

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82013; File No. SR-NASDAQ-2017-074)

November 3, 2017

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Amendment No. 2 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, to Adopt the Midpoint Extended Life Order

I. Introduction

On July 21, 2017, The Nasdaq Stock Market LLC (“Exchange” or “Nasdaq”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt the Midpoint Extended Life Order (“MELO”). The proposed rule change was published for comment in the Federal Register on August 9, 2017.³ On August 9, 2017, the Exchange filed Amendment No. 1 to the proposed rule change.⁴ On September 21, 2017, pursuant to Section 19(b)(2) of the Act,⁵ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.⁶ The Commission has received

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 81311 (August 3, 2017), 82 FR 37248 (“Notice”).

⁴ In Amendment No. 1, the Exchange updated the proposal to reflect the approval of the proposal by the Exchange’s Board of Directors on July 21, 2017. Amendment No. 1 is available at <https://www.sec.gov/comments/sr-nasdaq-2017-074/nasdaq2017074.htm>. Because Amendment No. 1 is a technical amendment that does not alter the substance of the proposed rule change, it is not subject to notice and comment.

⁵ 15 U.S.C. 78s(b)(2).

⁶ See Securities Exchange Act Release No. 81668, 82 FR 45095 (September 27, 2017). The Commission designated November 7, 2017 as the date by which the Commission

three comment letters on the proposal.⁷ On October 30, 2017, the Exchange filed Amendment No. 2 to the proposed rule change.⁸ The Commission is publishing this notice and order to solicit comments on the proposed rule change, as modified by Amendment Nos. 1 and 2, from interested persons and to institute proceedings pursuant to Section 19(b)(2)(B) of the Act⁹ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment Nos. 1 and 2.

II. Description of the Proposal

The Exchange proposed to offer the MELO order type. A MELO would be a non-displayed order priced at the midpoint between the National Best Bid and Offer (“NBBO”) and would not be eligible to execute until a minimum period of one half of a second (“Holding Period”) has passed after acceptance of the order by the system.¹⁰ Once eligible to trade, MELOs would be ranked in time priority at the NBBO midpoint among other MELOs.¹¹ If a limit price is assigned to a MELO, the order would be: (1) eligible for execution in time priority

shall approve or disapprove, or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

⁷ See Letters to Brent J. Fields, Secretary, Commission, from Stephen John Berger, Managing Director, Government & Regulatory Policy, Citadel Securities, dated August 30, 2017 (“Citadel Letter”); Ray Ross, Chief Technology Officer, The Clearpool Group, dated September 12, 2017 (“Clearpool Letter”); and Joanna Mallers, Secretary, FIA Principal Traders Group, dated September 19, 2017 (“FIA PTG Letter”).

⁸ In Amendment No. 2, the Exchange: (1) modified the proposal to prevent MELOs from trading when better-priced non-displayed orders rest on the Nasdaq book; (2) provided additional description, clarification, and rationale for certain aspects of the proposal; and (3) responded to several concerns raised by commenters on the proposal. Amendment No. 2 is available at <https://www.sec.gov/comments/sr-nasdaq-2017-074/nasdaq2017074.htm>.

⁹ 15 U.S.C. 78s(b)(2)(B).

¹⁰ See proposed Nasdaq Rule 4702(b)(14)(A).

¹¹ See id.

if upon acceptance of the order by the system, the midpoint price is within the limit set by the participant; or (2) held until the midpoint falls within the limit set by the participant, at which time the Holding Period would commence and thereafter the system would make the order eligible for execution in time priority.¹²

If a MELO is modified by a member (other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt) during the Holding Period, the system would restart the Holding Period.¹³ Similarly, if a MELO is modified by a member (other than to decrease the size of the order or to modify the marking of a sell order as long, short, or short exempt) after it has become eligible to execute, the order would have to satisfy a new Holding Period.¹⁴

Movements in the NBBO while a MELO is in the Holding Period would not reset the Holding Period, even if, as a result of the NBBO move, the MELO's limit price is less aggressive than the NBBO midpoint.¹⁵ Also, if a MELO has met the Holding Period, but the NBBO midpoint is no longer within its limit, it would nonetheless be ranked in time priority among other MELOs if the NBBO later moves such that the midpoint is within the order's limit price (i.e., no new Holding Period).¹⁶

¹² See id.

¹³ See id. The Exchange noted that any change to a MELO that would result in a change in the order's timestamp would result in the MELO being considered altered, and thus the order would be subject to a new Holding Period before being eligible to trade and its priority would be based on the new timestamp. See Amendment No. 2 at n.16.

¹⁴ See proposed Nasdaq Rule 4702(b)(14)(A).

¹⁵ See Amendment No. 2 at n.11.

¹⁶ See proposed Nasdaq Rule 4702(b)(14)(A); Amendment No. 2 at n.15.

MELOs may be entered via any of the Exchange’s communications protocols and the type of communications protocol used would not affect how the system handles MELOs.¹⁷ If there is no NBB or NBO, the Exchange would accept MELOs but would not allow MELO executions until there is an NBBO.¹⁸ MELOs would be eligible to trade if the NBBO is locked.¹⁹ If the NBBO is crossed, MELOs would be held by the system until such time that the NBBO is no longer crossed, at which time they would be eligible to trade.²⁰ MELOs may be cancelled at any time, including during the Holding Period.²¹

MELOs would be active only during Market Hours.²² MELOs entered during Pre-Market Hours would be held by the system in time priority until Market Hours.²³ MELOs entered during Post-Market Hours would not be accepted by the system, and MELOs remaining

¹⁷ See Amendment No. 2 at n.10.

¹⁸ See id. at 12. If there is no NBB or NBO upon entry of a MELO, the system would hold the order in time priority, together with any other MELOs received while there is no NBB or NBO. See id. Once there is an NBBO, the Holding Period would begin for the held MELOs based on time priority. See id.

¹⁹ See id. at 12-13.

²⁰ See id. at 13.

²¹ See proposed Nasdaq Rule 4702(b)(14)(A).

²² See proposed Nasdaq Rule 4702(b)(14)(B). Market Hours begin after the completion of the Nasdaq Opening Cross (or at 9:30 a.m. ET in the case of a security for which no Nasdaq Opening Cross occurs). See Nasdaq Rule 4703(a).

²³ See proposed Nasdaq Rule 4702(b)(14)(B). “Pre-Market Hours” means the period of time beginning at 4:00 a.m. ET and ending immediately prior to the commencement of Market Hours. See Nasdaq Rule 4701(g). A MELO entered during Pre-Market Hours would be held by the system until the completion of the Opening Cross (or 9:30 a.m. ET if no Opening Cross occurs), ranked in the time that it was received by the Nasdaq book upon satisfaction of the Holding Period. See Amendment No. 2 at 11-12.

unexecuted after 4:00 p.m. ET would be cancelled by the system.²⁴ MELOs would not be eligible for the Nasdaq opening, halt, and closing crosses.²⁵

MELOs must be entered with a size of at least one round lot, and any shares of a MELO remaining after an execution that are less than one round lot would be cancelled.²⁶ MELOs may have a minimum quantity order attribute.²⁷ MELOs may not be designated with a time-in-force of immediate or cancel (“IOC”) and are ineligible for routing.²⁸ They also may not have the discretion, reserve size, attribution, intermarket sweep order, display, or trade now order attributes.²⁹

Once a MELO becomes eligible to execute by existing unchanged for the Holding Period, the MELO may only execute against other eligible MELOs.³⁰ MELOs would not execute if there is a resting non-displayed order priced more aggressively than the NBBO midpoint, and they instead would be held until the resting non-displayed order is no longer on the Nasdaq book or the NBBO midpoint matches the price of the resting non-displayed order.³¹ MELO

²⁴ See proposed Nasdaq Rule 4702(b)(14)(B). “Post-Market Hours” means the period of time beginning immediately after the end of Market Hours and ending at 8:00 p.m. ET. See Nasdaq Rule 4701(g)

²⁵ See proposed Nasdaq Rule 4703(l); Amendment No. 2 at 12. MELOs in existence at the time a halt is initiated would be ineligible to execute and held by the system until trading has resumed and the NBBO has been received by Nasdaq. See proposed Nasdaq Rule 4702(b)(14)(A).

²⁶ See proposed Nasdaq Rule 4702(b)(14)(B).

²⁷ See id.

²⁸ See id.; see also Amendment No. 2 at 11 and 13.

²⁹ See Amendment No. 2 at 13-14.

³⁰ See proposed Nasdaq Rule 4702(b)(14)(A).

³¹ See id.; see also Amendment No. 2 at 9.

executions would be reported to Securities Information Processors and provided to Nasdaq's proprietary data feeds without any new or special indication.³²

As proposed, MELOs would be subject to real-time surveillance to determine if the order type is being abused by market participants.³³ In addition, the Exchange intends to implement a process, at the same time as the implementation of MELOs, to monitor the use of MELOs with the intent to apply additional measures, as necessary, to ensure their usage is appropriately tied to the intent of the order type.³⁴ The Exchange stated that this process may include metrics tied to participant behavior, such as the percentage of MELOs that are cancelled prior to the completion of the Holding Period, the average duration of MELOs, and the percentage of MELOs where the NBBO midpoint is within the limit price when received.³⁵ The Exchange stated that it is committed to determining whether there is opportunity or prevalence of behavior that is inconsistent with normal risk management behavior.³⁶ According to the Exchange, manipulative abuse is subject to potential disciplinary action under the Exchange's rules, and other behavior that is not necessarily manipulative but nonetheless frustrates the purposes of the MELO order type may be subject to penalties or other participant requirements to discourage such behavior, should it occur.³⁷

³² See Amendment No. 2 at 15.

³³ See id. at 22.

³⁴ See id.

³⁵ See id.

³⁶ See id. at 22-23.

³⁷ See id. at 23.

The Exchange stated that it plans to implement MELO within thirty days after Commission approval of the proposal.³⁸ The Exchange would make MELOs available to all members and to all securities upon implementation, and would announce the implementation date by Equity Trader Alert.³⁹

III. Summary of Comments and the Exchange's Response

The Commission received one comment letter that expressed support for the proposal⁴⁰ and two comment letters that expressed concerns about the proposal.⁴¹

One commenter stated its belief that MELOs could provide a valuable tool for investors, and particularly institutional investors, seeking to execute in large size.⁴² This commenter also stated its belief that MELOs have the potential to attract longer-term market participants to Nasdaq, and would provide an additional method to allow investors to effectively implement their investment strategies on an exchange.⁴³ The commenter observed that, because MELOs would be on an exchange, they would be available to all Exchange participants, which the commenter asserted is a fairer and more transparent way for markets to operate as compared to off-exchange trading venues.⁴⁴

³⁸ See id. at 16.

³⁹ See id.

⁴⁰ See Clearpool Letter.

⁴¹ See Citadel Letter and FIA PTG Letter.

⁴² See Clearpool Letter at 1-3.

⁴³ See id. at 2.

⁴⁴ See id.

Two commenters expressed concern with the degree of order segmentation presented by the proposal.⁴⁵ They expressed the view that MELOs would create a separate order book within the Nasdaq matching system where only MELOs could interact with each other.⁴⁶ One of these commenters stated that the proposal represents an unprecedented level of exchange-based order flow segmentation.⁴⁷ This commenter acknowledged the existence of limited exchange-based mechanisms that have the effect of restricting some order flow interaction, but contended that the proposal goes significantly beyond any such existing restrictions.⁴⁸ This commenter noted that the use of MELOs would result in two orders failing to interact even if they are of the same size and have prices that cross each other, and suggested that the Commission consider carefully whether this is consistent with the definition and purpose of an exchange.⁴⁹

In addition, one commenter remarked that market participants with marketable held orders or resting orders seeking to execute against marketable held order flow would be unlikely to utilize MELOs because marketable held orders are typically required to be executed fully and promptly.⁵⁰ According to the commenter, as use of the “MELO order book” increases, liquidity in the “legacy Nasdaq order book” could be negatively impacted to the detriment of retail

⁴⁵ See Citadel Letter at 1-3; FIA PTG Letter at 2. One of these commenters also expressed the concern that the costs of approving the MELO order type would far outweigh the potential benefits. See FIA PTG Letter at 2. This commenter asserted that artificially introducing latency negatively impacts the price discovery and formation functions of the exchange. See *id.* This commenter also expressed broad concerns about complexity in today’s equity market structure, which are outside the scope of the Exchange’s proposal. See *id.*

⁴⁶ See Citadel Letter at 1-3; FIA PTG Letter at 2.

⁴⁷ See Citadel Letter at 1.

⁴⁸ See *id.* at 3.

⁴⁹ See *id.*

⁵⁰ See *id.* at 1-2.

investors.⁵¹ Moreover, the commenter stated that investors submitting resting MELOs would not be able to interact with marketable held order flow.⁵² The commenter suggested that the Exchange could partially mitigate the negative impacts of MELO order segmentation by revising its proposal to allow any order to immediately interact with a resting MELO as long as it is priced beyond the midpoint.⁵³

In contrast, one commenter stated that allowing MELOs to interact with non-MELOs would defeat the purpose of the MELO order type.⁵⁴ This commenter also stated that it does not believe that the proposal would negatively impact liquidity or price discovery on the Nasdaq market because the MELO order type should have little to no detrimental effect on participants using other order types.⁵⁵ According to this commenter, to the extent that the MELO order type would provide incentives for order flow to be directed to a fair access exchange and away from private market centers, price discovery for the broader markets might improve.⁵⁶

In Amendment No. 2, the Exchange stated that although MELOs may forgo the opportunity to interact with other liquidity on the Exchange, users of MELOs accepted this possibility in return for the ability to interact with other market participants with the same time horizon.⁵⁷ The Exchange also stated its belief that it is not unfair or discriminatory that non-

⁵¹ See id. at 2.

⁵² See id.

⁵³ See id.

⁵⁴ See Clearpool Letter at 3.

⁵⁵ See id.

⁵⁶ See id.

⁵⁷ See Amendment No. 2 at 19. The Exchange also compared MELOs to the minimum quantity order attribute, as well as the retail price improvement orders available on Nasdaq BX, Inc. See id. The Exchange stated that both of these types of orders provide the opportunity to interact with orders meeting certain characteristics, and consequently

displayed orders resting on Nasdaq that are priced more aggressively than the NBBO midpoint would not participate in MELO executions.⁵⁸ According to the Exchange, the use of resting non-displayed orders and MELOs would be available to all participants, and participants would simply need to evaluate which order type best serves their investment needs.⁵⁹ Moreover, the Exchange stated that it has conducted a pro forma study of the effect of applying MELOs to the current market: it reviewed all executions occurring on Nasdaq in August 2017 and found that only 0.37% of resting non-displayed orders traded at a price better than the prevailing midpoint at the time of execution.⁶⁰ According to the Exchange, consequently, the number of situations in which a participant would have to consider the trade-offs between posting a non-displayed buy (sell) order at a higher (lower) price as compared to submitting a MELO is minimal.⁶¹ In addition, the Exchange reiterated that all members may use MELOs and thus have access to MELO liquidity.⁶² Finally, in Amendment No. 2, the Exchange amended the proposal to provide that MELOs would not execute if there is a resting non-displayed order priced more aggressively than the NBBO midpoint; instead, MELOs would be held until the resting non-displayed order is

may miss the opportunity to receive an execution if the contra-side order does not meet the specified characteristics. See id. In addition, the Exchange compared its proposal to the Nasdaq Crossing Network, which created a series of intra-day crosses at the NBBO midpoint. See id. at 20. The Exchange stated that Nasdaq Crossing Network eligible orders were not available for execution against orders resting on the Nasdaq book. See id. at 20-21.

⁵⁸ See id. at 20.

⁵⁹ See id.

⁶⁰ See id. at 21.

⁶¹ See id.

⁶² See id.

no longer on the Nasdaq book or the NBBO midpoint matches the price of the resting non-displayed order.⁶³

One commenter raised the concern that, under the proposal, MELO executions would be reported to the Securities Information Processors and provided on Nasdaq's proprietary data feed in the same manner as all other transactions on Nasdaq.⁶⁴ This commenter stated that this approach likely would raise concerns about market fairness and introduce significant complexity for investors, broker-dealers, and regulators when attempting to analyze market activity and assess execution quality.⁶⁵ This commenter noted, by way of example, that investors may see their orders executed on Nasdaq at worse prices than other contemporaneous executions on Nasdaq and that, without Nasdaq labeling MELO executions as such, investors may not know why this has occurred.⁶⁶ This commenter also asserted that, without labeling MELO executions differently than other executions on Nasdaq, broker-dealer routing logic may be influenced by liquidity that is not actually accessible, and regulators may experience difficulties in accurately filtering market data when evaluating compliance with regulatory requirements such as best execution.⁶⁷ This commenter urged the Commission to require that executions resulting from MELOs be marked as such on the tape.⁶⁸ Alternatively, the commenter suggested that Nasdaq offer the MELO order type on a separate exchange.⁶⁹

⁶³ See proposed Nasdaq Rule 4702(b)(14)(A).

⁶⁴ See Citadel Letter at 3.

⁶⁵ See id.

⁶⁶ See id.

⁶⁷ See id.

⁶⁸ See id.

⁶⁹ See id.

By contrast, one commenter stated that it does not believe that the lack of specific identification of MELOs in trade reports would result in any difficulties for the markets, or complexity for investors or other market participants when assessing execution quality.⁷⁰ According to this commenter, users of the MELO order type would be provided with anonymity and confidentiality, which the commenter asserted are critical tools in preventing potentially predatory counterparties from determining intention and using that information to generate short-term profits at the expense of longer-term investors.⁷¹ In addition, this commenter stated that Nasdaq and all other exchanges currently offer many order types that when executed do not provide specific indicators showing exactly which order types were used, and professed not to see how allowing an exchange to add another order type without such trade reporting disclosure would harm market participants' ability to measure market quality, as they do not currently have that ability.⁷²

In Amendment No. 2, the Exchange stated that it currently does not identify on data feeds in real time the order types and attributes that resulted in an execution (e.g., reserve order attribute).⁷³ According to the Exchange, not identifying MELOs is important to ensure that investors are protected from market participants that would otherwise take advantage of such knowledge and undermine the usefulness of the order type.⁷⁴ In addition, the Exchange stated

⁷⁰ See Clearpool Letter at 2.

⁷¹ See id.

⁷² See id.

⁷³ See Amendment No. 2 at n.34. The Exchange also noted that there is no real-time transparency regarding which destination or broker matched a buyer and seller when transactions are reported to a trade reporting facility. See id. at 25-26. Instead, there are delayed reports that identify where the executions occurred. See id. at 26.

⁷⁴ See id. at 25. According to the Exchange, MELO is designed to increase access to, and participation on, Nasdaq for investors that are less concerned with the time to execution,

that, like any of the order types or attributes provided by the Exchange, members must assess which ones would provide them with the best execution in achieving their investment goals.⁷⁵

Lastly, one commenter asserted that allowing MELOs to be cancelled at any time during the Holding Period does not appear to be consistent with the intended use of the order type.⁷⁶ Instead, according to this commenter, a MELO should only be permitted to be cancelled after the Holding Period has expired and the order has been placed in the order book.⁷⁷ Another commenter, by contrast, did not have an issue with providing market participants the ability to cancel MELOs during the Holding Period.⁷⁸ This commenter stated that it believes this would be an important feature of the MELO order type because many firms use algorithms to source liquidity simultaneously from multiple venues.⁷⁹ According to the commenter, to the extent that liquidity is found elsewhere than Nasdaq within the Holding Period, it would be critically important that the firm be able to cancel its orders from Nasdaq and re-allocate those shares to

but rather are looking to source liquidity, often in greater size, at the NBBO midpoint against a counterparty order that has the same objectives. See id. at 17. The Exchange noted that the proposal is designed to help ensure that members with MELOs are not disadvantaged by other order types entered by participants that have the benefit of knowing, and reacting to, rapid changes in the market. See id. at 9.

⁷⁵ See id. at 25.

⁷⁶ See Citadel Letter at 4.

⁷⁷ See id. This commenter also suggested that the Exchange should clarify that MELOs cannot be designated IOC, see id., but the Commission notes that that fact is already stated in the proposal, see supra note 28 and accompanying text.

⁷⁸ See Clearpool Letter at 3.

⁷⁹ See id.

other venues.⁸⁰ This commenter stated that it does not believe any market participants would be gamed or harmed in such a circumstance.⁸¹

In Amendment No. 2, the Exchange stated that MELOs may be cancelled at any time, including during the Holding Period, in order to allow members to effectively manage risk.⁸² The Exchange also acknowledged that the potential exists for some participants to use MELOs in a way that conflicts with the stated intention of the order type to allow longer term investors the opportunity to safely find like-minded counterparties at the midpoint on Nasdaq.⁸³ For this reason, the Exchange represented that MELOs would be subject to real-time surveillance to determine if the order type is being abused by market participants.⁸⁴ The Exchange also stated that it plans to implement a process, at the same time as the implementation of MELOs, to monitor the use of MELOs, with the intent to apply additional measures, as necessary, to ensure their usage is appropriately tied to the intent of the order type.⁸⁵ According to the Exchange, manipulative abuse is subject to potential disciplinary action under the Exchange's rules, and other behavior that is not necessarily manipulative but nonetheless frustrates the purposes of the

⁸⁰ See id.

⁸¹ See id.

⁸² See Amendment No. 2 at 8.

⁸³ See id. at 22.

⁸⁴ See id.

⁸⁵ See id. According to the Exchange, this process may include metrics tied to participant behavior, such as the percentage of MELOs cancelled prior to completion of the Holding Period, the average duration of MELOs, and the percentage of MELOs where the NBBO midpoint is within the limit price when received. See id.

MELO order type may be subject to penalties or other participant requirements to discourage such behavior, should it occur.⁸⁶

IV. Proceedings to Determine Whether to Approve or Disapprove SR-NASDAQ-2017-074, as Modified by Amendment Nos. 1 and 2, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act⁸⁷ to determine whether the proposed rule change, as modified by Amendment Nos. 1 and 2, should be approved or disapproved. Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the proposal, as discussed below. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide additional comment on the proposed rule change, as modified by Amendment Nos. 1 and 2.

Pursuant to Section 19(b)(2)(B) of the Act,⁸⁸ the Commission is providing notice of the grounds for disapproval under consideration. As discussed above, the Exchange has proposed to offer a new MELO order type, which would be non-displayed, pegged to the NBBO midpoint, and eligible for execution only after a half-second Holding Period has completed following the acceptance of the MELO by the Exchange system (although MELOs could be cancelled at any time, including during the Holding Period). In addition, MELOs would be eligible to execute only against other MELOs and would not be eligible to execute against any other trading interest

⁸⁶ See id. at 23. The Exchange stated that punitive fees or other prerequisite requirements tied to MELO usage would be implemented by rule filing under Section 19(b) of the Act, should the Exchange determine that they are necessary to maintain a fair and orderly market. See id.

⁸⁷ 15 U.S.C. 78s(b)(2)(B).

⁸⁸ Id.

on the Nasdaq book, including resting contra-side orders that are priced more aggressively than the NBBO midpoint.

The Commission is instituting proceedings to allow for additional analysis of, and input from commenters with respect to, the consistency of the proposal with Sections 6(b)(5)⁸⁹ and 6(b)(8)⁹⁰ of the Act. Section 6(b)(5) of the Act requires that the rules of a national securities exchange be designed, among other things, 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, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Section 6(b)(8) of the Act requires that the rules of a national securities exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

V. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their data, views, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change, as modified by Amendment Nos. 1 and 2, is consistent with Section 6(b)(5), 6(b)(8), or any other provision of the Act, or rules and regulations thereunder. Although there does not appear to be any issues relevant to approval or disapproval which would be facilitated by an oral presentation of data,

⁸⁹ 15 U.S.C. 78f(b)(5).

⁹⁰ 15 U.S.C. 78f(b)(8).

views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,⁹¹ any request for an opportunity to make an oral presentation.⁹²

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment Nos. 1 and 2, should be approved or disapproved by [insert date 21 days from publication in the Federal Register]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [insert date 35 days from publication in the Federal Register]. 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 No. SR-NASDAQ-2017-074 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 No. SR-NASDAQ-2017-074. The 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

⁹¹ 17 CFR 240.19b-4.

⁹² Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding – either oral or notice and opportunity for written comments – is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

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 No. SR-NASDAQ-2017-074 and should be submitted by [insert date 21 days from the date of publication in the Federal Register]. Rebuttal comments should be submitted by [insert date 35 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹³

Eduardo A. Aleman
Assistant Secretary

⁹³ 17 CFR 200.30-3(a)(12); 17 CFR 200.30-3(a)(57).