

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84723; File No. SR-NASDAQ-2018-097)

December 4, 2018

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delay a New Protocol “Ouch to Trade Options” or “OTTO” on The Nasdaq Options Market LLC (“NOM”)

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 November 26, 2018, 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 a proposal to delay a new protocol “Ouch to Trade Options” or “OTTO” on The Nasdaq Options Market LLC (“NOM”).

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

---

<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

Nasdaq recently filed a rule change<sup>3</sup> which adopted a new protocol “Ouch to Trade Options” or “OTTO”<sup>4</sup> and renamed and modified the current OTTO protocol as “Quote Using Orders” or “QUO”.<sup>5</sup> The Prior Rule Change, which is effective but not yet operative, renamed and modified the current OTTO protocol to “QUO.” The Exchange subsequently filed a rule change to amend Chapter VI, Section 6(e), titled “Detection of Loss of Communication” which describes the impact to NOM protocols in the event of a loss of a communication. The Exchange accounted for both the new OTTO and renamed and modified QUO within this rule. Similarly,

---

<sup>3</sup> See Securities Exchange Act Release No. 83888 (August 20, 2018), 83 FR 42954 (August 24, 2018) (SR-NASDAQ-2018-069) (“Prior Rule Change”). This rule change is immediately effective but will not be operative until such time as the Exchange issues an Options Trader Alert announcing the implementation date. This notification will be issued in Q4 2018. The Exchange notes that this filing renamed and modified the current OTTO protocol as “QUO” and also proposed the adoption of a new OTTO protocol.

<sup>4</sup> New OTTO is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders to and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; and (6) risk protection triggers and cancel notifications. See NOM Rules at Chapter VI, Section 21(a)(i)(C).

<sup>5</sup> QUO is an interface that allows NOM Market Makers to connect, send, and receive messages related to single-sided orders to and from the Exchange. Order Features include the following: (1) options symbol directory messages (e.g., underlying); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; and (6) risk protection triggers and cancel notifications. Orders submitted by NOM Market Makers over this interface are treated as quotes. See NOM Rules at Chapter VI, Section 21(a)(i)(D).

the Exchange amended Chapter VI, Section 8, “Nasdaq Opening and Halt Cross” to account for the new OTTO and renamed and modified QUO within this rule. Finally, the Exchange amended Chapter VI, Section 19, “Data Feeds and Trade Information” to amend “OTTO DROP” to “QUO DROP” and noted within Chapter VI, Section 18(a)(1) related to Order Price Protection rule or “OPP” that OPP shall not apply to orders entered through QUO.<sup>6</sup>

Both the Prior Rule Change and the Subsequent Rule Change indicated the aforementioned rule changes would be implemented for QUO and OTTO in Q4 of 2018 with the date announced via an Options Traders Alert. At this time, the Exchange proposes to immediately implement QUO and delay the introduction of new OTTO functionality until Q1 2019 by announcing the date of implementation via an Options Traders Alert. The Exchange proposes to provide for the delay of the OTTO functionality by inserting the following rule text at the beginning of NOM Rules at Chapter VI, Sections 6, 9 and 21 to make clear that OTTO functionality is not yet implemented: **“OTTO functionality implementation shall be delayed until Q1 2019. The Exchange will issue an Options Trader Alert notifying Participants when this functionality will be available.”**

The Exchange proposes this delay to allow the Exchange additional time to implement this functionality and for Participants to sign-up for this new port and test with the Exchange.

#### Amend OTTO at Options 7

The Exchange’s current pricing at Options 7,<sup>7</sup> Section 3(i)(4) reflects an OTTO Port Fee. The Exchange proposed to rename the OTTO Port Fee as “QUO Port Fee” to reflect the new

---

<sup>6</sup> See Securities Exchange Act Release No. 84559 (November 9, 2019), 83 FR 57774 (November 16, 2018) (SR-NASDAQ-2018-085) (“Subsequent Rule Change”).

<sup>7</sup> Options 7 refers to the Exchange’s new rulebook shell.

name of the modified former OTTO protocol. No changes are being made to the port fee. Likewise, the current “OTTO DROP Port Fee” at Options 7, Section 3(ii)(4) is proposed to be renamed the “QUO DROP Port Fee.”

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</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 by delaying the OTTO functionality to allow the Exchange additional time to implement this functionality and for Participants to sign-up for this new port and test with the Exchange. QUO would be implemented to avoid any confusion with the new proposed protocol.

### QUO

The Exchange’s proposal to rename the current “OTTO Port Fee” as “QUO Port Fee” and “OTTO DROP Port Fee” as “QUO DROP Port Fee” is consistent with the Act because the amendment will reflect the name change and modification as proposed in the Prior Rule Change.

#### 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. The Exchange’s proposal to implement QUO and delay the adoption of new OTTO functionality does not impose an undue burden on competition. Immediately implementing the QUO protocol, which is the subject of an already effective rule change, will avoid any confusion with

---

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

the implementation of the new OTTO protocol. Delaying the new OTTO functionality to allow the Exchange additional time to implement this functionality and for Participants to sign-up for this new port and test with the Exchange.

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>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>12</sup> normally does not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)<sup>13</sup> 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 proposal may become operative immediately upon filing. The Exchange states that the waiver will allow the Exchange to immediately implement QUO and delay the implementation of the OTTO functionality to allow the Exchange additional time to

---

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 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 the 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.

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

implement this functionality and for Participants to sign-up for this new port and test with the Exchange. The Exchange further states that delaying the implementation of OTTO is consistent with the protection of investors and the public interest because it permits additional time for the Exchange to ensure a successful implementation of new OTTO. Additionally, the Exchange notes that implementing QUO will bring greater transparency to NOM rules. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change as operative upon filing.<sup>14</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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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.

#### 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

---

<sup>14</sup> 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).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2018-097 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-2018-097. 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-2018-097 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>15</sup>

Eduardo A. Aleman  
Assistant Secretary

---

<sup>15</sup> 17 CFR 200.30-3(a)(12).