

September 1, 2022

VIA ELECTRONIC TRANSMISSION

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-7010

**Re: 24X National Exchange LLC – Response to Comments on Form 1 Application
(Release No. 34-95007; File No. 10-239)**

Dear Ms. Countryman:

On behalf of 24X National Exchange LLC (“24X” or the “Exchange”), we hereby submit 24X’s response to public comments on its Form 1 application for registration as a national securities exchange pursuant to Section 6 of the Securities Exchange Act of 1934, as amended (“Exchange Act”).

Background

As background, 24X filed its Form 1 application with the Securities and Exchange Commission (the “Commission”) on March 24, 2022, and the Commission published the application publicly on its website¹ on May 31, 2022. In response to the publication and related request for public comment, the Commission received comment letters from three securities trading platform operators: The Nasdaq Stock Market LLC (“Nasdaq”)²; Blue Ocean ATS, LLC (“Blue Ocean”)³; and NYSE Group, Inc. (“NYSE”).⁴ Each of these comment letters raised various questions and requests for clarification, all of which are addressed below. We believe that our responses address

¹ 24X’s Form 1 application is available at <https://www.sec.gov/rules/other/2022/24x/24x-form-1.htm>.

² The Nasdaq Comment Letter, dated July 21, 2022, is available at <https://www.sec.gov/comments/10-239/10239-20134564-304956.pdf>.

³ The Blue Ocean Comment Letter, dated July 21, 2022, is available at <https://www.sec.gov/comments/10-239/10239-20134573-305126.pdf>.

⁴ The NYSE Comment Letter, dated July 29, 2022, is available at <https://www.sec.gov/comments/10-239/10239-20135250-306135.pdf>.

whatever issues the comment letters raised and that the Commission should be ready to approve 24X's Form 1 application for registration as a national securities exchange.

Securities Information Processor ("SIP") Reporting during After-Hours Trading

The Nasdaq Comment Letter raised questions on reporting to the SIP during hours in which the SIP is closed. In addition, the Blue Ocean Comment Letter and the NYSE Comment Letter raised questions on compliance with Rules 601 and 602 under Regulation NMS.

With respect to compliance with Rule 601 under Regulation NMS, 24X will become a party to all applicable transaction reporting plans. 24X expects to report to the SIP during all hours in which the SIP is open. 24X understands that, at this time, no other national securities exchange operates during certain after-hours, weekends and holidays, and as a result, the SIP is presently closed during those times. As such, 24X expects to report the trade and quote information that occurs while the SIP is closed as soon as the SIP reopens. Just as scores of electronic communication networks (ECNs) and broker-dealers report transactions to SIP in before-market trading (before 9:30 am ET) and after-hours trading sessions (from 4:00 pm to 8:00 pm ET) when the processor opens, similarly, 24X will report transactions to SIP when it opens.

Notwithstanding, pursuant to Rule 602 under Regulation NMS, during all times that 24X operates, 24X will establish and maintain procedures and mechanisms for collecting bids, offers, quotation sizes, and aggregate quotation sizes from responsible brokers or dealers who are members of such exchange or association, process such bids, offers, and sizes, and make such bids, offers, and sizes available to vendors, 24X will also make available to the SIP the best bid, the best offer, and aggregate quotation size for each "subject security"⁵ admitted to unlisted trading privileges and transmitted on 24X, regardless of time of transmission on 24X. In other words, 24X will report to the SIP in real time the order and quote information required under Rule 602 for each subject security during regular hours and during after-hours trading.

Separately, 24X intends to offer multiple data feeds that will be available to members to distribute to their customers during all times, including during after-hours trading. These data feeds will include the following:

⁵ For these purposes Rule 600(b)(90) defines "subject security," with respect to a national securities exchange, as "(A) [a]ny exchange-traded security other than a security for which the executed volume of such exchange, during the most recent calendar quarter, comprised one percent or less of the aggregate trading volume for such security as reported pursuant to an effective transaction reporting plan or effective national market system plan; and (B) [a]ny other NMS security for which such exchange has in effect an election, pursuant to § 242.602(a)(5)(i), to collect, process, and make available to a vendor bids, offers, quotation sizes, and aggregate quotation sizes communicated on such exchange."

- depth of book and last sale feed;
- top of book quote and last sale feed;
- last sale feed;
- midpoint reference; and
- retail market maker interest.

Market Surveillance

The Nasdaq Comment Letter and the Blue Ocean Comment Letter request a further description on how 24X will conduct market surveillance throughout the course of its trading sessions.

24X intends to enter into a regulatory services agreement (“RSA”) with the Financial Industry Regulatory Authority (“FINRA”), under which FINRA as a regulatory services provider, will perform certain regulatory functions on 24X’s behalf. Specifically, 24X expects that such services will include performance of cross-market surveillance and market-specific surveillance, as well as investigatory, disciplinary and hearing services. Notwithstanding the RSA, 24X will retain legal responsibility for the regulation of its members and its market and the performance of FINRA as its regulatory services provider. In addition, 24X will conduct certain real-time surveillance using in-house staff as well as third-party software.

Separately, 24X will enter into a bilateral Rule 17d-2 agreement covering common members of 24X and FINRA. This agreement will allocate to FINRA regulatory responsibility, with respect to common members, for specified regulatory and enforcement matters arising out of specified common rules and specified provisions of the Exchange Act and the rules and regulations thereunder. In addition, 24X will join the applicable multilateral Rule 17d-2 plans, including the multi-party Rule 17d-2 plan for the allocation of regulatory responsibilities with respect to certain Regulation NMS and Consolidated Audit Trail Rules and the multi-party Rule 17d-2 plan for the surveillance, investigation, and enforcement of common insider trading rules.

Trading Halts

The Nasdaq Comment Letter and the Blue Ocean Comment Letter raise questions on how 24X will coordinate with primary listing exchanges to implement regulatory trading halts and pauses.

24X intends to revise Rule 11.15 to clarify that if trading in a security is paused or otherwise halted by the primary listing exchange, then 24X will pause trading in the same security on the Exchange. 24X will continue to pause trading in the security until the primary listing exchange lifts the trading pause or halt on the relevant security. For example, if the primary listing exchange issues a trading

halt for Security X immediately prior to the close of trading on the primary listing exchange and does not lift the trading halt until the next morning, then 24X will implement a pause on trading Security X throughout after-hours trading until the primary trading market lifts the halt the next morning.

Orderly Dissemination of Company Disclosures

The Nasdaq Comment Letter acknowledges that companies may choose to release material information outside of the core trading hours on the primary listing exchange and requests further information on how 24X will handle the disclosure of such information.

As noted above, 24X will revise Rule 11.15 to clarify that if trading in a security is paused or otherwise halted by the primary listing exchange, then 24X will pause trading in the same security on the Exchange. Given that many company disclosures occur during after-hours trading on the primary listing exchange, this mirroring approach will address any trading pauses implemented by the primary listing exchange at the time of the company disclosures.

In addition, 24X Rule 11.15 sets forth volatility bands to further mitigate any disruptive volatility that may result from corporate disclosures that occur without a trading pause or halt on the primary listing exchange.

Periods of Pause

The Nasdaq Comment Letter raises questions on the handling of various matters that typically occur during trading pauses, including processing corporate actions and conducting exchange and industry tests.

24X intends to revise Rule 11.1 to clarify that material corporate actions (*i.e.*, corporate actions that may affect a stock price, stock additions and subtractions, and similar actions) will be reflected on the Exchange upon news receipt from the primary listing exchange or at 8:00 pm upon receipt from the vendor “Symbol Master,” whichever occurs sooner.

In regards to industry tests, 24X will revise Rule 11.1 to clarify that trading halts will allow for participation in Exchange and industry tests such as general customer testing, disaster recovery tests, industry-wide business continuity tests and other system tests.

Outbound Router Relationship

The Blue Ocean Comment Letter requested further information on the outbound router relationship.

24X has formally engaged one broker, Instinet, to act as the outbound router for the Exchange. Likewise, 24X is in the process of engaging a second outbound router to serve in a similar capacity.

With respect to after-hours trading, 24X does not intend to route trades to any other national securities exchange during hours in which all other national securities exchanges are closed. However, if there are Commission-regulated entities operating trading platforms with sufficient liquidity during after-hours trading, 24X will instruct its outbound routers to access such trading platforms.

Clearance and Settlement

The NYSE Letter and the Blue Ocean Letter raise questions on the clearance and settlement of trades that occur on the weekends and over the holidays.

24X intends to revise Rule 11.12 to clarify that trades executed on the Exchange will be settled in accordance with the CNS System—a continuous net settlement system operated by National Securities Clearing Corporation (“NSCC”). Trades executed during hours in which the CNS System is open will be automatically processed for clearing and settlement, whereas trades executed during hours in which the CNS System is closed will be processed for clearing and settlement as soon as NSCC reopens the CNS System.

In any event, trades executed on 24X will be cleared and settlement no later than the T+2 settlement cycle prescribed by Commission rules. Using Labor Day Weekend 2022 as an example, any trade executed during core trading hours on Friday, September 2 will be settled no later than Wednesday, September 7. Likewise, any trade executed on Saturday, Sunday or Monday (September 3-5) will be settled no later than Wednesday, September 7.

Mirrored Trading Center

The Nasdaq Comment Letter requests further consideration on the use of the data center in London.

24X had determined to not utilize the data center located in London (LD4) in connection with the operations of the national securities exchange. Instead, the second data center will be located in Chicago (CH4) for disaster recovery. 24X will replace all references in the application to LD4 with CH4.

Trading of Fractional Shares

All three comment letters raised questions relating to the trading of fractional shares on a national securities exchange. As the Commission is aware, the trading of fractional shares has become increasingly popular among investors in recent years. Among other benefits, the availability of fractional shares trading provides retail investors with better access to high-priced stocks and

flexibility to more effectively diversify their holdings among a wider range of equities. However, fractional shares trading is available to retail investors today through brokerage firms that may, among other things, impose restrictions on liquidity, charge additional fees applicable to fractional share transactions, and/or otherwise impose additional restrictions on trading fractional shares.

We believe that the time has come to permit the trading of fractional shares on a national securities exchange. We believe that such trading would lead to better price transparency and price discovery and increased liquidity in the growing fractional shares markets. We also believe that 24X, as a national securities exchange, would be well positioned to help develop industry plans for more effective clearance and settlement of fractional shares.

Notwithstanding, we respectfully have determined to withdraw the portion of the application pertaining to permitting the trading of fractional shares on 24X with the intention to re-address these issues at a later date.

Trade-Throughs

In response to a question raised in the Blue Ocean Comment Letter, 24X intends to revise Rule 11.7(a)(7) to clarify that, “[s]ubject to Rule 11.9(a)(2), any portion of a Market Order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches the Exchange, whichever is greater, will be cancelled.” This cross-reference is intended to clarify that any such trade-through is subject to 24X Rule 11.9(a)(2). In turn, 24X Rule 11.9(a)(2) provides that executions on the Exchange shall occur in accordance with Regulation NMS.⁶

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⁶ We also note that, in addition to the issues raised in this response, the Blue Ocean Comment Letter highlighted the price bands described in the User Guide but did not raise any specific questions.

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Should you have any questions regarding this response, please do not hesitate to contact me. If the Commission would like to meet in person or set up a call to discuss any of these issues, then we will happily do so.

Sincerely,

/s/

James M. Brady

Enclosures

cc: Dmitri Galinov, 24X National Exchange LLC