SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83623; File No. SR-NASDAQ-2018-051)

July 12, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend The Nasdaq Options Market LLC ("NOM") Rules and Adopt a Zero Bid Options Rule

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 June 29, 2018, 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 amend The Nasdaq Options Market LLC ("NOM") Rules at Chapter V, Section 3, entitled "Trading Halts" and Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders."

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 Exchange proposes to amend Chapter V, Section 3, entitled "Trading Halts" to remove unnecessary rule text. The Exchange proposes to amend NOM Rules to adopt a zero bid options rule at Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders." The Exchange proposes to adopt a zero bid options rule on NOM within Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders" and remove rule text which the Exchange believes is unnecessary. Each proposal is described in more detail below.

Chapter V, Section 3

The Exchange proposes to amend Chapter V, Section 3(b), which currently provides, "In the event Nasdaq Regulation determines to halt trading, all trading in the effected class or classes of options shall be halted. NOM shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors." The Exchange proposes to remove the words "such class or" because the Exchange only disseminates over OPRA a symbol with respect to classes of options to indicate a trading halt. By amending this rule, the Exchange will add more transparency as to how it disseminates information regarding trading halts.

Chapter VI, Section 6

Today, the Exchange does not have a rule for the handling of options with no bid or zero bid options. The Exchange's handling of zero bid options on NOM is identical to the manner in which zero bid is handled on Phlx.[3] The Exchange proposes to add this new rule to Chapter VI, Section 6(a)(3). The new rule would provide, "In the case where the bid price for any options contract is $0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5."

The Exchange intends to accept and convert market orders to sell allowing them an equal opportunity to trade if interest should arrive in the case of a no bid option. The Exchange notes that the orders would rest on the Order Book at the minimum price increment. The Exchange notes market orders "accepted into the System" would be converted to account for market orders that may not be accepted into the System due to Limit Up-Limit Down restrictions, which may prevent the market order from being accepted.[4] Only after acceptance into the System will market orders be treated as a sell limit order at a price equal to the minimum trading increment.

Further, the Exchange proposes to add rule text which provides "Orders will be placed on the limit order book in the order in which they were received by the System."[5] The Exchange proposes to note that with respect to market orders to sell in zero bid options, which are

---

3 See Phlx Rule 1035.

4 The Limit Up-Limit Down requirements must be met first before the proposed rule would apply.

5 The time of receipt for an order is the time such message is processed by the System.

submitted prior to the Opening Process[6] and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.[7] The Exchange's proposed rule will provide market participants with greater insight into the handling of orders where there is a zero bid. The Exchange believes that this proposed amendment will accurately describe the manner in which a zero-bid options series operates within the System both before and after the Opening Process.

The Exchange also proposes to amend Chapter VI, Section 6(b) which currently states, "All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Section 11 below. Routing shall be available in System securities as well as Non-System securities listed on other exchanges." The Exchange proposes to remove "Routing shall be available in System securities as well as Non-System securities listed on other exchanges." The Exchange defines "System Securities" at Chapter VI, Section 1(b) of the NOM Rules and defines "Non-System Securities" as all other options. Nasdaq originally programmed the System to differentiate between System Securities and Non-System Securities.[8] Nasdaq stated in that filing it would accept orders in

---

6 The Exchange's Opening Process is described in Rule 701.

7 Chapter VI, Section 5, entitled "Minimum Increments" provides for the minimum increments of trading.

8 Securities Exchange Act Release No. 57478 (March 12, 2008), 73 FR 14521 (March 18, 208) (SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080) (Notice of Filing of Amendment No. 2 to a Proposed Rule Change and Order Granting Accelerated Approval to a Proposed Rule Change, as Amended, To Establish Rules Governing the Trading of Options on the NASDAQ Options Market; Order Approving a Proposed Rule Change Relating to the LLC Agreement Establishing the NASDAQ Options Market LLC and Delegation Agreement Delegating to NOM LLC the Authority To Operate the NASDAQ Options Market; Order Granting an Application of The NASDAQ Stock Market LLC for an Exemption Pursuant to Section 36(a) of the Exchange Act from the Requirements of Section 19(b) of the Exchange Act; and Order Granting an Exemption for the NASDAQ Options Market LLC from Section 11A(b) of the Exchange Act.)

Non-System Securities for routing but will not execute these orders in the System.[9] In 2012, NOM's rule were amended to provide that routing is limited to System Securities. System Securities are all options that are currently trading on NOM pursuant to Chapter IV.[10] Further, the Subsequent Filing provided that only System Securities are traded on NOM pursuant to Chapter IV. All other options are Non-System Securities.[11] The Subsequent filing noted that at one time, NOM offered routing of Non-System Securities but has not offered such routing since November 30, 2011. Finally, the Subsequent Filing noted that this routing feature was rarely used and was discontinued. Currently, NOM only routes securities that are listed on NOM. The Exchange proposes to remove this sentence related to routing which the Exchange believes should have been removed in connection with the Subsequent Filing.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

Chapter V, Section 3

The Exchange is providing greater transparency as to the manner in which the Exchange disseminates information over OPRA during a trading halt. The Exchange believes that this rule

---

9 Id.

10 Securities Exchange Act Release No. 67301 (June 28, 2012), 77 FR 39774 (July 5, 2012) (SR-Nasdaq-2012-077) ("Subsequent Filing").

11 Id.

12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

text is consistent with the Act and the protection of investors and the public interest because it brings greater clarity as to what type of information is provided during a halt.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid rule is consistent with the Act and designed to promote just and equitable principles of trade and to protect investors and the public interest by adopting text which describes the handling of zero-bid options. The Exchange is treating all market orders to sell in zero bid options in the same fashion by converting all those orders, provided that the Exchange's disseminated bid price in such option is zero for an option listed only on the Exchange or, for an option listed on multiple exchanges and the disseminated NBBO includes a bid price of zero in the series. Market orders to sell in zero bid options will be placed on the limit order book in the order in which they were received by the System. The Exchange desires to prevent members from submitting market orders to sell in no bid series, which would execute at a price of $0.00. The Exchange believes that the proposed rule will achieve this objective and continue to permit the Exchange to execute orders within its System at prices that reflect some value. Adding rule text regarding market orders to sell in zero bid options submitted prior to the Opening Process and persisting after the Opening Process is consistent with the Act because it provides more transparency as to the operation of this rule and as to how those market orders to sell in zero bid options will be handled by the System. Further, the Exchange believes that memorializing its current practice within the rule text will bring more clarity to the manner in which the zero bid rule operates to the benefits of all market participants.

Finally, the Exchange believes removing language concerning Non-System Securities in Chapter VI, Section 6(b) is consistent with the Act because it avoids confusion by removing language which should have been removed with the 2006 filing which distinguished System and

Non-System Securities. The language discusses a distinction which was removed from the rules in 2012.[14]

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

In accordance with Section 6(b)(8) of the Act,[15] the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Chapter V, Section 3

The Exchange's proposal to amend Chapter V, Section 3(b) to more specifically describe the information disseminated during a trading halt do not impose an undue burden on competition because the amendments add more transparency to the trading halt rule.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid options rule does not impose an undue burden on competition because the proposed rule change will continue to apply uniformly for all market participants who enter market orders to sell into the System when there is a zero-bid options.

Finally, the removal of language concerning Non-System Securities in Chapter VI, Section 6(b) does not impose an undue burden on competition because this language references an obsolete functionality in the rulebook that was removed from the rules in 2012.[16]

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.

---

14 See note 10 above.

15 15 U.S.C. 78f(b)(8).

16 See note 10 above.

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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[17] and Rule 19b-4(f)(6) thereunder.[18]

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[19] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)[20] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange states that waiver of the operative delay would allow the Exchange to update its rules to immediately reflect the operation of zero bid series on NOM. Therefore, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.[21]

---

17 15 U.S.C. 78s(b)(3)(A).

18 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) 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.

19 17 CFR 240.19b-4(f)(6).

20 17 CFR 240.19b-4(f)(6)(iii).

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

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 change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2018-051 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-2018-051. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2018-051, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[22]

Eduardo A. Aleman
Assistant Secretary

[22] 17 CFR 200.30-3(a)(12).