second Holding Period as a regular M-ELO. Upon expiration of the Holding Period, the M-ELO+CB will become available for execution, at the midpoint of the NBBO, against M-ELOs and other M-ELO+CBs. Additionally, it will become eligible to execute, again at the midpoint of the NBBO, against Non-Displayed Orders with Midpoint Pegging and Midpoint Peg Post-Only Orders (collectively, “Midpoint Orders”) if: (1) the Midpoint Orders have the Midpoint Trade Now Attribute enabled (as discussed below); (2) the Midpoint Order has rested on the Exchange’s Continuous Book without being modified⁷ for at least one-half second after the NBBO midpoint falls within the limit set by the participant; (3) no other order is resting on the Continuous Book that has a more aggressive price than the current midpoint of the NBBO; and (4) the resting Midpoint Order fulfills any minimum quantity restriction that exists for the M-ELO+CB. The execution priority for the above orders will be ranked based on the time at which such orders become eligible to execute against each other,

⁶ As a caveat to the above, the Exchange notes that while M-ELOs may be entered using the QIX order entry protocol, QIX will not be available to enter M-ELO+CBs. As a practical matter, the Exchange believes that this difference between M-ELOs and M-ELO+CBs is immaterial given that no participant has actually utilized QIX to enter M-ELOs since the Exchange established the Order Type in 2017.

⁷ As with a regular M-ELO, a M-ELO+CB may be modified during the Holding period, without resetting the period, to decrease the size of the M-ELO+CB or to modify the marking of a sell Order as long, short, or short exempt.

meaning the time at which they exit their respective one-half second Holding Periods or resting periods, as applicable, and satisfy their other conditions for marketability.⁸

In all respects other than described above, a M-ELO+CB will be identical to an ordinary M-ELO. That is, a M-ELO+CB may be assigned a limit price, in which case it would be: (1) eligible for execution in time priority after satisfying the Holding Period if upon acceptance of the order by the system, the midpoint price is within the limit set by the participant; or (2) held until the midpoint falls within the limit set by the participant, at which time the Holding Period would commence and thereafter the system would make the order eligible for execution in time priority.

Also like an ordinary M-ELO, if a M-ELO+CB is modified by a member (other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt) during the Holding Period, the system would restart the Holding Period. Movements in the NBBO while a MELO+CB is in the Holding Period would not reset the Holding Period, even if, as a result of the NBBO move, the MELO+CB's limit price is less aggressive than the NBBO midpoint. Also, if a MELO+CB has met the Holding Period, but the NBBO midpoint is no longer within its limit, it would nonetheless be ranked in time priority among other M-ELOs and M-ELO+CBs and

⁸ By way of example, if a Midpoint Order with Midpoint Trade Now to sell, a M-ELO to sell, and a M-ELO+CB to sell each become marketable, in that order, and a M-ELO+CB to buy subsequently becomes marketable, then the buy M-ELO+CB will execute against the sell orders in the following order of priority: (1) the Midpoint Order with Midpoint Trade Now to sell; (2) the M-ELO to sell; and (3) the M-ELO+CB to sell. If, however, the buy order in this example is a regular M-ELO, rather than a M-ELO+CB, then the execution priority will be different, as follows: (1) the M-ELO to sell; and (2) the M-ELO+CB to sell. The M-ELO to buy would not be eligible to execute against the Midpoint Order with Midpoint Trade Now to sell.

Midpoint Orders if the NBBO later moves such that the midpoint is within the order's limit price (i.e., no new Holding Period).

MELO+CB Orders may be entered via any of the Exchange's order entry protocols (other than QIX)⁹ and the type of communications protocol used would not affect how the system handles M-ELO+CBs. If there is no NBB or NBO, the Exchange would accept M-ELO+CBs but would not allow M-ELO+CB executions until there is an NBBO. M-ELO+CBs would be eligible to execute if the NBBO is locked. If the NBBO is crossed, M-ELO+CBs would be held by the system until such time that the NBBO is no longer crossed, at which time they would be eligible to trade. M-ELO+CBs may be cancelled at any time, including during the Holding Period.

M-ELO+CBs would be active only during Market Hours. M-ELO+CBs entered during Pre-Market Hours would be held by the system in time priority until Market Hours. M-ELO+CBs entered during Post-Market Hours would not be accepted by the system, and M-ELO+CBs remaining unexecuted after 4:00 p.m. ET would be cancelled by the system. The Exchange proposes to amend Rule 4703(1) to provide that M-ELO+CB Orders would not be eligible for the Exchange's Opening, Halt, and Closing Crosses.

Like M-ELOs, M-ELO+CBs may be entered in odd-lot sizes.¹⁰ M-ELO+CBs may have a minimum quantity order attribute. M-ELO+CBs may not be designated with a time-in-force of immediate or cancel and are ineligible for routing. They also may not

⁹ See n.6, supra.

¹⁰ The Commission recently approved the Exchange's proposal to permit the entry of M-ELOs in odd lot sizes. See Securities Exchange Act Release No. 34-86416 (July 19, 2019), 84 FR 35918 (July 25, 2019).

have the discretion, reserve size, attribution, intermarket sweep order, display, trade now, or midpoint trade now order attributes.

M-ELO+CB executions would be reported to Securities Information Processors and provided in the Exchange's proprietary data feed without any new or special indication. The Exchange would, however, include in its existing volume reports delayed weekly aggregated statistics, as well as delayed monthly aggregated block-sized trading statistics, for M-ELO+CB executions. Specifically, the Exchange would add to the existing reports it publishes on *Nasdaqtrader.com* weekly aggregated statistics showing the number of shares and transactions of M-ELO+CBs executed on the Exchange by security. This information would be published with a two-week delay for NMS stocks in Tier 1 of the LULD Plan, and a four-week delay for all other NMS stocks. The Exchange also would add to the existing reports it publishes on *Nasdaqtrader.com* monthly aggregated block-sized trading statistics of total shares and total transactions of M-ELO+CBs executed on the Exchange. This information would be published no earlier than one month following the end of the month for which trading was aggregated. Under the proposal, a transaction would be considered "block-sized" if it meets any of the following criteria: (1) 10,000 or more shares; (2) \$200,000 or more in value; (3) 10,000 or more shares and \$200,000 or more in value; (4) 2,000 to 9,999 shares; (5) \$100,000 to \$199,999 in value; or (6) 2,000 to 9,999 shares and \$100,000 to \$199,999 in value.

As part of the surveillance the Exchange currently performs, M-ELO+CBs would be subject to real-time surveillance to determine if they are being abused by market participants. In addition, as is the case for ordinary M-ELOs, the Exchange will monitor the use of M-ELO+CBs with the intent to apply additional measures, as necessary, to

ensure their usage is appropriately tied to the intent of the Order Type. This monitoring may include metrics tied to participant behavior, such as the percentage of M-ELO+CBs that are cancelled prior to the completion of the Holding Period, the average duration of M-ELO+CBs, and the percentage of M-ELO+CBs where the NBBO midpoint is within the limit price when received. The Exchange is committed to determining whether there is opportunity or prevalence of behavior that is inconsistent with normal risk management behavior. Manipulative abuse is subject to potential disciplinary action under the Exchange's Rules, and other behavior that is not necessarily manipulative but nonetheless frustrates the purposes of the M-ELO+CB Order Type may be subject to penalties or other participant requirements to discourage such behavior, should it occur.¹¹

Amending the Midpoint Trade Now Attribute to Enable Execution Against M-ELO+CB

To facilitate the establishment of the M-ELO+CB Order Type, the Exchange concurrently proposes to amend the Midpoint Trade Now Attribute, at Rule 4703(n), such that if a participant opts to enable Midpoint Trade Now on a Midpoint Order, then in addition to the normal functionality that the Attribute provides,¹² the Attribute would also permit the Midpoint Order to execute against a M-ELO+CB (provided that the Midpoint Order meets the eligibility requirements for doing so). In other words, a Midpoint Order

¹¹ Punitive fees or other participant requirements tied to M-ELO+CB usage would be implemented by rule filing under Section 19(b) of the Act, 15 U.S.C. 78s(b), should the Exchange determine that they are necessary to maintain a fair and orderly market.

¹² The Midpoint Trade Now Order Attribute presently allows a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to automatically execute against crossing or locking interest, including potentially against the Midpoint Peg Post-Only Order that locked the resting Order, as a liquidity taker. See Rule 4703(n); Securities Exchange Act Release No. 84621 (Nov. 19, 2018), 83 FR 60514 (Nov. 26, 2018) (SR-NASDAQ-2018-090).

with the Midpoint Trade Now Attribute enabled would become eligible to execute against a marketable M-ELO+CB only if it does not first execute against another order on the Continuous Book within one-half second of its entry and without changes having been made to the order. Executions with M-ELO+CB orders will be trade reported like any other time they execute.

Example of Use of M-ELO+CB

The following example demonstrates how the M-ELO+CB will operate in practice. Assume for purposes of this example that the NBBO remains constant at \$84.00 x \$86.00, such that the midpoint is \$85.00. At 10:05:27:00 am, Participant A enters a Midpoint Order on the Continuous Book with the Midpoint Trade Now Attribute enabled. The Midpoint Order is to sell 1,000 shares with a limit price of \$85.00. The Midpoint Order posts to the Continuous Order Book at \$85.00. At 10:05:37:00 am, Participant B enters a M-ELO+CB to buy 1,000 shares at \$85.00. After the Holding Period expires, the M-ELO+CB posts to the M-ELO Order Book at \$85.00. No other M-ELOs or M-ELO+CBs are available to execute against the M-ELO+CB at the time it becomes marketable. Because the Midpoint Order with Midpoint Trade Now has rested on the Continuous Order Book for more than one-half second, it becomes eligible to match against the M-ELO+CB, which continues to rest on the M-ELO Book. Because no other orders are resting on the Continuous Book with a price more aggressive than the NBBO Midpoint, the M-ELO+CB will execute in full against the Midpoint Order at \$85.00.

Implementation

The Exchange plans to implement M-ELO+CB within thirty days after Commission approval of the proposal. The Exchange will make the M-ELO+CB available to all members and to all securities upon implementation. The Exchange will announce the implementation date by Equity Trader Alert.¹³

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The reasons why the M-ELO+CB Order Type is consistent with the Act are generally the same as those that the Commission identified in its order approving the M-ELO Order Type.¹⁶ The Exchange does not believe that the design of the M-ELO+CB presents concerns that are unique or materially different from those that the M-ELO presents.

For example, just as the Commission determined that the M-ELO “could create additional and more efficient trading opportunities on the Exchange for investors with longer investment time horizons, including institutional investors, and provide these

¹³ The Exchange plans to propose a fee structure for the M-ELO+CB in a subsequent Commission rule filing.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See Securities Exchange Act Release No. 34-82825, supra, 83 FR at 10938-41.

investors with an ability to limit their information leakage and the market impact that could result from their orders,”¹⁷ so too will the M-ELO+CB do so. By proposing to add M-ELO+CB as a new Order Type, the Exchange intends to enhance the utility of the M-ELO concept to investors by providing them with opportunities to execute M-ELOs where they cannot do so now. Indeed, a M-ELO+CB will have all of the characteristics and offer all of the benefits of an ordinary M-ELO, except that it will also afford M-ELO investors the ability to accomplish their investment strategies by sourcing liquidity from the Nasdaq Continuous Book, where approximately 55 million shares trade at Midpoint a day.

The proposal would remain consistent with the underlying purpose of a M-ELO, which is to “provide additional execution opportunities on the Exchange for market participants that may not be as sensitive to very short-term changes in the NBBO and are willing to wait a prescribed period of time following their order submission to receive a potential execution against other market participants that have similarly elected to forgo an immediate execution.”¹⁸ By allowing M-ELO+CBs to access liquidity in the Continuous Book, the Exchange would not dilute the purpose of the M-ELO because the Exchange would only permit the M-ELO+CB to access liquidity on the Continuous Book that resembles M-ELOs – including because eligible orders must have rested on the Book for at least one-half second and because they must be non-displayed orders and execute at the midpoint of the NBBO. In addition, the option to access qualified midpoint liquidity on the continuous book is purely voluntary.

¹⁷ See id. at 10938-39.

¹⁸ See id. at 10940.

The proposal would also benefit those participants with Midpoint Orders resting on the Exchange's Continuous Book, insofar as the proposal would provide additional opportunities for such Midpoint Orders to execute against M-ELO+CBs if the Midpoint Order user voluntarily chooses to enable the Midpoint Trade Now Attribute and does not change the Midpoint Order for at least one half-second.

Like the M-ELO, the M-ELO+CB will not discriminate unfairly against other market participants because it will be available for voluntary use by all Exchange members. Moreover, the proposal is not unfairly discriminatory against participants that enter Midpoint Orders that have not rested for at least one-half second because imposition of this resting condition is necessary to ensure that M-ELO+CBs fulfill their purpose without the transitory risk of a change to the NBBO that may have the effect of an adverse execution. And again, participants will have a choice as to whether they wish to enable the Midpoint Trade Now Attribute and allow their order to rest for one-half second so that their Midpoint Orders can interact with M-ELO+CBs.

Like all M-ELOs and all other orders entered into Nasdaq, the Exchange will conduct real-time surveillance to monitor the use of M-ELO+CBs to ensure that such usage is appropriately tied to the intent of the Order Type. Also like the M-ELO, transactions in M-ELO+CB will be reported to the Securities Information Processor and will be provided in Nasdaq's proprietary data feed in the same manner as all other transactions occurring on Nasdaq are done currently, namely, without any new or special indication that it is a M-ELO+CB execution. The Exchange believes that doing so is important to ensuring that investors are protected from any market impact that may occur if M-ELO or M-ELO+CB executions were reported with a special indication.

The Exchange does not believe that the proposed M-ELO+CB will negatively affect the quality of the market. To the contrary, the Exchange believes that the addition of M-ELO+CB will draw new market participants to the Exchange's transparent and well-regulated market, including participants that were previously not utilizing M-ELO orders. Moreover, like the M-ELO, the M-ELO+CB will allow longer term investors an opportunity to find like-minded counterparties at the midpoint on Nasdaq. It will also allow participants with Midpoint Orders the option to enable the Midpoint Trade Now Attribute and to allow their orders to rest for at least one-half second so that their Orders can interact with M-ELO+CBs, and if so, to execute in circumstances where they would not otherwise. Thus, the proposal would enhance liquidity opportunities of midpoint executions on the Exchange.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that the introduction of the M-ELO+CB will only boost the utility of the M-ELO among market participants who want the benefits of M-ELO but require additional trading flexibility. Accordingly, the Exchange expects that its proposal will draw new market participants to Nasdaq and increase the extent to which existing participants utilize the M-ELO concept. To the extent the proposed change is successful in attracting additional market participants, Nasdaq believes that the proposed change will promote competition among trading venues by making Nasdaq a more attractive trading venue for long-term investors and therefore capital formation.

Additionally, adoption of M-ELO+CB will not burden any market participants. Just as with an ordinary M-ELOs, the M-ELO+CB will be available to all Nasdaq members and it will be available on an optional basis. Thus, any member that seeks to avail itself of the benefits of a M-ELO+CB can choose accordingly. Although the proposal provides potential benefits for investors that select the M-ELO+CB order type, the Exchange believes that all market participants will benefit to the extent that this proposal contributes to a healthy and attractive market that is attentive to the needs of all types of investors.

The proposal also will not adversely impact market participants that choose not to use this M-ELO+CB because no changes need to be made to participants' systems to account for it. As discussed above, M-ELO+CB executions will be reported the same as other executions, without any new or special indicator.

Similarly, the proposal will benefit members that enter Midpoint Orders on the Continuous Book by providing them with flexibility to have their orders execute in situations where they would not do so now. Again, however, this flexibility will be optional. Any member that wants its Midpoint Orders to interact with M-ELO+CBs can choose to enable the Midpoint Trade Now Attribute accordingly and allow their orders to rest for at least one-half second.

In any event, the Exchange notes that it operates in a highly competitive market in which market participants can readily choose between competing venues if they deem participation in Nasdaq's market is no longer desirable. In such an environment, the Exchange must carefully consider the impact that any change it proposes may have on its participants, understanding that it will likely lose participants to the extent a change is

viewed as unfavorable by them. Because competitors are free to modify the incentives and structure of their markets, the Exchange believes that the degree to which modifying the market structure of an individual market may impose any burden on competition is limited. Last, to the extent the proposed change is successful in attracting additional market participants, Nasdaq also believes that the proposed change will promote competition among trading venues by making Nasdaq a more attractive trading venue for long-term investors and therefore capital formation.

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

No written comments were either solicited or received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2019-048 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-2019-048. 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-2019-048 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.¹⁹

Eduardo A. Aleman
Assistant Secretary

¹⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 4

Deleted text is [bracketed]. New text is underlined.

**The Nasdaq Stock Market Rules
Equity Rules**

* * * * *

4702. Order Types

(a) No change.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) – (13) No change

(14) (A) A "Midpoint Extended Life Order" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will not be eligible to execute until a minimum period of one half of a second ("Holding Period") has passed after acceptance of the Order by the System. Eligible Midpoint Extended Life Orders may only execute against other eligible Midpoint Extended Life Orders and M-ELO+CB Orders. Buy (sell) Midpoint Extended Life Orders will be ranked in time order at the midpoint among other Buy (Sell) Midpoint Extended Life Orders and buy (sell) M-ELO+CB Orders. A Midpoint Extended Life Order may be cancelled at any time. If a Midpoint Extended Life Order is modified by a member (other than to decrease the size of the Order or to modify the marking of a sell Order as long, short, or short exempt) during the Holding Period, the System will restart the Holding Period. If a Midpoint Extended Life Order is modified by a member (other than to decrease the size of the Order or to modify the marking of a sell Order as long, short, or short exempt) after it is eligible to execute, the Order will have to satisfy a new Holding Period to become eligible to execute.

If a limit price is assigned to a Midpoint Extended Life Order, the Order will be: (1) eligible for execution in time priority if upon acceptance of the Order by the System, the midpoint price is within the limit set by the participant; or (2) held until the midpoint falls within the limit set by the participant at which time the Holding Period will commence and thereafter the System will make the Order eligible for execution in time priority. For example, if the Best Bid was \$11 and the Best Offer was \$11.06, the price of the Midpoint Extended Life Order would be \$11.03. If a participant enters a Midpoint Extended Life Order to buy with a limit of \$11.02, the Holding Period would not begin until the midpoint price reached \$11.02. If a Midpoint Extended Life Order has met the Holding Period requirement but the midpoint is no longer within its limit, it will nonetheless be ranked in time priority among other Midpoint Extended Life Orders and M-ELO+CBs if the NBBO later moves such that it is within the Order's limit price. Midpoint Extended Life Orders will not execute if there is a resting non-displayed Order priced more aggressively than the midpoint between the NBBO, and will be held for

execution until the resting non-displayed Order is no longer on the Nasdaq Book or the midpoint of the NBBO matches the price of the resting non-displayed Order.

...

(15) A "Midpoint Extended Life Order Plus Continuous Book" or "M-ELO+CB" is an Order Type that has all of the characteristics and attributes of a Midpoint Extended Life Order, as set forth above in subparagraph (14), except as follows:

- A M-ELO+CB that satisfies the Holding Period shall be eligible to execute (at the midpoint of the NBBO) against other eligible M-ELO+CBs, eligible Midpoint Extended Life Orders, and as described below, Non-Displayed Orders with Midpoint Pegging and Midpoint Peg Post-Only Orders (collectively, "Midpoint Orders") resting on the Exchange's Continuous Book. A M-ELO+CB shall be eligible to execute against a Midpoint Order if: (i) the Midpoint Order has the Midpoint Trade Now Attribute enabled; (ii) no other order is resting on the Continuous Book that has a more aggressive price than the current midpoint of the NBBO; (iii) the Midpoint Order has rested on the Exchange's Continuous Book for a minimum of one half-second after the NBBO midpoint falls within the limit set by the participant[entry]; and (iv) the Midpoint Order satisfies any minimum quantity requirement of the M-ELO+CB. A buy (sell) M-ELO+CB will be ranked in time order at the midpoint among other buy (sell) M-ELO+CBs, buy (sell) Midpoint Extended Life Orders, and buy (sell) Midpoint Orders, as of the time when such Orders become eligible to execute.
- QIX is not available for the entry of a M-ELO+CB.
- Nasdaq will publish on Nasdaqtrader.com the same statistical information about M-ELO+CB executions on Nasdaq as it does for M-ELOs.

* * * * *

4703. Order Attributes

As described in Rule 4702, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) – (k) No change.

(l) Participation in the Nasdaq Opening Cross or the Nasdaq Closing Cross. All Order Types except Midpoint Peg Post-Only Orders, [and] Supplemental Orders, and M-ELO+CBs participate in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross if the Order has a Time-in-Force that would cause the Order to be in effect at the time of the Nasdaq Opening Cross and/or Nasdaq Closing Cross. MOO Orders, LOO Orders, and IOI Orders participate in the Nasdaq Opening Cross in the manner specified in Rule 4752. Other Order Types eligible to participate in the Nasdaq Opening Cross operate as "Market Hours Orders" or

"Open Eligible Interest" as specified in Rule 4752. MOC Orders, LOC Orders and IO Orders participate in the Nasdaq Closing Cross in the manner specified in Rule 4754. Other Order Types eligible to participate in the Nasdaq Closing Cross operate as "Close Eligible Interest" in the manner specified in Rule 4754. For purposes of the Nasdaq Opening Cross or Closing Cross, an Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book shall be deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order.

(m) No change.

(n) Midpoint Trade Now. Midpoint Trade Now is an Order Attribute that allows: (i) a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to execute against a locking or crossing Order(s) as a liquidity taker; and (ii) a Non-Displayed Order with Midpoint Pegging or a Midpoint Peg Post-Only Order (collectively, "Midpoint Orders") to execute against a M-ELO+CB[as a liquidity taker], subject to the eligibility requirements set forth below. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.

- The Midpoint Trade Now Order Attribute may be enabled on a port-level basis for all Order Types that support it, and for the Non-Displayed Order Type, also on an order-by-order basis.
- A resting Order that is entered with the Midpoint Trade Now Order Attribute will execute against locking interest automatically.
- If there is a resting Order on the Nasdaq Book without the Midpoint Trade Now Attribute that is locked at its non-displayed price by a Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Attribute, as applicable) will be able to execute against the Midpoint Peg Post-Only Order at the locking price. The resting Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Order has executed against the Midpoint Peg Post-Only Order.
- When a participant enables the Midpoint Trade Now Attribute for a [Non-Displayed Order with Midpoint Pegging or a Midpoint Peg Post-Only Order (collectively, "[Midpoint Order[s]"), then the Midpoint Order will also be eligible to execute against a M-ELO+CB after the Midpoint Order rests on the Continuous Book for a minimum of one-half second after [entry]the NBBO midpoint falls within the limit set by the participant and provided that the Midpoint Order satisfies any minimum quantity requirement of the M-ELO+CB.

• If there is a resting Midpoint Order on the Nasdaq Book without the Midpoint Trade Now Attribute, a new incoming Midpoint Order with the Midpoint Trade Now Attribute will be able to execute against a M-ELO+CB. The resting Midpoint Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Midpoint Order with Midpoint Trade Now has executed against the M-ELO+CB.

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EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

**The Nasdaq Stock Market Rules
Equity Rules**

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4702. Order Types

(a) No change.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) – (13) No change

(14) (A) A "Midpoint Extended Life Order" is an Order Type with a Non-Display Order Attribute that is priced at the midpoint between the NBBO and that will not be eligible to execute until a minimum period of one half of a second ("Holding Period") has passed after acceptance of the Order by the System. Eligible Midpoint Extended Life Orders may only execute against other eligible Midpoint Extended Life Orders and M-ELO+CB Orders. Buy (sell) Midpoint Extended Life Orders will be ranked in time order at the midpoint among other Buy (Sell) Midpoint Extended Life Orders and buy (sell) M-ELO+CB Orders. A Midpoint Extended Life Order may be cancelled at any time. If a Midpoint Extended Life Order is modified by a member (other than to decrease the size of the Order or to modify the marking of a sell Order as long, short, or short exempt) during the Holding Period, the System will restart the Holding Period. If a Midpoint Extended Life Order is modified by a member (other than to decrease the size of the Order or to modify the marking of a sell Order as long, short, or short exempt) after it is eligible to execute, the Order will have to satisfy a new Holding Period to become eligible to execute.

If a limit price is assigned to a Midpoint Extended Life Order, the Order will be: (1) eligible for execution in time priority if upon acceptance of the Order by the System, the midpoint price is within the limit set by the participant; or (2) held until the midpoint falls within the limit set by the participant at which time the Holding Period will commence and thereafter the System will make the Order eligible for execution in time priority. For example, if the Best Bid was \$11 and the Best Offer was \$11.06, the price of the Midpoint Extended Life Order would be \$11.03. If a participant enters a Midpoint Extended Life Order to buy with a limit of \$11.02, the Holding Period would not begin until the midpoint price reached \$11.02. If a Midpoint Extended Life Order has met the Holding Period requirement but the midpoint is no longer within its limit, it will nonetheless be ranked in time priority among other Midpoint Extended Life Orders and M-ELO+CBs if the NBBO later moves such that it is within the Order's limit price. Midpoint Extended Life Orders will not execute if there is a resting non-displayed Order priced more aggressively than the midpoint between the NBBO, and will be held for

execution until the resting non-displayed Order is no longer on the Nasdaq Book or the midpoint of the NBBO matches the price of the resting non-displayed Order.

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(15) A "Midpoint Extended Life Order Plus Continuous Book" or "M-ELO+CB" is an Order Type that has all of the characteristics and attributes of a Midpoint Extended Life Order, as set forth above in subparagraph (14), except as follows:

- A M-ELO+CB that satisfies the Holding Period shall be eligible to execute (at the midpoint of the NBBO) against other eligible M-ELO+CBs, eligible Midpoint Extended Life Orders, and as described below, Non-Displayed Orders with Midpoint Pegging and Midpoint Peg Post-Only Orders (collectively, "Midpoint Orders") resting on the Exchange's Continuous Book. A M-ELO+CB shall be eligible to execute against a Midpoint Order if: (i) the Midpoint Order has the Midpoint Trade Now Attribute enabled; (ii) no other order is resting on the Continuous Book that has a more aggressive price than the current midpoint of the NBBO; (iii) the Midpoint Order has rested on the Exchange's Continuous Book for a minimum of one half-second after the NBBO midpoint falls within the limit set by the participant; and (iv) the Midpoint Order satisfies any minimum quantity requirement of the M-ELO+CB. A buy (sell) M-ELO+CB will be ranked in time order at the midpoint among other buy (sell) M-ELO+CBs, buy (sell) Midpoint Extended Life Orders, and buy (sell) Midpoint Orders, as of the time when such Orders become eligible to execute.
- QIX is not available for the entry of a M-ELO+CB.
- Nasdaq will publish on Nasdaqtrader.com the same statistical information about M-ELO+CB executions on Nasdaq as it does for M-ELOs.

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4703. Order Attributes

As described in Rule 4702, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) – (k) No change.

(l) Participation in the Nasdaq Opening Cross or the Nasdaq Closing Cross. All Order Types except Midpoint Peg Post-Only Orders,[and] Supplemental Orders, and M-ELO+CBs participate in the Nasdaq Opening Cross and/or the Nasdaq Closing Cross if the Order has a Time-in-Force that would cause the Order to be in effect at the time of the Nasdaq Opening Cross and/or Nasdaq Closing Cross. MOO Orders, LOO Orders, and IOI Orders participate in the Nasdaq Opening Cross in the manner specified in Rule 4752. Other Order Types eligible to participate in the Nasdaq Opening Cross operate as "Market Hours Orders" or

"Open Eligible Interest" as specified in Rule 4752. MOC Orders, LOC Orders and IO Orders participate in the Nasdaq Closing Cross in the manner specified in Rule 4754. Other Order Types eligible to participate in the Nasdaq Closing Cross operate as "Close Eligible Interest" in the manner specified in Rule 4754. For purposes of the Nasdaq Opening Cross or Closing Cross, an Order to buy (sell) that is locked or crossed at its non-displayed price by a Post-Only Order on the Nasdaq Book shall be deemed to have a price at one minimum price increment below (above) the price of the Post-Only Order.

(m) No change.

(n) Midpoint Trade Now. Midpoint Trade Now is an Order Attribute that allows: (i) a resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order to execute against a locking or crossing Order(s) as a liquidity taker; and (ii) a Non-Displayed Order with Midpoint Pegging or a Midpoint Peg Post-Only Order (collectively, "Midpoint Orders") to execute against a M-ELO+CB, subject to the eligibility requirements set forth below. Any remaining shares of the resting Order will remain posted on the Nasdaq Book with the same priority.

- The Midpoint Trade Now Order Attribute may be enabled on a port-level basis for all Order Types that support it, and for the Non-Displayed Order Type, also on an order-by-order basis.
- A resting Order that is entered with the Midpoint Trade Now Order Attribute will execute against locking interest automatically.
- If there is a resting Order on the Nasdaq Book without the Midpoint Trade Now Attribute that is locked at its non-displayed price by a Midpoint Peg Post-Only Order, new incoming Orders (with or without the Midpoint Trade Now Attribute, as applicable) will be able to execute against the Midpoint Peg Post-Only Order at the locking price. The resting Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Order has executed against the Midpoint Peg Post-Only Order.
- When a participant enables the Midpoint Trade Now Attribute for a Midpoint Order, then the Midpoint Order will also be eligible to execute against a M-ELO+CB after the Midpoint Order rests on the Continuous Book for a minimum of one-half second after the NBBO midpoint falls within the limit set by the participant and provided that the Midpoint Order satisfies any minimum quantity requirement of the M-ELO+CB.
- If there is a resting Midpoint Order on the Nasdaq Book without the Midpoint Trade Now Attribute, a new incoming Midpoint Order with the Midpoint Trade Now Attribute will be able to execute against a M-

ELO+CB. The resting Midpoint Order will remain on the Nasdaq Book and will retain its priority relative to other resting orders on the same side of the market after the subsequent Midpoint Order with Midpoint Trade Now has executed against the M-ELO+CB.

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