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SENIOR VICE PRESIDENT  
805 KING FARM BLVD  
ROCKVILLE, MD 20850

July 21, 2022

Ms. Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**Re: 24X National Exchange LLC Notice of Filing of Application for Registration as a National Securities Exchange under Section 6 of the Securities Exchange Act of 1934, File No. 10-239**

Dear Ms. Countryman:

The Nasdaq Stock Market LLC (“Nasdaq”)<sup>1</sup> appreciates the opportunity to comment on the Form 1 application (the “Application”)<sup>2</sup> that 24X National Exchange LLC (“24X”) has filed with the Securities and Exchange Commission (“SEC” or “Commission”) for registration as a national securities exchange, pursuant to Section 6 of the Securities Exchange Act of 1934 (the “Act”).<sup>3</sup> Nasdaq’s perspective is informed by our role as a listing venue for, and regulator, of 5,400 listings worldwide. In that respect, Nasdaq is committed to improving the U.S. capital markets for public companies and investors. As a general matter, Nasdaq strongly supports competition, as it drives growth and innovation of markets worldwide and motivates us to improve ourselves by striving to become ever more nimble, disciplined, efficient and creative. The increased competition also drives us to focus on continuously delivering on our promise to the investing public and to our members, to provide the deepest, most advanced, innovative, fair, transparent, secure, and reliable equity markets in the world. Nasdaq welcomes the prospect of 24X’s entry into what is already a vigorously competitive market for equity order flow and related services.

24X enters the market with a stated purpose of enabling increased access to U.S. equities trades for retail traders worldwide.<sup>4</sup> Nasdaq hopes and expects that 24X will do so without compromising the broader interests of market participants and, ultimately, of investors. Given our unique position and

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<sup>1</sup> The Nasdaq Stock Market LLC is registered as a national securities exchange and is wholly owned by Nasdaq, Inc. Nasdaq, Inc. (Nasdaq: NDAQ) is a S&P 500 global technology company serving the capital markets and other industries. Our diverse offering of data, analytics, software and services enables clients to optimize and execute their business vision with confidence.

<sup>2</sup> See Securities Exchange Act Release No. 34-95007 (May 31, 2022), 87 FR 34333 (June 6, 2022) (“24X Application”).

<sup>3</sup> 15 U.S.C. 78f.

<sup>4</sup> See Finance Feds, “24 Exchange Applies for SEC License to Offer US Equities Worldwide” dated October 6, 2021, available at <https://financefeds.com/24-exchange-applies-sec-license-offer-us-equities-worldwide/>.

experience in the equities market as an operator of exchanges, we believe there are several aspects of the Application that require careful review and analysis by the Commission, or additional information and clarification from 24X, before the Application is permitted to move forward. In particular, as discussed in detail below, the Application contemplates trading concepts that have not been tested within U.S. equities markets. All our comments are written in the spirit of ensuring that the markets – regardless of participants, existing or new – are operating in the most stable, efficient, secure and transparent manner possible and that investors are protected.

24X proposes to allow trading of securities with unlisted trading privileges 24 hours per day, 7 days per week, including holidays and non-business days.<sup>5</sup> Although Nasdaq, along with other exchanges, operate pre-market and post-market trading sessions,<sup>6</sup> no U.S. exchange currently runs trading sessions between 8:00 p.m. and 4:00 a.m. ET on weekdays, or on weekends and non-business days (such time periods, “24X Trading Session”).<sup>7</sup> Additionally, 24X proposes to allow market participants to trade fractional shares on its platform.<sup>8</sup> Currently, U.S. exchanges do not allow equities trading of fractional shares on their platforms. We do not believe that the Application has adequately explained how 24X’s new exchange will interact with, and be integrated into, the national market system. Nasdaq respectfully requests the Commission to consider the potential impact of the 24X Trading Session as discussed further below.

**Securities Information Processor and NBBO:** Nasdaq does not believe that 24X has sufficiently analyzed how its new exchange will comply with certain Regulation NMS rules and interact with other U.S. equities markets. Currently, exchanges may enter quotation information to the Securities Information Processors (“SIPs”) between 4:00 am and 8:00 pm ET Monday through Friday<sup>9</sup> and the SIPs’ dissemination of the National Best Bid Offer (“NBBO”) also occurs during those hours. Without extending the operation hours for the SIPs, trades occurring during the 24X Trading Session would not include a real-time NBBO.<sup>10</sup> We ask the Commission to consider the potential risks related to a lack of

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<sup>5</sup> See 24X Application at Exhibit E.

<sup>6</sup> Core trading hours for all U.S. exchanges are from 9:30 am to 4:00 pm ET, Monday through Friday. The Nasdaq Stock Market has pre-market hours from 4:00 am to 9:30 am ET. Nasdaq BX has pre-market hours from 7:00 am to 9:30 am and Nasdaq PSX has pre-market hours from 8:00 am to 9:30 am ET. NYSE has an early trading session from 7:00 am to 9:30 am ET for Tape B & C Securities. NYSE American, NYSE Chicago, and NYSE National also have an early trading session from 7:00 am to 9:30 am ET. NYSE Arca Equities has an early trading session from 4:00 am to 9:30 am ET. CBOE BZX, BYX, and EDGA have an early trading session from 7:00 am to 8:00 am ET and a pre-market session from 8:00 am to 9:30 am ET. CBOE EDGX has an early trading session from 4:00 am to 8:00 am ET and a pre-market session from 8:00 am to 9:30 am ET. Most exchanges also have a post-market session from 4:00 pm to 8:00 pm ET.

<sup>7</sup> We note that Blue Ocean ATS offers a trading session that operates in the U.S. from 8:00 pm ET to 4:00 am ET Sunday to Thursday to “support US equity trading needs of investors throughout the Asia Pacific region.” See Blue Ocean website, available at <https://blueocean-tech.io/our-services/>.

<sup>8</sup> See proposed 24X Rule 11.16(q) (defining the unit of trading in stocks as one thousandth of a share).

<sup>9</sup> The SIPs are also closed on U.S. holidays.

<sup>10</sup> Although Blue Ocean ATS operates during the overnight U.S. trading hours, the ATS operates only on the calendar days when the NYSE Trade Reporting Facility (“NYSE TRF”) is open for reporting the following morning. The ATS does not open at 8:00 pm ET on Friday because the NYSE TRF is not available for the reporting of trades on Saturday. See Blue Ocean website, available at <https://blueocean-tech.io/our-services/>.

transparency, including the risk to investors associated with trading during the 24X Trading Session, without a real-time NBBO and if 24X's proprietary feeds are the only displayed liquidity.

Additionally, the SIPs do not currently allow for the reporting of fractional shares. Therefore, in considering the Application, we encourage the Commission to obtain clarity on related questions. For example, would market participants that trade fractional shares on 24X be able to comply with Rule 603(c) of Regulation NMS (Vendor Display Rule), which requires SIPs and broker-dealers to provide a consolidated display in a context in which a trading or routing decisions can be implemented? Relatedly, has 24X analyzed the potential costs for technical enhancements to the SIPs in order for the SIPs, broker-dealers and 24X to remain compliant with Regulation NMS requirements during the 24X Trading Session? In addition, pauses in the trading day allows for the SIPs to make certain technical changes with little to no disruption to the markets. We believe the Commission should consider the technical implications of uninterrupted trading sessions.

**Compliance and Trading of Fractional Shares:** 24X proposes to allow market participants to trade fractional shares on its platform. In addition to the Vendor Display Rule discussed above, we also question whether trading fractional shares will allow market participants to comply with Rule 602 (Quote Rule) of Regulation NMS. Among other things, the Quote Rule requires exchanges to establish procedures for collecting quotes between their members, and members are required to promptly communicate their best quotes to their exchanges. Moreover, it is also unclear from the Application whether 24X will comply with other Regulation NMS rules such as Rule 610 (Access to Quotations), Rule 611 (Order Protection) or Rule 612 (Minimum Pricing Increment). Given that no U.S. exchanges currently allow equities trading of fractional shares on their platforms, we ask the Commission to consider any potential impact on competition as well as the Commission's ongoing review of round lot versus odd lot, tick size and fragmentation of liquidity.<sup>11</sup>

Nasdaq also believes 24X should provide more transparency on how it intends to handle trading of fractional shares, such as, whether 24X will (1) require minimum size and dollar amounts for fractional share orders or any other trading limitations, (2) allow fractional share trading for all stocks or limit fractional share trading to certain types of stocks, (3) allow for buying and selling of fractional shares in real-time or provide for aggregation of orders, and (4) have a principal order book.

**Intermarket Routing and Settlement:** The Application lacks clarity on certain areas of interoperability, including intermarket routing and settlement. Because trading in fractional shares does not occur on any U.S. equities markets, orders in fractional shares on 24X would be precluded from routing out to other exchanges. It is unclear from the Application how 24X intends to handle the routing of fractional share orders and whether routing would be prohibited. In addition, we note that the current U.S. equities clearance and settlement system does not provide for clearing and settlement of fractional shares nor does it operate on a 24/7 basis. We believe clarity is needed on the mechanics behind overnight clearance and settlement generally and on the mechanics behind clearance and settlement of fractional shares.

**Market Surveillance and Trading Halts:** 24X's proposal would be the first occurrence of a national securities exchange that utilizes unlisted trading privileges to operate outside the trading hours of the

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<sup>11</sup> See Chair Gary Gensler Remarks before the Piper Sandler Global Exchange Conference, "Market Structure and the Retail Investor", available at <https://www.sec.gov/news/speech/gensler-remarks-piper-sandler-global-exchange-conference-060822>; see also Securities Exchange Act Release No. 34-90610 (Dec. 9, 2020), 86 FR 18596 (April 9, 2021) (Market Data Infrastructure Final Rule).

primary listing exchanges. This poses a series of surveillance questions that the Commission should consider. Market surveillance is integral to the Commission's goal of maintaining fair, orderly and efficient markets. Currently, the primary listing exchanges perform real-time surveillance of securities listed on their markets and implement trading halts and pauses for those securities during their hours of operation. The Application does not sufficiently explain how 24X will coordinate with primary listing exchanges to implement regulatory trading halts and pauses during the entirety of the 24X Trading Session. Furthermore, it is unclear how 24X will manage real-time surveillance throughout the course of the 24X Trading Session, how the existing surveillance and trading halt infrastructure will intersect in the context of the 24X Trading Session and the impact such trading will have on investors, listed companies and other market participants.

**Orderly Dissemination of Company Disclosures:** The rules of the primary listing exchanges currently require listed companies to notify the applicable primary listing exchange prior to the release of material information that would reasonably be expected to affect the value of its securities or influence investors' decisions.<sup>12</sup> Such notification requirements allow the primary listing exchanges to assess whether to implement a temporary trading halt to allow orderly dissemination of material information. If necessary, a trading halt provides the public with an opportunity to evaluate material information and consider it in making investment decisions. In addition, companies may choose to release material information outside of the core trading hours. Given that listed companies have become accustomed to disclosing material information based on these factors, we believe the Commission should consider how the 24X Trading Session will affect the current expectations for listed companies to disclose, and for investors to consider, material information, the potential for trading price volatility if material information is disclosed outside of core trading hours and the timing of notification to the primary listing exchanges.

**Mirrored Trading Center:** 24X notes that its primary trading platform would be in Equinix's data centers located in New York (NY4) with a mirrored primary platform located in London (LD4). Currently, no U.S. exchange operates a mirrored primary U.S. trading platform outside of the United States. We believe 24X does not adequately explain what it means to have a mirrored primary platform in London and whether a firm can set up trading servers in both New York and London. We believe the Commission should consider the jurisdictional and operational implications of a U.S. exchange operating a mirrored primary trading platform outside of the United States, including whether allowing a mirrored primary market to operate outside of the United States would open the door for foreign markets to operate mirrored markets within the United States.

**Periods of Pause:** 24X's Application raises several important questions about how 24X will handle the elimination of natural trading pauses that currently exist in U.S. markets. For example, certain corporate actions that may affect a company's stock price, such as stock splits, dividends, mergers and SPAC combinations, typically take effect at the end of the trading day. Additionally, the Application does not explain how 24X will pause to allow for critical exchange and industry tests such as general customer testing, disaster recovery tests, industry-wide business continuity tests, and other system tests as needed. These tests are critical to ensure market stability and enhance investor confidence in our markets. Such tests are typically performed when the exchanges are not operating — at the end of the trading days and on weekends. Therefore, if 24X does not intend to have any breaks in trading, how will it establish a rollover period after conducting system testing and how will continuous trading affect processing of corporate actions? We believe answering these types of questions will help address how

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<sup>12</sup> See Nasdaq Rule 5250(b)(1), IM-5250-1; See also NYSE Rule 202.06(B).

24X will operate as an exchange in a manner consistent with Commission rules and be integrated into the current equities trading and capital market structure.

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As discussed above, Nasdaq strongly encourages the Commission to carefully assess whether 24X has the necessary structure and checks in place to protect investors and ensure a fair and orderly market during the 24X Trading Session. Given the number of questions raised by the Application, including how its new exchange will interact with the current trading ecosystem, Nasdaq believes that additional information is required from 24X to address these, and any other issues raised by commenters, and that the public should be provided sufficient opportunity to comment on the amended application before the Commission determines whether to approve it.

If you have any questions regarding these comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Eun Ah Choi". The signature is fluid and cursive, with the first name "Eun" and last name "Choi" clearly distinguishable.

Eun Ah Choi