



Kevin Kennedy
Senior Vice President
North American Markets

July 10, 2020

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

Re: SR-Cboe-2020-055

Dear Ms. Countryman:

The Nasdaq Stock Market LLC, Nasdaq PHLX LLC (“Phlx”), Nasdaq BX, Inc. (“BX”), Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”), and Nasdaq MRX, LLC (“MRX”) options markets (collectively “Nasdaq”) respectfully submit this comment in response to Cboe Exchange, Inc.’s (“Cboe”) proposal¹ to adopt a virtual trading floor. Nasdaq supports Cboe’s proposal for a virtual trading floor as a business continuity plan (“BCP”), in light of the impact of COVID-19. Nasdaq agrees with Cboe that certain aspects of open outcry trading, particularly the ability for persons to negotiate pricing and to facilitate executions of larger orders in a trading crowd as well as the handling of high-risk and complicated strategies, are not easily replicated in electronic markets. Nasdaq has also been exploring other alternatives to permit open outcry trading in the event of an extended closure related to COVID-19 or potentially a second closure later in 2020, including virtual trading. Nasdaq’s comments regarding the proposal are limited to: (1) the manner in which trading would occur in an options class; (2) liquidity during virtual trading; and (3) access.

Single Options Class

As proposed, Cboe would permit a “virtual trading floor” in one or more option classes if the physical trading floor is inoperable, or if the physical trading floor is operating in a modified state. Nasdaq believes that allowing an options class to trade in both environments simultaneously (a physical trading floor and a virtual trading crowd) invites complications. Nasdaq believes each class of options should be traded in one environment or the other but not both. Because each environment is different, a physical presence on a trading floor and communicating solely through a communication program, there is potential for technology glitches which could result in the exclusion of participants from trades or miscommunications on trades. Participants would not necessarily have equal footing when participating in transactions, because of the communication differences afforded by these models. Virtual technology is well-developed and gaining increased transaction, but it remains unclear whether and how to blend virtual technology and physical participation to protect all participants equally. Nasdaq believes that limiting an options class to a

¹ See Securities Exchange Act Release No. 89131 (June 23, 2020), 85 FR 38951 (June 29, 2020) (SR-CBOE-2020-055).

single location would eliminate the possibility that a member participating virtually is disadvantaged.

Liquidity

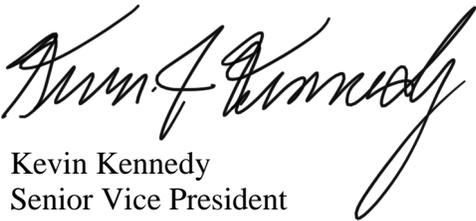
With respect to virtual trading, there is a greater possibility that liquidity may not be present in such an environment as compared to the trading floor environment. Fewer members may elect the virtual model as compared to physical presence on the trading floor. If Cboe were to require the presence of a minimum number of market makers in a virtual trading environment, this would ensure liquidity is present in the virtual trading environment.

Access

Finally, as this proposal is part of a BCP, Nasdaq believes it would be useful for market participants to understand more clearly whether Cboe's proposal would be limited to current members on Cboe's floor at the time the BCP is enacted or whether the proposal is intended to permit Cboe members who trade electronically or new members to apply to participate in a virtual trading. Cboe's proposal states that access would be limited to persons Cboe authorizes, but it is unclear whether any authorized person or entity that applies for membership would be eligible to participate in the virtual crowd, provided they complied with Cboe's membership requirements.

Nasdaq appreciates the opportunity to comment on Cboe's proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Kennedy". The signature is written in a cursive style with a long, sweeping tail on the last letter.

Kevin Kennedy
Senior Vice President
North American Markets