SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103174; File No. SR-NASDAQ-2025-041]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Remove the Cabinet Proximity Option Program

June 3, 2025.

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 May 21, 2025, 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 remove the Cabinet Proximity Option program and to amend Nasdaq Rule General 8, Section 1(d) accordingly, as described further below.

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

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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

In 2010, Nasdaq established the Cabinet Proximity Option program (the "Program") where, for a monthly fee, customers can obtain an option for future use on available currently-unused cabinet floor space in proximity to their existing equipment.[3] The Exchange offers reservations for low, medium, medium/high, high density cabinets and cabinets with power density greater than 10kW under the Program.[4] Additionally, customers can reserve up to maximum of 20 cabinets which the Exchange endeavors to provide as close as reasonably possible to the customer's existing cabinet space, taking into consideration power availability within segments of the data center and the overall efficiency of use of data center resources as determined by the Exchange. The Program does not guarantee that reserved cabinets will be located in close proximity to a customer's current cabinets. If the reserving customer opts to

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3 See Securities Exchange Act Release No. 34-62397 (June 28, 2010), 75 FR 38860 (July 6, 2010) (SR–NASDAQ–2010–019).

4 See General 8, Section 1(d). Low density cabinets are cabinets with power densities less than or equal to 2.88 kilowatts ("kW"). Medium density cabinets are cabinets with power densities greater than 2.88 kW and less than or equal to 5 kW. Medium/High density cabinets are cabinets with power densities greater than 5 kW and less than or equal to 7 kW. High density cabinets are cabinets with power densities greater than 7 kW and less than 10 kW. See General 8, Section 1(a).

exercise its reserved data center space, the reserving customer has three business days from the time of the request to formally contract with the Exchange for full payment for the reserved cabinet space in contention or the cabinet space will be reassigned.[5] While the customer determines when to exercise a reservation, in limited circumstances, the Exchange could require a customer to exercise a reservation. In making determinations to require exercise or relinquishment of reserved space as among numerous customers, the Exchange takes into consideration several factors, including: proximity between available reserved cabinet space and the existing space of a customer seeking additional space for actual cabinet usage; a customer's ratio of cabinets in use to those reserved; the length of time that a particular reservation(s) has been in place; and any other factor that the Exchange deems relevant to ensure overall efficiency in use of the data center space.

The Exchange offers the Cabinet Proximity Option program as a convenience to customers. No firms are required to reserve cabinets via the Program and it is only for those customers that choose to co-locate directly with the Exchange. Participants can avoid reserving cabinets under this program (and the related fee) by (1) co-locating but not reserving space in advance of needing it; (2) ordering cabinet space immediately and paying cabinet fees (without reserving in advance); (3) collocating indirectly through a vendor to defray costs; or (4) not collocating at all.

In response to demand for additional power and cabinets, in September 2024, the Exchange expanded its co-location services by expanding its current data center ("NY11") to offer power and power distribution unit options in the new wing of the Exchange's expanded

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5 Since the inception of the Program, the Exchange has automated this process to enable immediate processing of a customer's reservation, without the 3-day wait.

data center ("NY11-4") in Carteret, NJ. NY11-4 is being constructed with additional cabinet power options that are more consistent with power options used in other data centers across the globe. In addition to equalized connectivity in NY11-4, the Exchange is undergoing an equalization across its entire data center campus, including its existing NY11 facility ("Equalization Project").[6]

Historically, customers utilized the Program to ensure they could obtain additional cabinet floor space in proximity to their existing equipment. The Program offers customers the option to reserve up to 20 cabinets and exercise the reservation at any time, without the Exchange's ability to deny or delay the reservation request and irrespective of the Exchange's capacity to honor the reservation. With the expansion of NY11-4, and equalization of client connections within and among NY11 and NY11-4, the Exchange believes that it is more efficient to remove the reservation system so that it can better allocate cabinet space for immediate use. Therefore, in an ongoing effort to optimize power management and cabinet space, the Exchange is proposing to retire the Cabinet Proximity Option program. Elimination of the Program will enable the Exchange to only accept immediate orders and unilaterally determine where to place the customer's cabinet, allowing the Exchange to more effectively manage its capacity planning process while undergoing its data center expansion. Similar to the current Program, the Exchange will not guarantee that cabinets will be located in close proximity to each other. Customers with current cabinet reservations will be given the option to cancel the reservation or convert their reservation to a power order in NY11-4, where the Exchange currently has more

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[6] The Equalization Project is an ambitious project to equalize telco connectivity across the Exchange's entire data center campus, including retrofitting equalized cabling and replacing the infrastructure with equidistant connectivity throughout its existing NY11 facility and the NY11-4 expansion. The Exchange estimates that the Project will require 18-24 months to complete, commencing as of the launch of NY11-4. Securities Exchange Act Release No. 34-101078 (Sept. 18, 2024), 89 FR 77937 (Sept. 24, 2024) (SR-NASDAQ-2024-054) (Proposal to expand co-location services).

power options. If a customer does not choose either option before the deadline, the customer will forego the option to exercise and all open reservations will be cancelled.[7]

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[8] in general, and furthers the objectives of Section 6(b)(5) of the Act,[9] 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. For many years, customers have been able to reserve additional space in NY11 through the Cabinet Proximity program. Expanding the data center has allowed the Exchange to offer additional cabinet and power options. However, the Exchange does not have an unlimited supply of power and therefore, must manage its power allocation. As a result, in an effort to appropriately administer its power allocation, it is reasonable for the Exchange not to want to provide unlimited reservations with no expiration date, that can be exercised at any time and to want to eliminate the Program now that NY11-4 is available and the Equalization Project is underway, which will ensure that proximity and length of connections will be the same in NY11 and NY11-4.

The proposal would remove impediments and benefit the public interest by enabling the Exchange to have more control over its capacity planning and to efficiently manage the space and power in its data center, thereby ensuring that customers will have sufficient cabinet space when they need it. Customers who have utilized the Program pay for their reserved cabinet

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7 The Exchange notified its customers and provided May 2 as their deadline to notify the Exchange of whether they would exercise or cancel their existing reservation.

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

9 15 U.S.C. 78f(b)(5).

spaces in arrears on a month-to-month basis and have not been billed for reservations beyond April 30, 2025. Therefore, customers will have paid for a reservation up to the time of retirement of the Program and no customer is in danger of not receiving a reservation space that they have already paid for. As discussed above, customers with existing cabinet reservations will be given the option to cancel or convert their reservation.

The Exchange also believes that the proposal will not be unfairly discriminatory, consistent with the objectives of Section 6(b)(5) of the Act[10] because the Exchange is terminating the Program for all customers and all customers will continue to maintain the right to request cabinet space for immediate use.

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. Nothing in the proposal imposes any burden on the ability of other exchanges to compete. The Exchange operates in a highly competitive market in which exchanges and other vendors offer co-location services as a means to facilitate the trading and other market activities of those market participants who believe that colocation enhances the efficiency of their operations. By eliminating cabinet reservations, the Exchange would align itself with other exchanges that do not offer a similar program.[11] Additionally, there is no burden to intra-market competition because the program is being terminated for all customers and the Exchange has provided all customers the option to cancel the reservation or convert their reservation to a power order in

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[10] 15 U.S.C. 78f(b)(5).

[11] See e.g., Connectivity Fee Schedule for New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc. and NYSE Texas, Inc., available at https://www.nyse.com/publicdocs/nyse/Wireless_Connectivity_Fees_and_Charges.pdf. These exchanges do not offer a cabinet reservation program.

NY11-4 on a non-discriminatory basis. Use of any co-location service is completely voluntary, and each market participant can determine whether to use co-location services based on the requirements of its business operations

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[12] and Rule 19b-4(f)(6) thereunder.[13] Because the 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)(iii) of the Act[14] and Rule 19b-4(f)(6)[15] thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) under the Act[16] normally does not become operative prior to 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii),[17] 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. The Exchange states that waiver of the operative delay will

12 15 U.S.C. 78s(b)(3)(A)(iii).

13 17 CFR 240.19b-4(f)(6).

14 15 U.S.C. 78s(b)(3)(A)(iii).

15 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 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.

16 17 CFR 240.19b-4(f)(6).

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

allow the Exchange to end the Cabinet Proximity Option program on the date of this filing without affecting any customers because the Exchange has already provided its customers with notice of the program's termination and an opportunity to exercise their existing reservation(s) by May 2, 2025, and no customers have been billed for reservations beyond April 30, 2025. Additionally, the Exchange states that termination of this program does not preclude customers from ordering cabinet space immediately and paying cabinet fees. Because the program ended on May 2, 2025, the Exchange provided its customers with notice of the program's termination and an opportunity to exercise their reservations before the termination date, and no customers were billed for reservations beyond the termination date, the Commission believes the waiver of the operative delay is consistent with the protection of investors and the public interest because it removes from the rulebook a program that is no longer in effect, reducing the potential for confusion that could otherwise be present. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.[18]

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.

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[18] For purposes only of waiving the 30-day operative delay, the Commission has also 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-2025-041 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-2025-041. 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-2025-041 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.[19]

Stephanie J. Fouse,

Assistant Secretary.

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[19] 17 CFR 200.30-3(a)(12), (59).