

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101098; File No. SR-NASDAQ-2024-055)

September 19, 2024

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Codify the Definition of Nasdaq Options Trade Outline

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 September 6, 2024, 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 and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to codify the definition of Nasdaq Options Trade Outline in the Nasdaq rulebook. This filing also incorporates previously proposed fee changes that: (i) adjusted fees for Nasdaq Options Trade Outline for both the End of Day and Intra-Day product; (ii) reduced fees for 36 months of historical data for current customers; and (iii) allowed unlimited external distribution of Nasdaq Options Trade Outline for a fixed monthly fee.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to codify the definition of Nasdaq Options Trade Outline in the Nasdaq rulebook. This filing also incorporates previously proposed fee changes that: (i) adjusted fees for Nasdaq Options Trade Outline for both the End of Day and Intra-Day product; (ii) reduced fees for 36 months of historical data for current customers; and (iii) allowed unlimited external distribution of Nasdaq Options Trade Outline for a fixed monthly fee.³

³ The previously introduced fee proposal was initially filed on July 1, 2024, as SR-Nasdaq-2024-034. On July 15, 2024, that filing was withdrawn and refiled as SR-Nasdaq-2024-040. On July 29, 2024, that filing was withdrawn and refiled as SR-Nasdaq-2024-043. On August 12, 2024, that proposal was withdrawn and replaced with SR-Nasdaq-2024-046 to incorporate those fees into a filing that codifies the definition of Nasdaq Options Trade Outline. On August 23, 2024, SR-Nasdaq-2024-046 was withdrawn and replaced with SR-Nasdaq-2024-051 to provide additional information and to clarify language associated with fees for historical data. On September 6, 2024, SR-Nasdaq-2024-051 was withdrawn and replaced with the instant filing to provide further information.

Nasdaq Options Trade Outline

Nasdaq Options Trade Outline (“NOTO” or “Trade Outline”) provides aggregate quantity and volume information for trades on the Exchange for all series⁴ during a trading session.⁵ Information is provided in the following categories: (i) total exchange volume for Intra-Day information and total exchange and industry volume for End of Day information for each reported series; (ii) open interest for the series; (iii) aggregate quantity of trades and aggregate trade volume effected to open a position,⁶ characterized by origin type (Customer,⁷ Broker-Dealer,⁸ Market Maker,⁹ Firm,¹⁰ and Professional¹¹), and for Customers and Professionals, further subdivided by trade size buckets; and (iv) aggregate quantity of trades and aggregate

⁴ Every options series trades as a distinct symbol; the terms “series” and “symbol” are therefore synonyms.

⁵ See Securities Exchange Act Release No. 65587 (October 18, 2011), 76 FR 65765 (October 24, 2011) (SR-Nasdaq-2011-144) (establishing Nasdaq Options Trade Outline as a product); Securities Exchange Act Release No. 65836 (November 28, 2011), 76 FR 75593 (December 2, 2011) (SR-Nasdaq-2011-153) (establishing fees for Nasdaq Options Trade Outline).

⁶ An opening purchase transaction is an Exchange options transaction in which the purchaser’s intention is to create or increase a long position in the series of options involved in such transaction. Nasdaq Options Trade Outline will also provide subscribers with the aggregate number of “opening writing transactions.” An opening writing transaction is an Exchange options transaction in which the seller’s (writer’s) intention is to create or increase a short position in the series of options involved in such transaction.

⁷ The term “Customer” applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional” (as that term is defined in Options 1, Section 1(a)(47)). See Options 7, Section 1(a).

⁸ The term “Broker-Dealer” applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category. See Options 7, Section 1(a)

⁹ The term “NOM Market Maker” is a Participant that has registered as a Market Maker on NOM pursuant to Options 2, Section 1, and must also remain in good standing pursuant to Options 2, Section 9. In order to receive NOM Market Maker pricing in all securities, the Participant must be registered as a NOM Market Maker in at least one security. See Options 7, Section 1(a).

¹⁰ The term “Firm” applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC. See Options 7, Section 1(a).

¹¹ The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Options 1, Section 1(a)(47). See Options 7, Section 1(a)

trade volume effected to close a position,¹² characterized by origin type, (Customer, Broker-Dealer, Market Maker, Firm and Professional), and for Customers and Professionals, further subdivided by trade size buckets.

NOTO will also provide opening buy, closing buy, opening sell and closing sell information, which shall include option first trade price, option high trade price, option low trade price, and option last trade price.

End of Day information is available the next business day. Intra-Day information is updated at 10-minute intervals over the course of the trading day. Historical information is available upon request.

Trade Outline provides proprietary Exchange trade data and does not include any intraday trade data from any other exchange.¹³ The information provided, both in End of Day and Intraday formats, is not a real-time data feed.

Trade Outline is a completely voluntary product in that the Exchange is not required by any rule or regulation to make this data available and potential subscribers may purchase it only if they voluntarily choose to do so.

Trade Outline is available to all market participants, including both members and non-members, for all series and symbols in End of Day, Intra-Day, and historical files (upon request).

Trade Outline is designed to enhance the ability of customers to understand market sentiment on the Exchange and to create and test trading models and analytical strategies useful in both options and equities markets. It is not necessary to execute a trade, but it supplies the

¹² A closing purchase transaction is an Exchange options transaction in which the purchaser's intention is to reduce or eliminate a short position in the series of options involved in such transaction. Nasdaq Options Trade Outline will also provide subscribers with the aggregate number of "closing sale transactions." A closing sale transaction is an Exchange options transaction in which the seller's intention is to reduce or eliminate a long position in the series of options involved in such transaction.

¹³ The End of Day report includes a field that presents Total Industry Volume for the Series.

customer with information about underlying market trends designed to improve the quality of that customer's investment decisions. Customers can, and often do, elect to forego this type of information.

The End of Day product includes aggregate data representing the entire trading session. It is calculated during an overnight process with the additional fields described above after each trading session and is available to subscribers for download the following morning at approximately 7 a.m., ET. The monthly subscriber fee for the End of Day product subscribers is currently \$500. This fee was established in 2011 and has not been changed since.¹⁴

The Intra-Day product provides periodic, cumulative data for a particular trading session. The Intra-Day product is produced and updated every ten minutes during the trading day. Data is captured in "snapshots" taken every 10 minutes throughout the trading day and is available to subscribers within 2 minutes of the conclusion of each 10 minute period. Each update will represent the aggregate data captured from the current "snapshot" and all previous "snapshots." The monthly subscriber fee for the Intra-Day product is \$750. This fee was established in 2011 and has not been changed since then.¹⁵

Historic data is also available on a calendar month basis. This data is intended to enhance a purchaser's ability to analyze option trade and volume data, evaluate historical trends in the trading activity of a particular option series, and create and test trading models and analytical strategies. Historical files provide the same fields of information as the End of Day and Intraday files, respectively. Historical data is available starting in November 2011.

¹⁴ See Securities Exchange Act Release No. 65836 (November 28, 2011), 76 FR 75593 (December 2, 2011) (SR-Nasdaq-2011-153) (establishing fees for Nasdaq Options Trade Outline).

¹⁵ See id.

Products similar to Trade Outline have been available on multiple exchanges for many years and are well-established in the market. Such products are available from the Nasdaq Phlx LLC (“Phlx”),¹⁶ Nasdaq ISE LLC (“ISE”),¹⁷ Nasdaq GEMX LLC (“GEMX”),¹⁸ Cboe Options Exchange (“Cboe”),¹⁹ NYSE American Options (“NYSE American”),²⁰ NYSE Arca Options (“NYSE Arca”),²¹ BOX Options Market LLC (“BOX”),²² MIAX Pearl Options Exchange (“Pearl”),²³ and others. In general, the relative value of these products depends on the volume of transactions included; the greater the volume of transactions, the greater the value of the data. The current purchasers of Trade Outline are investment banks, market makers, asset managers and other buy-side investors.

¹⁶ See Securities Exchange Act Release No. 62887 (September 10, 2010), 75 FR 57092 (September 17, 2010) (SR-Phlx-2010-121) (introducing PHOTO on September 1, 2010),

¹⁷ See Nasdaq ISE Rules, Options 7, Section 10(A) and (B) (Nasdaq ISE Open/Close Trade Profile End of Day; Nasdaq ISE Open/Close Trade Profile Intra-Day).

¹⁸ See Nasdaq GEMX Rules, Options 7, Sections 7(D) (Nasdaq GEMX Open/Close End of Day Trade Profile) and 7(E) (Nasdaq GEMX Open/Close Intra-Day Trade Profile)

¹⁹ See, e.g., Securities Exchange Act Release No. 94913 (May 13, 2022), 87 FR 30534 (May 19, 2022) (SR-Cboe-2022-023) (describing End of Day and Intra-Day Open-Close Data as a summary of trading activity on the exchange at the option level by origin, side of the market, price and transaction type).

²⁰ See, e.g., Securities Exchange Act Release No. 93803 (December 16, 2021), 86 FR 72647 (December 22, 2021) (SR-NYSEAMER-2021-46) (describing the NYSE Options Open-Close Volume Summary as a volume summary of trading activity on the exchange at the option level by origin, side of the market, contract volume and transaction type).

²¹ See, e.g., Securities Exchange Act Release No. 93132 (September 27, 2021), 86 FR 54499 (October 1, 2021) (SR-NYSEArca-2021-82) (describing the NYSE Options Open-Close Volume Summary as a volume summary of trading activity on the exchange at the option level by origin, side of the market, contract volume and transaction type).

²² See, e.g., Securities Exchange Act Release No. 97174 (March 21, 2023), 88 FR 18201 (March 27, 2023) (SR-BOX-2023-09) (describing the BOX exchange Open-Close Data report as providing volume by origin, buying/selling, and opening/closing criteria).

²³ See, e.g., Securities Exchange Act Release No. 91964 (May 21, 2021), 86 FR 28667 (May 27, 2021) (SR-PEARL-2021-24) (introducing the Open-Close Report).

Proposed Changes

Definition of Nasdaq Options Trade Outline

The Exchange proposes to codify the definition of NOTO. Nothing in this codification is intended to change the product in any way, but rather is intended to describe the product exactly as it exists. Specifically, the Exchange proposes the following definition:

Nasdaq Options Trade Outline provides aggregate quantity and volume information for trades on the Exchange for all series during a trading session. Information is provided in the following categories: (i) total exchange volume for Intra-Day information and total exchange and industry volume for End of Day information for each reported series; (ii) open interest for the series; (iii) aggregate quantity of trades and aggregate trade volume effected to open a position, characterized by origin type (Customer, Broker-Dealer, Market Maker, Firm, and Professional), and for Customers and Professionals, further subdivided by trade size buckets; and (iv) aggregate quantity of trades and aggregate trade volume effected to close a position, characterized by origin type (Customer, Broker-Dealer, Market Maker, Firm, and Professional), and for Customers and Professionals, further subdivided by trade size buckets.

Nasdaq Options Trade Outline End of Day will also provide opening buy, closing buy, opening sell and closing sell information, which shall include option first trade price, option high trade price, option low trade price, and option last trade price.

End of Day information will be available the next business day. Intra-Day information is updated at 10-minute intervals over the course of the trading day. Historical information will be available upon request.

Previously Introduced Fee Changes

Fee Changes for End of Day and Intra-Day Products

The Exchange proposes to increase the fee for the End of Day product from \$500 to \$575, and the Intra-Day Product from \$750 to \$2,000.

In addition, the Exchange proposes to insert a comma after the phrase “or the Intra-Day Product for the current month” into the definition of Current Distributor. The revised sentence will read as follows:

A “Current Distributor” is any firm that purchases either the End of Day Product for the current month, or the Intra-Day Product for the current month, in the same month that the 36 months of historical End of Day or Intra-Day data is ordered.

The change is designed to clarify that the phrase “the same month that the 36 months of historical End of Day or Intra-Day data is ordered” applies to both firms that purchase End of Day data in the current month and firms that purchase Intra-Day data for the current month. The clarification will not change how the fee is charged.

Discount for Historical Data

The Exchange proposes to offer a discount for historical data for Current Distributors.²⁴ Specifically, the Exchange proposes to offer the most recent 36 months of historical data for current end of day product distributors for \$3,000, and the most recent 36 months of historical data for current intra-day product distributors for \$6,000. Ad-hoc requests for historical data will be at the proposed current rates of \$575 per month for End of Day data and \$2,000 per month for Intra-Day data. Historical data is currently available from the Exchange; the proposal will simply initiate a discount for the most recent 36 months of that data for Current Distributors.

Historical data, including the discounted historical data, will continue to provide the same categories of information available for current subscribers.

Eligibility for the discount will depend on the type of current subscription. A Current Distributor of End of Day data would be eligible for the historical End of Day product at the reduced rate. A Current Distributor of the Intra-Day product would be able to purchase the historical Intra-Day product at the reduced rate. A Current Distributor of both the current End of

²⁴ A “Current Distributor” is any firm that purchases either the End of Day Product for the current month, or the Intra-Day Product for the current month in the same month that the 36 months of historical End of Day or Intra-Day data is ordered.

Day and Intra-Day products would be entitled to purchase both types of history at the reduced rate.

The 36-month period will be based on the date of purchase of the 36 months of data by a Current Distributor. For example, a Current Distributor that buys the End of Day product for the first time in July 2024 would also be able to purchase historical End of Day data for the period July 2021 through July 2024 (inclusive) at the discounted rate. Similarly, a Current Distributor with an existing End of Day subscription that is current in July 2024 would be able to purchase the historical End of Day data from September 2021 through September 2024 at the discounted rate. The same reasoning would apply to Intra-Day Current Distributors.²⁵ As noted, ad-hoc requests for historical data will be at the proposed current rates of \$575 per month for End of Day data and \$2,000 per month for Intra-Day data. The fees for historical data are linked to the current product because effective historical testing requires a comparison of similar products. Effective testing of the End of Day product, for example, requires End of Day historical data. The same would hold true for Intra-Day data.

Historical data is useful in analyzing option trade and volume data, evaluating historical trends in the trading activity of a particular option series, and creating and testing trading models and analytical strategies, and is often purchased concurrently with a new subscription to the Trade Outline service. Many customers use historical data to test their strategies and models, and our discussions with current and past customers and experience indicate that 36 months of data is sufficient for most customer needs, and is an effective baseline for review.

²⁵ A customer may use the proposed historical data discount more than once. For example, a Current Distributor that purchases 36 months of historical data at a discount, but later terminates that subscription, would be eligible to purchase another 36 months of historical data (based on the date of purchase) upon renewing that subscription. (Current Distributors that never terminate would have no need for a second purchase, as they would already possess the most recent months of historical data.).

External Distribution of Derived Data

The Exchange proposes to offer a license for the unlimited external distribution of Derived Data from NOTO for \$4,000 per month. Derived Data is “any information²⁶ generated in whole or in part from Exchange Information such that the information generated cannot be reverse engineered to recreate Exchange Information, or be used to create other data that is recognizable as a reasonable substitute for such Exchange Information.”

Fees for external distribution of Derived Data from NOTO are in addition to fees for the End of Day product or the Intra-Day product, or both, as applicable.

This is a new license to be offered by the Exchange; external distribution of Derived Data is not currently permitted. The proposal, based on a similar license offered by the Phlx exchange,²⁷ will allow the external distribution of analytic products derived from NOTO to the general investing public. A similar product is also being proposed for the Nasdaq Options Market and the ISE Exchange.

Experience with the Phlx Exchange indicates that this license provides an effective mechanism for market data vendors to identify, develop, and sell derived market data products, such as sentiment indicators, harnessing the power of the competitive marketplace to promote innovation. The Exchange expects that this product will have the greatest utility for the general investing public through broader dissemination of products with this information.

²⁶ “Exchange Information” is any data or information that has been collected, validated, processed and/or recorded by the Exchange and made available for transmission relating to: (i) Eligible securities or other financial instruments, markets, products, vehicles, indicators, or devices; (ii) activities of the Exchange; or (iii) other information or data from the Exchange. Information includes, but is not limited to, any element of information used or processed in such a way that Exchange Information or a substitute for such Information can be identified, recalculated or re-engineered from the processed information.

²⁷ See Securities Exchange Act Release No. 93293 (October 12, 2021), 86 FR 57716 (October 18, 2021) (SR-Phlx-2021-58).

2. Statutory Basis

The Exchange believes that its proposal to codify the definition of Nasdaq Options Trade Outline is consistent with Section 6(b) of the Act,²⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁹ 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.

Adding the definition of Nasdaq Options Trade Outline will provide additional clarity and specificity to the Nasdaq rulebook. Nothing in this codification is intended to change the product or the way it functions, but rather is intended to describe the product exactly as it exists today. Providing additional clarity about an exchange product will help investors make better informed decisions about NOTO, and therefore will help protect investors and promote the public interest.

Similarly, clarifying the definition of Current Distributor will also add clarity and specificity to the rulebook without changing the underlying fees. This additional clarity will help investors make better informed decisions about NOTO, and thereby help protect investors and promote the public interest.

The Exchange also believes that its proposal to change fees is consistent with Section 6(b) of the Act,³⁰ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,³¹ in particular, in that it provides for the equitable allocation of reasonable dues, fees and

²⁸ 15 U.S.C. 78f(b).

²⁹ 15 U.S.C. 78f(b)(5).

³⁰ 15 U.S.C. 78f(b).

³¹ 15 U.S.C. 78f(b)(4) and (5).

other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Equitable Allocation of Reasonable Dues, Fees and Other Charges

The proposed changes are an equitable allocation of reasonable dues, fees and other charges because: (i) the trade outline products offered by multiple exchanges are substitutes, and customers are free to choose which product they purchase; and (ii) the proposed fees are comparable to the fees charged by other exchanges, and customers are free to purchase other products if the Exchange has mistaken the value of its product.

Substitution

As noted above, products similar to Trade Outline have been available on multiple exchanges for many years and are well-established in the market. They are available from the

Phlx,³² ISE,³³ GEMX,³⁴ Cboe,³⁵ NYSE American,³⁶ NYSE Arca,³⁷ BOX,³⁸ MIAX Pearl,³⁹ and others.

Trade outline products offer the same categories of data through end of day or intra-day reports. The information provided by one exchange is generally similar to that provided by other exchanges because order flow can move from one exchange to another, and market sentiment trends that appear on one exchange are likely to be similar to the sentiment trends on other exchanges. The key differentiator in the quality of the data depends on the volume of transactions on a given exchange; the greater the volume of transactions, the greater the value of the data. Customers can choose not to purchase the trade outline product of one exchange and substitute it for that of another exchange.

Customers can also choose not to purchase a trade outline product at all. Trade outline products are designed to help investors understand underlying market trends to improve the

³² See Securities Exchange Act Release No. 62887 (September 10, 2010), 75 FR 57092 (September 17, 2010) (SR-Phlx-2010-121) (introducing PHOTO on September 1, 2010),

³³ See Nasdaq ISE Rules, Options 7, Section 10(A) and (B) (Nasdaq ISE Open/Close Trade Profile End of Day; Nasdaq ISE Open/Close Trade Profile Intra-Day).

³⁴ See Nasdaq GEMX Rules, Options 7, Sections 7(D) (Nasdaq GEMX Open/Close End of Day Trade Profile) and 7(E) (Nasdaq GEMX Open/Close Intra-Day Trade Profile)

³⁵ See, e.g., Securities Exchange Act Release No. 94913 (May 13, 2022), 87 FR 30534 (May 19, 2022) (SR-Cboe-2022-023) (describing End of Day and Intra-Day Open-Close Data as a summary of trading activity on the exchange at the option level by origin, side of the market, price and transaction type).

³⁶ See, e.g., Securities Exchange Act Release No. 93803 (December 16, 2021, 86 FR 72647 (December 22, 2021) (SR-NYSEAMER-2021-46) (describing the NYSE Options Open-Close Volume Summary as a volume summary of trading activity on the exchange at the option level by origin, side of the market, contract volume and transaction type).

³⁷ See, e.g., Securities Exchange Act Release No. 93132 (September 27, 2021), 86 FR 54499 (October 1, 2021) (SR-NYSEArca-2021-82) (describing the NYSE Options Open-Close Volume Summary as a volume summary of trading activity on the exchange at the option level by origin, side of the market, contract volume and transaction type).

³⁸ See, e.g., Securities Exchange Act Release No. 97174 (March 21, 2023), 88 FR 18201 (March 27, 2023) (SR-BOX-2023-09) (describing the BOX exchange Open-Close Data report as providing volume by origin, buying/selling, and opening/closing criteria).

³⁹ See, e.g., Securities Exchange Act Release No. 91964 (May 21, 2021), 86 FR 28667 (May 27, 2021) (SR-PEARL-2021-24) (introducing the Open-Close Report).

quality of investment decisions, but is not necessary to execute a trade. Customers can, and do, choose to forego the information from Trade Outline or any of its competitor products when making a trade.

Nasdaq and its affiliates have observed that customers purchase sufficient data to provide a view of the market, but not more, as the value of data from each additional exchange yields diminishing returns. As a result, all exchanges are limited in what they will be able to charge for trade outline.

As the Commission and courts⁴⁰ have recognized, “[i]f competitive forces are operative, the self-interest of the exchanges themselves will work powerfully to constrain unreasonable or unfair behavior.”⁴¹ Accordingly, “the existence of significant competition provides a substantial basis for finding that the terms of an exchange’s fee proposal are equitable, fair, reasonable, and not unreasonably or unfairly discriminatory.”⁴² The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues, and also recognized that current

⁴⁰ The decision of the United States Court of Appeals for the District of Columbia Circuit in NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010) upheld the Commission’s reliance upon competitive markets to set reasonable and equitably allocated fees for market data. “In fact, the legislative history indicates that the Congress intended that the market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed and that the SEC wield its regulatory power in those situations where competition may not be sufficient, such as in the creation of a consolidated transactional reporting system.” NetCoalition I, at 535 (quoting H.R. Rep. No. 94-229, at 92 (1975), *as reprinted in* 1975 U.S.C.C.A.N. 321, 323) (internal quotation marks omitted). The court agreed with the Commission’s conclusion that “Congress intended that competitive forces should dictate the services and practices that constitute the U.S. national market system for trading equity securities.” *Id.* (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74771 (December 9, 2008) (SR-NYSEArca-2006-21)).

⁴¹ See Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770 (December 9, 2008) (SR-NYSEArca-2006-21).

⁴² See id.

regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁴³ Trade Outline is in direct competition with multiple exchanges that offer similar products in end of day and intra-day formats.⁴⁴

The license to allow the external distribution of Derived Data, like the purchase of the end of day and intra-day licenses, is also subject to competition. Any exchange that wishes to allow distribution of a Derived Data product based on options trading information would be able to do so with an immediately effective fee filing similar to this proposal.

Moreover, as explained above, the proposal is designed to promote the dissemination of a variety of analytical insights—generally used only by investment banks, market makers, asset managers and other buy-side investors—to the general investing public by creating an incentive for market data vendors to identify, develop, and sell such indicators. As such, the proposal will spur competition among not only exchanges, but vendors as well.

The discounted fees for historical data, like the purchase of the end of day, intra-day and Derived Data licenses, is also subject to competition. Any exchange that wishes to provide discounts for historical data would be able to do so with an immediately effective fee filing in response. Limiting the discount to the most recent 36 months of information for Current Distributors is reasonable because our discussions with current and past customers and experience indicate that 36 months of data is sufficient for most customer needs and is an effective baseline for review. Other market participants will continue to have access to the data

⁴³ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

⁴⁴ These substitute products include NOTO, ISE Trade Profile, GEMX Trade Profile data; open-close data from Cboe C1, C2, BZX, and EDGX; and Open Close Reports from MIAX Options, Pearl, and Emerald.

through ad-hoc requests. Because the sale of historical data is subject to competition, other trading venues are free to formulate different discounts.

Comparability of Proposed Fees

The proposed fees are comparable to the fees charged by similarly situated exchanges.

As explained above, the value of Trade Outline is determined in part by the number of underlying transactions reflected in the data. The Nasdaq Options Market has a market share comparable to MIAX Pearl, BOX Exchange and Cboe BZX, at approximately 5% to 6% during the second quarter of 2024.⁴⁵ For intra-day products, fees range from \$1,500 to \$2,000 for these exchanges. MIAX Pearl charges \$2,000,⁴⁶ BOX Exchange charges \$1,500,⁴⁷ and Cboe BZX charges \$1,500.⁴⁸ The proposed fee of \$2,000 per month for NOTO Intra-Day data is comparable to that of its competitors.

For End of day products, fees range from \$500 to \$600 for comparable exchanges. MIAX Pearl charges \$600,⁴⁹ BOX Exchange charges \$500,⁵⁰ and Cboe BZX charges \$500.⁵¹ The proposed fee of \$575 for NOTO Intra-Day data is comparable to that of its competitors.

⁴⁵ See NasdaqTrader.com, “Options Market Statistics,” available at <https://www.nasdaqtrader.com/Trader.aspx?id=OptionsVolumeSummary>.

⁴⁶ See MIAX Options Exchange, “Fee Schedule as of April 23, 2024,” available at https://www.miaxglobal.com/sites/default/files/fee_schedule-files/MIAX_Options_Fee_Schedule_04232024.pdf.

⁴⁷ See BOX Exchange, “Fee Schedule as of June 18, 2024,” available at <https://boxexchange.com/assets/BOX-Fee-Schedule-as-of-June-18-2024.pdf>.

⁴⁸ See Cboe DataShop, “Cboe Open-Close Volume Summary,” available at <https://datashop.cboe.com/cboe-options-open-close-volume-summary>.

⁴⁹ See MIAX Pearl Options Exchange, “Fee Schedule as of April 15, 2024,” available at https://www.miaxglobal.com/sites/default/files/fee_schedule-files/MIAX_Pearl_Options_Fee_Schedule_04152024.pdf.

⁵⁰ BOX Exchange, “Fee Schedule as of June 18, 2024,” available at <https://boxexchange.com/assets/BOX-Fee-Schedule-as-of-June-18-2024.pdf>

⁵¹ See Cboe DataShop, “Cboe Open-Close Volume Summary,” available at <https://datashop.cboe.com/cboe-options-open-close-volume-summary>

These fees also reflect the increasing value of the Trade Outline product over time. The number of transactions executed on options exchanges has increased significantly over that time, while fees for Trade Outline have remained unchanged in nominal terms.⁵²

Nasdaq is not aware of another exchange that provides a similar discount for historical data other than its own affiliates. The Phlx exchange, which is affiliated with Nasdaq, offers the most recent 36 months of historical End of Day data to Current Distributors for \$6,000, and the most recent 36 months of Intraday data for \$12,000. The proposed Nasdaq Options Market fees of \$3,000 for 36 months of historical End of Day data and \$6,000 for 36 months of Intraday data are reasonable in comparison to Phlx because Nasdaq Options Market has a much lower market share (approximately 9% for Phlx and about 6% for Nasdaq Options Market).

If the Exchange is incorrect in its assessment of the marketplace, current and prospective customers will elect not to purchase Trade Outline.

As noted above, clarifying the definition of Current Distributor will not change fees, and therefore will not impact the equitable allocation of reasonable dues, fees and other charges.

The Proposal Does Not Permit Unfair Discrimination

Nothing in the proposal treats any category of market participant any differently from any other category of market participant. On the contrary, the proposal expands distribution of Trade Outline information beyond investment banks, market makers, asset managers and other buy-side investors to market data vendors and the general investing public. Allowing the distribution of Derived Data to the general investing public will broaden the availability of such information while not treating any current recipients of the product differently in any way. The new fee

⁵² See Securities Exchange Act Release No. 65836 (November 28, 2011), 76 FR 75593 (December 2, 2011) (SR-Nasdaq-2011-153) (establishing fees for Nasdaq Options Trade Outline).

structure, which modifies fees to reflect current market value and offers historical data at a discount, applies equally to all current and potential distributors.

Trade Outline is available to all market participants, including members and non-members, and all market participants receive the same information in the Trade Outline data feed.

With respect to the specific fee changes, it is reasonable and not unfair discrimination to charge an external distributor of Derived Data a \$4,000 licensing fee. Vendors will ordinarily charge a fee to their downstream customers for this service, and, even if the vendor is not charging a specific fee for this service, Derived Data products from the Exchange will be part of a suite of offerings that generally promote sales. External distribution is fundamentally different than internal use, in that the former generates revenue from external sales while the latter does not. It is not unfair discrimination to charge a licensing fee for a product that generates downstream revenue.

Nor is it unfair discrimination to allow the redistribution of Derived Data, but not the underlying information, to the general investing public. As explained above, neither exchanges nor vendors ordinarily allow redistribution of analytic products—such products are typically designed solely for the use of direct customers, not for redistribution in the manner of a data feed. Allowing the redistribution of Derived Data provides an incentive for vendors to innovate with new compelling and varied analytic products for the general investing public that will provide access to market sentiment insights currently available only to sophisticated investors. This proposal is therefore not unfair discrimination, but rather allows for greater access to market sentiment information for the general investing public.

It is also not unfair discrimination to provide a discount for 36 months of historical data to Current Distributors, but not former distributors or firms that have never purchased the product. Any firm would be able to become a Current Distributor at any time by subscribing to Trade Outline, and would be able to cancel the subscription at any time after receiving the 36 months of historical data for the proposed discounted fee. More specifically, a firm that is not a Current Distributor may obtain access to the 36 months of historical data at a discount by becoming a Current Distributor for a limited time and then terminating the subscription.

It is not unfair discrimination to limit the historical data discount to Current Distributors. Historical information is generally used by Current Distributors to test their strategies and trading models, and Current Distributors are therefore in the best position to benefit from the historical data. Outside of the 36 month period, all firms will have the opportunity to purchase historical data on an ad hoc basis. As noted, ad-hoc requests for historical data will be at the proposed current rates of \$575 per month for End of Day data and \$2,000 per month for Intra-Day data.

For all of these reasons, the proposal does not permit unfair discrimination.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are

free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Adding the definition of Nasdaq Options Trade Outline will promote competition by helping investors make better informed decisions about NOTO. Nothing about the addition of a definition will impact inter-market competition or intra-market competition negatively.

Intermarket Competition

Nothing in the proposal burdens inter-market competition (the competition among self-regulatory organizations).

As discussed above, Trade Outline is subject to direct competition from other options exchanges that offer substitutes. Any of these exchanges can replicate this proposal in full or in part, and nothing in the proposal would interfere with the ability of any exchange to do so.

Intra-market Competition

Nothing in the proposal burdens intra-market competition (the competition among consumers of exchange data). Trade Outline is available to any customer under the same fee schedule as any other customer, and any market participant that wishes to purchase these products can do so on a non-discriminatory basis. Indeed, the proposal will foster competition by expanding dissemination of data to vendors and the general investing public, and by encouraging more market participants to use Trade Outline data to help inform their investments strategies and analytic models.

Offering the 36 months of historical data to Current Distributors, but not former distributors or firms that have never purchased the product, will not burden competition because non-subscribers are free to purchase a current subscription. Moreover, a firm that is not a

Current Distributor may become a Current Distributor and then cancel the product after receiving the historical discount. As such, firms that are not Current Distributors will have an opportunity to pay the same fees for the most recent 36 months of historical data as Current Distributors. Outside of the 36 month period, all firms will have the opportunity to purchase historical data on an ad hoc basis.

Adding language to clarify the definition of Current Distributor will not change fees, and will promote competition by better informing investors.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁵³ and Rule 19b-4(f)(6)⁵⁴ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)⁵⁵ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-

⁵³ 15 U.S.C. 78s(b)(3)(A).

⁵⁴ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

⁵⁵ 17 CFR 240.19b-4(f)(6).

4(f)(6)(iii),⁵⁶ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange states that adding the definition of Nasdaq Options Trade Profile will provide additional clarity and specificity to the Nasdaq rulebook, and nothing in the clarification changes the product or the way it functions, but rather describes the product exactly as it exists today. The Exchange also states that the fees included in this filing have been in effect since July 1, 2024, and waiver of the operative delay will allow application of those fees to continue uninterrupted. For these reasons, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.⁵⁷

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

⁵⁶ 17 CFR 240.19b-4(f)(6)(iii).

⁵⁷ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NASDAQ-2024-055 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-2024-055. This file number should be included on the subject line if email 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 website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office

of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NASDAQ-2024-055 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁸

Vanessa A. Countryman,

Secretary.

⁵⁸ 17 CFR 200.30-3(a)(12).