



EUN AH CHOI  
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805 KING FARM BLVD  
ROCKVILLE, MD 20850

April 25, 2024

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. 10-242**

Dear Ms. Countryman:

The Nasdaq Stock Market LLC (“Nasdaq”)<sup>1</sup> appreciates the opportunity to comment on the second 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 that drive the global economy. 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 nimbler, 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 attracting U.S. and foreign companies and investors to the U.S. market, enabling increased access to U.S. equities trades for retail and institutional traders worldwide.<sup>4</sup> Nasdaq hopes and expects that 24X will do so without compromising the integrity 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. 34-99614 (Feb. 27, 2024), 89 FR 15621 (March 4, 2024) (“24X Application”).

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

<sup>4</sup> See Traders Magazine, “24 Exchange Aims to Launch National U.S. Equities Exchange” dated March 6, 2024, available at [https://www.tradersmagazine.com/featured\\_articles/24-exchange-aims-to-launch-new-national-u-s-equities-exchange/](https://www.tradersmagazine.com/featured_articles/24-exchange-aims-to-launch-new-national-u-s-equities-exchange/); see also Finance Feds, “24 Exchange Applies for SEC License to Offer US Equities Worldwide” dated

investor protections that exist in the equities market today. Given our unique position and 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. Nasdaq wants to take the opportunity to reiterate some of the issues that it raised in response to 24X's previous Form 1 submission<sup>5</sup> and express additional concerns. All our comments are written in the spirit of ensuring that the markets – regardless of participants or exchange model, 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 23 hours per day, 7 days per week, including holidays and non-business days with a daily pause from 7:00 p.m. ET - 8:00 p.m. ET as well as each Saturday from 8:00 a.m. ET – 11:00 a.m. ET.<sup>6</sup> Although Nasdaq, along with other exchanges, operate pre-market and post-market trading sessions,<sup>7</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 Market Session").<sup>8</sup> While 24X has provided additional clarification in its recent Application, 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 Market 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 a.m. and 8:00 p.m. 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 Market Session would not include a real-time NBBO.<sup>10</sup>

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October 6, 2021, available at <https://financefeeds.com/24-exchange-applies-sec-license-offer-us-equities-worldwide/>.

<sup>5</sup> See Securities Exchange Act Release No. 34-95007 (May 31, 2022), 87 FR 34333 (June 6, 2022) ("24X Application 1").

<sup>6</sup> See 24X Application at Exhibit E.

<sup>7</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>8</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>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

Moreover, if the SIP hours were extended, the Commission should consider the potential impact of 24X reporting trades in real-time during the 24X Market Session while off-exchange trading would be reported “As of” on the following business day.

We also ask the Commission to ensure 24X’s trading sessions align with the operational hours for the SIP to avoid the potential risks related to a lack of transparency, including the risk to investors associated with trading during the 24X Market Session, without a real-time NBBO and if 24X’s proprietary feeds are the only displayed liquidity.. In addition, pauses in the trading day allow for the SIPs to make certain technical changes with little to no disruption to the markets. We believe the Commission should consider whether 24X’s proposed trading pauses are sufficient to address the technical implications of 23-hour trading sessions.

**Efficacy of the 24X Market Session Trading Requirements:** 24X is proposing to limit the types of securities that are eligible for trading during the 24X Market Session.<sup>11</sup> While limiting trading during this time period to certain securities may reduce the diminishment of execution quality, Nasdaq believes 24X should provide more transparency on the minimum time frame that market participants will receive notice of securities that will be available for trading during the 24X Market Session. 24X proposes to notify participants “as promptly as practicable prior to each 24X Market Session of any securities it is making available for trading” and “as promptly as practicable, but no later than the close of the Core Market Session of any securities that it is making unavailable for trading.”<sup>12</sup> 24X’s proposal runs the risk of market participants, especially retail investors, having limited notice of the securities that are eligible for trading. Given that no other exchange currently trades during the 24X Market Session, a lack of timely information runs the risk of material trading risks, including higher volatility and lower liquidity.

**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 primary listing exchanges. This poses a series of surveillance questions and a burden on listing exchanges 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.

Furthermore, it is unclear how 24X will manage real-time surveillance throughout the course of the 24X Market Session, how the existing surveillance, trading halt and trade review infrastructure will intersect in the context of the 24X Market Session (including how 24X will coordinate with self-regulatory organizations), 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’

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Saturday. See Blue Ocean website, available at <https://blueocean-tech.io/our-services/>.

<sup>11</sup> 24X proposes to limit the securities eligible to become designated for trading during the 24X Market Session to any security in the Nasdaq-100® Index, S&P 500® Index, Russell 2000® Index and the top 50 exchange-traded funds by average daily volume during a given month. See 24X Application, Exhibit B-1, proposed Rule 11.2(a)(2).

<sup>12</sup> See 24X Application, Exhibit B-1, proposed Rule 11.2(f).

decisions.<sup>13</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 Market Session will affect the current expectations for listed companies to disclose, and for investors to consider, material information, the potential for uneven dissemination of material information to investors and resulting effect on trading and the timing of notification to the primary listing exchanges. Moreover, while 24X provides examples of corporate actions that would be deemed material, it does not explicitly define the term material corporate action, nor does it provide details on how it will handle material corporate actions that are announced during the 24X Market Session.

**Periods of Pause:** While the Application addressed some of our previous questions about how 24X will handle trading pauses, it does not sufficiently explain how 24X will coordinate with primary listing exchanges and the SIP to implement regulatory trading halts and pauses during the entirety of the 24X Market Session. For example, UTP SIP testing occurs from 8:00 a.m. to 12:00 p.m. on weekends which overlaps with a portion of the 24X Market Session, and 24X has not explained how it will operate during the overlapping time.

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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 Market Session. Given the number of questions raised by the Application and the unknown operational costs for the SIP and exchanges, including how its new exchange will interact with the current trading ecosystem, Nasdaq continues to believe 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,



Eun Ah Choi

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<sup>13</sup> See Nasdaq Rule 5250(b)(1), IM-5250-1; See also NYSE Rule 202.06(B).