

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-94447; File No. SR-NASDAQ-2022-023)

March 17, 2022

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Harmonize Various Processes Under Options 3, Section 20 Across The Affiliated Nasdaq Options Exchanges

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 8, 2022, 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, II, and III, 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 harmonize its processes and procedures under Options 3, Section 20 with those of its affiliated options exchange.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, 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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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

1. Purpose

The Exchange proposes to harmonize its existing processes for the review of decisions on appeal under Options 3, Section 20 with those of its affiliate Nasdaq Phlx LLC (“Phlx”). The Exchange also proposes several non-substantive, conforming changes in Options 3, Section 1.

Appeal

Today, Options 3, Section 20(k) governs the appeal process for determinations by Exchange staff made under this Rule, including obvious error determinations. Specifically, a party to a transaction affected by a decision made under this section may appeal that decision to the Exchange Review Council. An appeal must be made in writing, and must be received by the Exchange within thirty (30) minutes after the person making the appeal is given the notification of the determination being appealed.

The Exchange proposes generally to maintain its current appeal process with certain additions to harmonize its process with that of its affiliate, Phlx. First, while Phlx similarly requires the parties to submit a request for review within thirty (30) minutes of being notified of the determination being appealed, Phlx also provides parties with additional time to submit their request if the notification occurs later in the trading day. In particular, if the notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time on the next trading day to submit a request for review.<sup>3</sup> Similar to Phlx, the Exchange believes that this flexibility

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<sup>3</sup> See Phlx Options 3, Section 20(l).

will be helpful for Participants in submitting their appeal requests in a timely manner, particularly where notification of the Official’s decision was received later in the trading day, and therefore proposes to adopt this provision in Options 3, Section 20(k).

Second, the Exchange proposes to add a provision for when the Exchange Review Council panel must render a decision on requests for appeal to harmonize to Phlx’s process. Specifically, the Exchange proposes in Options 3, Section 20(k) that the Exchange Review Council panel shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 p.m. on the day of the transaction or where the request is properly made the next trade day.<sup>4</sup>

#### Options 3, Section 1

The Exchange proposes non-substantive, conforming amendments to Options 3, Section 1 (Days and Hours of Business). The Exchange first proposes to amend the title from “Days and Hours of Business” to “Hours of Business.” The Exchange recently filed to establish General 3, Section 1030, which governs the days the Exchange will be open for business.<sup>5</sup> At this time, the Exchange also proposes to amend Options 3, Section 1(c) which provides, “NOM shall not be open for business on any holiday observed by The Nasdaq Stock Market, LLC.” The Exchange proposes to instead provide, “NOM shall not be open for business as provided within General 3, Section 1030.” This proposed text will make clear that while General 3, Section 1030 governs the days the Exchange will be open for business, the remainder of the rule addresses the hours of

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<sup>4</sup> See Phlx Options 3, Section 20(l) for analogous language.

<sup>5</sup> See Securities Exchange Act Release No. 93675 (November 29, 2021), 86 FR 68714 (December 3, 2021) (SR-NASDAQ-2021-69) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Include Juneteenth National Independence Day as a Holiday). Rule 1030 of General 3 memorialized all current Exchange holidays and added a provision to permit the Exchange the authority to halt or suspend trading or close Exchange facilities for certain unanticipated closures.

operation of the System and specific products. Finally, the Exchange proposes to update citations to the Options 4 rules related to Exchange-Traded Fund Shares and Index-Linked Securities.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> 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 and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that its proposal to amend the current appeal process to harmonize with Phlx's appeal process is consistent with the Act because it will continue to afford Participants with due process in connection with decisions made by Officials under Options 3, Section 20 that the Participant may feel warrants review. As discussed above, the proposal would allow either party until 9:30 a.m. the next trading to submit a request for review if notification is made after 3:30 p.m., which the Exchange believes will be helpful for Participants in submitting their appeal requests in a timely manner. Furthermore, the proposal provides the Exchange Review Council panel additional time and flexibility to render decisions on requests for appeal in cases where a request is properly made after 3:30 p.m. on the day of the transaction or where the request is properly made the next trade day, and is designed to reduce administrative burden on the Exchange.

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

Ultimately, the proposed changes to the appeal process are intended to align certain time frames with those of its affiliate in order to provide more consistent rules and procedures across the affiliated options exchanges owned by Nasdaq, Inc. Consistent rules and procedures, in turn, would simplify and streamline the regulatory requirements and increase the understanding of the Exchange's operations for Participants of the Exchange that are also members on the Exchange's affiliated options exchanges. Greater harmonization across the affiliated options exchanges will result in greater uniformity, rules that are easier to follow and understand, and more efficient regulatory compliance, thereby contributing to the protection of investors and the public interest. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

Lastly, the Exchange's proposal to amend Options 3, Section 1 (Days and Hours of Business) as described above will bring greater clarity, and ensure that this Rule conforms to the changes made in the recent filing to establish General 3, Section 1030, which governs the days the Exchange will be open for business.<sup>8</sup> The Exchange believes that market participants would benefit from the increased clarity, thereby reducing potential confusion, and ensuring that market participants and investors can more easily navigate and understand the Exchange's rules.

For these reasons, the Exchange believes that the proposal is consistent with the Act.

**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. As it relates to the proposed changes to the appeal process under Options 3, Section 20(k), the changes are

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<sup>8</sup> See supra note 5.

designed to provide greater harmonization among similar rules and processes across the Exchange's affiliated options exchanges, resulting in more efficient regulatory compliance for common members. For these reasons, the Exchange believes that the proposed rule change reflects this competitive environment and does not impose any undue burden on intermarket competition.

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

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)(iii) of the Act<sup>9</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup>

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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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2022-023 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-2022-023. 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-2022-023 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.<sup>11</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).