SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85356; File No. SR-NASDAQ-2019-014)

March 19, 2019

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change to Amend Rule 4703 to Make Clarifying Changes

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 March 6, 2019, The Nasdaq Stock Market LLC

("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("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 Rule 4703 (Order Attributes) to make clarifying

changes to the Midpoint Trade Now and Trade Now Order Attributes.

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

proposed rule change.  The text of these statements may be examined at the places specified in

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

[2]     17 CFR 240.19b-4.

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
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>   1.    Purpose

The Exchange proposes to amend Rule 4703 (Order Attributes) to make clarifying

changes to the Midpoint Trade Now and Trade Now Order Attributes.

Midpoint Trade Now

On November 9, 2018, the Exchanged filed an immediately effective filing to adopt

Midpoint Trade Now,[3] which has not yet been implemented.[4]  Midpoint Trade Now will be an

Order Attribute[5] that allows a resting Order that becomes locked at its non-displayed price by an

incoming Midpoint Peg Post-Only Order[6] to automatically execute against crossing or locking

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[3]    See Securities Exchange Act Release No. 84621 (November 19, 2018), 83 FR 60514
       (November 26, 2018) (SR-NASDAQ-2018-090).

[4]    The Exchange plans on implementing Midpoint Trade Now in the first quarter of 2019.
       Id.

[5]    The term "Order" means an instruction to trade a specified number of shares in a
       specified System Security submitted to the Nasdaq Market Center by a Participant.  An
       "Order Type" is a standardized set of instructions associated with an Order that define
       how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book
       when submitted to Nasdaq.  An "Order Attribute" is a further set of variable instructions
       that may be associated with an Order to further define how it will behave with respect to
       pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq.  The
       available Order Types and Order Attributes, and the Order Attributes that may be
       associated with particular Order Types, are described in Rules 4702 and 4703.  One or
       more Order Attributes may be assigned to a single Order; provided, however, that if the
       use of multiple Order Attributes would provide contradictory instructions to an Order, the
       System will reject the Order or remove non-conforming Order Attributes.  See Rule
       4701(e).

[6]    A Midpoint Peg Post-Only Order is an Order Type with a Non-Display Order Attribute
       that is priced at the midpoint between the NBBO and that will execute upon entry only in
       circumstances where economically beneficial to the party entering the Order. The

interest, including potentially against the Midpoint Peg Post-Only Order that locked the resting Order, as a liquidity taker. The new Order Attribute was designed to primarily address execution with Midpoint Peg Post-Only Order locking interest and the rule was drafted as such; however, executions may occur following the Exchange's priority rules[7] whereby a Midpoint Peg Post-Only Order may trigger Midpoint Trade Now, yet not receive a full or partial execution with the resting Order with Midpoint Trade Now.

In certain scenarios, the System[8] will allow the resting Order with Midpoint Trade Now to resolve both the locked condition against the Midpoint Peg Post-Only Order triggering Midpoint Trade Now, as well as other locking or crossing Orders that have execution priority over the Midpoint Peg Post-Only Order.[9] For example, assuming that the National Best Bid and Offer ("NBBO") is $10.00 x $10.01, Order #1 to buy 300 shares at the midpoint with Midpoint Trade Now posts at $10.005 and Order #2 is a Post-Only Order to sell 200 shares with a limit $10.00 that posts to the Nasdaq Book at $10.00 and is displayed at $10.01, if Order #3 is a Midpoint Peg Post-Only Order to sell 200 shares posts to the Nasdaq Book at $10.005, Midpoint Trade Now would be triggered. Under the Midpoint Trade Now, Order #3 would not be the first Order that resting Order #1 would execute against. Instead, Order #1 would execute 200 shares

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Midpoint Peg Post-Only Order is available during Market Hours only. See Rule 4702(b)(5).

[7] The Exchange follows a Price/Display/Time Execution Algorithm, whereby better priced Orders are presented for execution first, equally priced Orders with a Display Attribute will be ranked in time priority, and Orders with a Non-Display Attribute, including the Non-Displayed portion of an Order with Reserve Size, are ranked in time priority. See Rule 4757.

[8] The term "Nasdaq Market Center," or "System" means the automated system for order execution and trade reporting owned and operated by The Nasdaq Stock Market LLC. See Rule 4701(a).

[9] Thus, the System treats the Order similar to any new incoming Orders by executing against resting Orders in Price/Display/Time priority.

against Order #2 at $10.00, and then execute 100 shares against Order #3.  In another example, assuming that the NBBO is $10.00 x $10.02, Order #1 to buy 200 shares at the midpoint with Midpoint Trade Now posts at $10.01, and Order #2 is a Non-Displayed Order to sell 500 shares with a Minimum Quantity Order Attribute of 300 shares that posts at $10.01.  Both resting Orders will not execute because the size of Order #1 does not satisfy the Minimum Quantity requirement of Order #2.  If Order #3 arrives as an Order to buy 400 shares, it would execute against Order #2 leaving 100 shares of Order #2.[10]  If Order #4 then arrives as a Midpoint Peg Post-Only Order to sell 300 shares, it would trigger Midpoint Trade Now for Order #1 and Order #1 would first execute against the remaining 100 shares of Order #2, and then execute 100 shares against Order #4.

There is also the possibility that the Midpoint Peg Post-Only Order will not receive an execution at all, notwithstanding that it initiated the Midpoint Trade Now functionality.  Using the first example above, if Order #2 was entered, as a Post-Only Order to sell for 300 shares, under the Midpoint Trade Now, Order #1 would execute in full against Order #2 at $10.00.  Thus, although the Midpoint Peg Post-Only Order triggered Midpoint Trade Now, it would not receive an execution with the Midpoint Trade Now Order.

As noted above, the rule text adopted by the Exchange does not account for executions against locking or crossing interest other than Midpoint Peg Post-Only Orders when Midpoint Trade Now is triggered.  Specifically, the rule states that the resting Order that becomes locked at its non-displayed price by an incoming Midpoint Peg Post-Only Order would execute against "that Midpoint Peg Post-Only Order."  Thus, the rule as currently drafted does not address the

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[10]  The minimum quantity value of Order #2 is reduced to equal the number of shares remaining following its partial execution against Order #3, since its size has become less than the minimum quantity originally specified.  See Rule 4703(m).

executions described above.  To account for how the functionality will operate, the Exchange is

proposing to eliminate the text "that Midpoint Peg Post-Only Order" from Rule 4703(n) and to

replace it with "a locking or crossing Order(s)," which will expressly allow the executions

described above to occur.

Trade Now

The Exchange is also proposing a related clarifying change to the Trade Now Order

Attribute.[11]  Trade Now allows a resting Order that becomes locked by an incoming Displayed

Order to execute against the available size of the contra-side locking Order as a liquidity taker,

and any remaining shares of the resting Order will remain posted on the Nasdaq Book with the

same priority.  Like an Order with Midpoint Trade Now, an Order with Trade Now may execute

against both locking and crossing Orders;[12] however, the current rule does not account for

crossing Orders.  Consequently, the Exchange is proposing to amend Rule 4703(m) to note that a

Trade Now execution may also occur against an Order that crosses a resting Order with Trade

Now.[13]  For example, assuming that the NBBO is $10.00 x $10.02, Order #1 is a Non-Displayed

Order to buy 500 shares with a Minimum Quantity Order Attribute of 300 shares posts at $10.01,

and Order #2 is a Non-Displayed Order to sell 200 shares that posts at $10.00.  Both resting

Orders will not execute because the size of Order #2 does not satisfy the Minimum Quantity

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[11]     Id.

[12]     See Supra note 9.

[13]     The Exchange is adding rule text that clarifies that an Order with Trade Now may
         execute against locking or crossing interest to both the introductory paragraph of the rule
         as well as under the second bullet thereunder, which describes how Trade Now functions
         under the OUCH and FLITE protocols.  The Exchange is not adding rule text to the first
         bullet thereunder, which describes how Trade Now functions under the RASH and FIX
         protocols, because the existing text describes what automatically triggers the
         functionality (i.e., a locked Order) and does not address the nature of the interest that may
         be executed against (i.e., locking and crossing interest), as described by this proposal.

requirement of Order #1. Order #3 arrives as a Post-Only Order to sell 300 shares at $10.01 and it posts at $10.01. A Trade Now instruction for Order #1 would result in Order #1 executing 200 shares of Order #2 first, and then execute 300 shares against Order #3.

Another example involves a security priced below $1. Assuming that the NBBO is $0.9970 x $1.00, Order #1 is a Non-Displayed Order with Trade Now to sell 500 shares at $0.9970 resting on the Nasdaq Book. Order #2 is subsequently entered as a Post Only Order to buy 400 shares at $0.9999, which posts to the book, crossing Order #1. If Order #3 is thereafter entered as a Post Only Order to buy 500 shares at $0.9970 thereby locking Order #1, Order #3 would trigger Trade Now for Order #1 resulting in an execution between Order #1 and Order #2 for 400 shares, and an execution between Order #1 and Order #3 for 100 shares.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[14] in general, and furthers the objectives of Section 6(b)(5) of the Act,[15] 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, by clarifying the operation of new functionality, which is effective but not yet implemented. The proposed change will allow the Midpoint Trade Now functionality to operate consistent with the Exchange's priority rules. Similarly, the proposed change to the Trade Now rule will clarify that a resting Order with Trade Now may execute against locking or crossing resting Orders. These clarifying changes will ensure that the Trade Now and Midpoint Trade Now rules are consistent with the rules governing priority of Orders on the Exchange and more fully describe their operation, respectively. Accordingly, the Exchange

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[14]     15 U.S.C. 78f(b).

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

believes that the proposed changes are consistent with the Section 6(b)(5) of the Act.

B.      <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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. The proposed changes do not impose any burden on competition because they clarify the operation of rules so that they are consistent with the Exchange's rules concerning priority. Thus, the changes are done for non-competitive reasons and may promote competition to the extent that they better explain the operation of the two Order Attributes, allowing competitor exchanges and other market venues to make an informed decision on whether such functionality is warranted on those venues.

C.      <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

No written comments were either solicited or received.

III.    <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

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[16] and Rule 19b-4(f)(6) thereunder.[17]

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[16]    15 U.S.C. 78s(b)(3)(A).

[17]    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.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[18] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)[19] 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 asked the Commission to waive the 30-day operative delay so that the proposed changes may be made at the earliest time possible, thereby minimizing any market participant confusion that may be caused by the current rules.[20] The Exchange further states that the proposal would make its rules for Trade Now and Midpoint Trade Now consistent with its rules governing priority. For these reasons, the Commission believes that waiver of 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 as operative upon filing.[21]

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.

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[18]  17 CFR 240.19b-4(f)(6).

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

[20]  The Exchange states that Trade Now is currently available and Midpoint Trade Now will be implemented soon.

[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).

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-2019-014 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-2019-014.  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-2019-014

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
                                      Deputy Secretary

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