

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87778; File No. SR-NASDAQ-2019-098)

December 17, 2019

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Relocate Rules from its Current Rulebook into its New Rulebook Shell

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 December 6, 2019, 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 relocate rules from its current Rulebook into its new Rulebook shell.

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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<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 purpose of this rule change is to relocate Nasdaq rules, including The Nasdaq Stock Market LLC (“NOM”), into the new Rulebook shell with some amendments to the shell.<sup>3</sup> Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”) recently relocated their rules.<sup>4</sup> NOM proposes to relocate its rules to align with the ISE, GEMX, MRX and BX Rulebooks. Phlx will also relocate its Rulebook in order to harmonize its rule structure, where applicable, across Nasdaq markets. The relocation and harmonization of the Nasdaq Rule structure is part of the Exchange’s continued effort to promote efficiency and structural conformity of its rules with those of its Affiliated Exchanges. The Exchange believes that the placement of the Nasdaq Rules into their new location in the shell will facilitate the use of the Rulebook by Members and Members of Affiliated Exchanges.

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<sup>3</sup> Previously, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, The Nasdaq Stock Market LLC; Nasdaq PHLX LLC; Nasdaq ISE, LLC (“ISE”); Nasdaq GEMX, LLC; and Nasdaq MRX, LLC (“Affiliated Exchanges”). The shell structure currently contains eight (8) General sections which, once complete, will apply a common set of rules to the Affiliated Exchanges. The shell structure currently contains eight (8) Chapters which, once complete, will apply a common set of rules to the Affiliated Exchanges. See Securities Exchange Act Release No. 82174 (November 29, 2017), 82 FR 57492 (December 5, 2017) (SR-NOM-2017-054).

<sup>4</sup> See Securities Exchange Act Release Nos. 86138 (June 24, 2019), 84 FR 29567 (June 18, 2019) (SR-ISE-2019-17); 86346 (July 10, 2019) 84 FR 33999 (July 16, 2019) (SR-GEMX-2019-08); and 86424 (July 22, 2019), 84 FR 36134 (July 22, 2019) (SR-MRX-2019-15). SR-BX-2019-36 was filed on October 1, 2019.

The Exchange notes that the entire Rulebook is not being relocated at this time. Specifically, the Equity Rules are not being relocated.

The Exchange proposes to update all cross-references within the Rule to the new relocated rule cites and also proposes to correct certain citations. The Exchange proposes to replace internal rule references to simply state “this Rule” where the rule is citing itself without a more specific cite included in the Rule. For example, if NOM Chapter VI, Section 3 refers currently to “Chapter VI, Section 3” the Exchange will amend the phrase to simply “this Rule.” The Exchange proposes to conform numbering and lettering in certain rules to the remainder of the Rulebook. The Exchange proposes to reflect the use of the General Equity and Options Rules in place of Equity Rules, where applicable. Finally, the Exchange proposes to delete any current Rules that are reserved in the Rulebook.

#### General 1

The Exchange proposes to relocate and alphabetize rule text from Rule 0111, “Adoption of Rules”, Rule 0112, “Effective Date”, Rule 0113 “Interpretation”, Rule 0120 “Definitions,” and certain definitions from Rule 0121, “Definitions in Nasdaq By-Laws” into General 1. The Exchange proposes to relocate certain definitions from Chapter VI, Section 1 into General 1.<sup>5</sup> The Exchange proposes to delete certain definitions which are repetitive.<sup>6</sup> The Exchange will also alphabetize the definitions within General 1 and conform the text where applicable. Definitions related to the equities rules<sup>7</sup> will be relocated into Equity 1. The Exchange is

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<sup>5</sup> See note 14 below.

<sup>6</sup> The Exchange proposes to delete the term “Exchange Act” and “SEC” or “Commission.”

<sup>7</sup> The terms “Customer” and “Security” are being relocated into Equity 1 of the Rulebook as these terms are specific to the equity market. Further, the following definitions are being relocated from Chapter I, Section 1 and Chapter VI, Section 1 into General 1, Section : “associated person,” “Board,” “Exchange,” “Exchange Act,” “he,” “him,” or

conforming the format of all definitions. Finally, the Exchange notes that the description of “MarketWatch” was amended to remove the phrase “a unit of Nasdaq Regulation.”

General 2

General 2 would be comprised of the following rules:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Reserved
Section 2	Chapter VI, Section 16, Fees, Dues and Other Charges
Section 3	Reserved
Section 4	2130, Nasdaq Ownership Restriction (re-title as Limitation on Affiliation between the Exchange and Members)
Section 5	0130, Regulation of the Exchange and Its Members
Section 6	0115, Applicability
Section 7	0150, Regulatory Independence
Section 8	Reserved
Section 9	1130, Reliance on Current Membership List
Section 10	1150, Executive Representative
Section 11	1160. Contact Information Requirements
Section 12	1170, Nasdaq’s Business Continuity and Disaster Recovery Plan Testing Requirements for Members and Options Participants Pursuant to Regulation SCI (re-title as “Business Continuity and Disaster Recovery”)
Section 13	0140, Fingerprint-Based Background Checks of Employees and Independent Contractors
Section 14	2160, Restrictions on Affiliation

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“his,” “MarketWatch,” “Nasdaq Rules,” “Nasdaq Regulation,” “primary market,” and “SEC” or Commission.”

Section 15	3510, Business Continuity Plans
Section 16	3520, Emergency Contact Information

The Exchange is reserving Sections 1 and 3 at this time. The Exchange is reserving Sections 1 and 3 at this time. The Exchange proposes to relocate Chapter VI, Section 16, Fees, Dues and Other Charges, into the General section because this rule applies to both the equity and options products. This rule describes the power of Nasdaq’s Board of Directors. The Exchange notes that the Board of Directors of Nasdaq has the power to set fees for the Nasdaq market, which includes fees for both options and equities.<sup>8</sup> The Exchange notes that Section 7, Regulatory Independence, was amended to remove the placeholder for a date. Finally Rule 2170, Disruptive Quoting and Trading Activity Prohibited, is not being relocated as this rule applies to equities. There is a similar rule within Chapter III, Section 16 related to options, which is being relocated to Options 9, Section 4. As noted above, the equity rules are not being relocated at this time.

General 4

The Exchange proposes to rename General 4 from “Regulation” to “Registration Requirements.”

General 5

The Exchange proposes to relocate Nasdaq Series 8000 and 9000 into General 5 Discipline and not change the rule numbers. The Exchange is proposing to delete reserved sections.

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<sup>8</sup> See NOM By-Law Article XII, Section 12.4 which provides the Board authority to set fees. In addition, the Exchange proposes to amend the word “Participant” in this rule to “member” to clearly indicate all members are subject to the Rule.

## General 9

The Exchange proposes to adopt a new General 9, titled “Regulation.” The Exchange proposes to relocate the following rules into General 9:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	2010A, Standards of Commercial Honor and Principles of Trade; 5320A, Prohibition Against Trading Ahead of Customer Orders; IM-2110-4, Trading Ahead of Research Reports; IM-2110-5, Anti-Intimidation/Coordination; IM-2110-6, Confirmation of Callable Common Stock; 2120, Use of Manipulative, Deceptive or Other Fraudulent Devices; and 2140, Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes
Section 2	2150, Customers' Securities or Funds; and IM-2150, Segregation of Customers' Securities
Section 3	2210, Communications with the Public; IM-2210-1, Guidelines to Ensure That Communications With the Public Are Not Misleading; and IM-2210-4, Limitations on Use of the Exchange's Name
Section 4	2211, Institutional Sales Material and Correspondence
Section 5	2212, Telemarketing
Section 6	2251, Forwarding of Proxy and Other Issuer-Related Materials
Section 7	2261, Disclosure of Financial Condition; 2262, Disclosure of Control Relationship with Issuer; and 2269, Disclosure of Participation or Interest in Primary or Secondary Distribution (re-title as “Disclosure of Financial Condition, Control Relationship with Issuer and Participation or Interest in Primary or Secondary Distribution”)
Section 8	2266, SIPC Information
Section 9	2290, Fairness Opinions
Section 10	2090A, Know Your Customer, 2111A, Suitability (re-title “Recommendations to Customers (Suitability)”)
Section 11	5310A, Best Execution and Interpositioning
Section 12	2340, Customer Account Statements

Section 13	2341, Margin Disclosure Statement
Section 14	2360, Approval Procedures for Day-Trading Accounts; and 2361, Day-Trading Risk Disclosure Statement (re-title as “Approval Procedures for Day-Trading Accounts”)
Section 15	2370, Borrowing From or Lending to Customers
Section 16	2430, Charges for Services Performed
Section 17	2441, Net Transactions with Customers
Section 18	2460, Payments for Market Making
Section 19	2510, Discretionary Accounts
Section 20	3010, Supervision; IM-3010-1, Standards for Reasonable Review; and IM-3010-2, Guidance on Heightened Supervision Requirements (re-title as “Supervision”)
Section 21	3012, Supervisory Control System
Section 22	3013, Annual Certification of Compliance and Supervisory Processes; and IM-3013. Annual Compliance and Supervision Certification (re-title as “Annual Certification of Compliance and Supervisory Processes”)
Section 23	3030, Outside Business Activities of an Associated Person
Section 24	3040, Private Securities Transactions of an Associated Person
Section 25	3050, Transactions for or by Associated Persons
Section 26	3220A, Influencing or Rewarding Employees of Others
Section 27	3070, Reporting Requirements
Section 28	3080, Arbitration Disclosure to Associated Persons When Signing Form U4 (re-titled “Disclosure to Associated Persons When Signing Form U4”)
Section 29	2070A, Transactions Involving Nasdaq Employees
Section 30	3110A, Books and Records
Section 31	3120, Use of Information Obtained in Fiduciary Capacity

Section 32	3140, Approval of Change in Exempt Status Under SEC Rule 15c3-3
Section 33	3150, Reporting Requirements for Clearing Firms and IM-3150, Exemptive Relief
Section 34	3160, Extensions of Time Under Regulation T and SEC Rule 15c3-3
Section 35	2040, Nonregistered Foreign Finders
Section 36	IM-2460-1, Market Quality Program
Section 37	3011, Anti-Money Laundering Compliance Program
Section 38	2520, Margin Requirements
Section 39	3020, Fidelity Bonds
Section 40	4110A, Capital Compliance
Section 41	4120A, Regulatory Notification and Business Curtailment
Section 42	4140A, Audit
Section 43	4511A, General Requirements
Section 44	4513A, Records of Written Customer Complaints
Section 45	4512A, Customer Account Information
Section 46	4514A, Authorization Records for Negotiable Instruments Drawn From a Customer's Account
Section 47	4515A, Approval and Documentation of Changes in Account Name or Designation
Section 48	4521A, Notifications, Questionnaires and Reports
Section 49	5230A, Payments Involving Publications that Influence the Market Price of a Security
Section 50	1090, Foreign Member
Section 51	1050, Research Analysts

The word “FINRA” is being added in certain places for greater clarity. The Exchange is amending Rule 2212, Telemarketing, to update the Rule reference to NASD Rule 2212 to FINRA Rule 3230 in light of a FINRA rule change.<sup>9</sup> The Exchange is amending Rule 3010,

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<sup>9</sup> See Securities Exchange Act Release No. 66279 (January 30, 2012), 77 FR 5611 (February 3, 2012) (SR-FINRA-2011-059).

Supervision, as well as IM-3010-1, Standards for Reasonable Review, to update the Rule reference to NASD Rule 3010 to FINRA Rule 3170 and 3110, respectively, in light of a FINRA rule change.<sup>10</sup> The Exchange proposes to amend NASD Rule 3070 references within Rule 3070, Reporting Requirements, to FINRA Rule 4530 pursuant to a FINRA rule change.<sup>11</sup> The Exchange proposes to amend NASD Rule 3110A, Books and Records, to amend the rule references to FINRA Rule 4511 pursuant to a FINRA rule change.<sup>12</sup>

### Equity Rules

The Exchange proposes some changes to the Equity Rules to re-title certain chapters in the new Rulebook. The Exchange proposes to relocate certain definitions currently within Rule 0121 “Definitions in the By-Laws of the Exchange” into Equity 1.<sup>13</sup> The Exchange proposes to re-title Equity 2 from “Equity Trading Rules” to “Equity Market Participants.” The Exchange proposes to re-title Equity 3 from “Equity Market Participants” to “Equity Trading Rules.” The Exchange proposes to title Equity 4, which is currently reserved, as “Limit Up-Limit Down.” The Exchange proposes to reserve Equity 6, which is currently titled “Limit Up-Limit Down.” The Exchange proposes to reserve Equity 10, which is titled “Qualification, Listing and Delisting of Companies.” Finally, the Exchange proposes to remove Equity 11, which is currently reserved.

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<sup>10</sup> See Securities Exchange Act Release No. 71179 (December 23, 2013), 78 FR 79542 (December 30, 2013) (SR-FINRA-2013-025).

<sup>11</sup> See Securities Exchange Act Release No. 63260 (November 5, 2010), 75 FR 69508 (November 12, 2010) (SR-FINRA-2010-034).

<sup>12</sup> See Securities Exchange Act Release No. 63784 (January 27, 2011), 76 FR 5850 (February 2, 2011) (SR-FINRA-2010-052).

<sup>13</sup> See note 5 above. The term “Nasdaq Manual” is being eliminated.

## Options 1

The Exchange proposes to rename current Options 1 from “Options Definitions” to “General Provisions.” The Exchange proposes to relocate and alphabetize certain definitions from Chapter I, Section 1 into proposed General 1, Section 1. The Exchange also proposes to relocate definitions from Chapter VI, Section 1(a)-(c) and (h) into General 1, Section 1. Certain definitions within Chapter 1, Section 1 and Chapter VI, Section 1 apply to both equities and options. These definitions<sup>14</sup> will be relocated to General 1, Section 1 from Chapter I, Section 1 and Chapter VI, Section 1. The Exchange proposes to conform the definitions by adding “the term” where necessary. The Exchange proposes to amend the term “System” from Chapter VI, Section 1 and apply that term to both “System” and “Trading System” and remove the separate definition for “Trading System” in Chapter I, Section I(a)(61) which creates a circular reference to the term “System.” The Exchange also proposes to eliminate the defined term “Participant” from Chapter VI, Section 1. The Exchange defines an “Options Participant” or “Participant” within its rules today. The separate defined term “Participant” is confusing and unnecessary. The terms “Nasdaq Regulation” and “Nasdaq Rules” are redundant of the same terms that was already being relocated to General 1 from the Equity Rules. The Exchange proposes to delete the terms “Nasdaq Regulation” “Nasdaq Rules” in this rule. The term “Exchange” is redundant of the same terms that was already being relocated to General 1 from the Equity Rules. The Exchange proposes to delete the terms “Exchange” and “Order Entry Firms” in this rule because they are duplicative.

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<sup>14</sup> The following definitions are being relocated from Chapter I, Section 1 and Chapter VI, Section 1 into General 1, Section 1: “associated person,” “Board,” “Exchange,” “Exchange Act,” “he,” “him,” or “his,” “MarketWatch,” “Nasdaq Rules,” “Nasdaq Regulation,” “primary market,” and “SEC” or Commission.”

In addition the Exchange proposes to relocate the following rules into Options 1:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter I, Section 1, Definitions and Chapter VI, Section 1(a)-(c) and (h)
Section 2	Chapter I, Section 2, Applicability
Section 3	Chapter I, Section 3, Regulation of Nasdaq and its Members

The Exchange proposes to relocate Chapter V, Section 2, MarketWatch, to the end of the defined term within Options 1, Section 1, which is currently within Chapter I, Options 1, Section 1 and is being relocated to General 1 as that term applies to both options and equities. The sentence is merely descriptive and adds to the already defined term. The Exchange proposes to relocate Chapter VII, Section 1, Customer Orders and Order Entry Firms, into a definition for Order Entry Firms within Options 1, Section 1.

Options 2

The Exchange proposes to rename Options 2 from “Options Trading Rules” to “Options Market Participants” and relocate the following rules into this chapter:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter VII, Section 2, Market Maker Registration; and Section 3 Continuing Market Maker Registration (re-title as Registration of Market Makers)
Section 2	Reserved
Section 3	Reserved
Section 4	Chapter VII, Section 5, Obligations of Market Makers
Section 5	Chapter VII, Section 6, Market Maker Quotations
Section 6	Reserved
Section 7	Chapter VII, Section 7, Securities Accounts and Orders of Market Makers

Section 8	Chapter VII, Section 9, Financial Requirements for Market Makers
Section 9	Chapter VII, Section 4, Good Standing for Market Makers
Section 10	Reserved

The Exchange proposes to reserve certain rules. The Exchange proposes to relocate Chapter VII, Section 8, Letters of Guarantee, to Options 6, Section 4. The Exchange proposes to relocate Chapter VII, Sections 11, Mass Cancellation of Trading Interest to Options 3, Section 19, and Section 12, Order Exposure Requirements, to Options 3, Section 22. Chapter VII, Section 1 was relocated to the definitions as described herein.

Options 2A

The Exchange proposes a new Options Section 2A titled “Options Participation” and proposes to relocate the following rules into this chapter:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter II, Section 1, Options Participation
Section 2	Chapter II, Section 2, Requirements for Options Participation
Section 3	Chapter II, Section 3, Persons Associated with Options Participants
Section 4	Chapter II, Section 4, Good Standing for Options Participants

The Exchange proposes to reserve Sections 5-7.

Options 3

The Exchange proposes to rename Options 3 from “Options Market Participants” to “Options Trading Rules” and relocate the following rules into this chapter:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter VI, Section 2, Days and Hours of Business

Section 2	Chapter VI, Section 3, Units of Trading; and Section 4 Meaning of Premium Quotes and Orders (combined into one rule and retitle as “Units of Trading and Meaning of Premium Quotes and Orders”)
Section 3	Chapter VI, Section 5, Minimum Increments
Section 4	Chapter VI, Section 6, Entry and Display of Quotes
Section 5	Chapter VI, Section 7, Entry and Display of Orders
Section 6	Chapter V, Section 5, Unusual Market Conditions
Section 7	Chapter VI, Section 1(d)-(g) Definitions; and Chapter VI, Section 21, Order and Quote Protocols (re-title as “Types of Orders and Quote Protocols”)
Section 8	Chapter VI, Section 8, Nasdaq Opening and Halt Cross (re-title as “Opening and Halt Cross”)
Section 9	Chapter V, Section 3, Trading Halts and Section 4 Resumption of Trading After a Halt (re-title as “Trading Halts”)
Section 10	Chapter VI, Section 10, Book Processing (re-title as “Order Book Allocation”)
Section 11	Reserved
Section 12	Reserved
Section 13	Reserved
Section 14	Reserved
Section 15	Chapter VI, Section 18, Risk Protections
Section 16	Reserved
Section 17	Chapter VI, Section 22, Kill Switch
Section 18	Chapter VI, Section 23, Detection of Loss of Communication
Section 19	Chapter VII, Section 11, Mass Cancellation of Trading Interest
Section 20	Chapter V, Section 6, Nullification and Adjustment of Options Transactions including Obvious Errors
Section 21	Chapter V, Section 1, Access to and Conduct on the NOM Market; and Chapter VI, Section 20, Exchange Sharing of Participant-Designated Risk Settings (re-title as “Access to and Conduct on NOM”)

Section 22	Chapter VII, Section 12, Limitations on Order Entry
Section 23	Chapter VI, Section 19, Data Feeds and Trade Information
Section 24	Chapter VI, Section 13, Transaction Price Binding
Section 25	Chapter VI, Section 12, Anonymity
Section 26	Chapter VI, Section 17, Message Traffic Mitigation
Section 27	Chapter V, Section 9, Limitation of Liability
Section 28	Reserved

The Exchange proposes to combine the NOM Rules and retitle them as indicated herein. The Exchange proposes to reserve certain rules. Chapter VI, Section 16, Fees, Dues and Other Charges, was relocated to General 2 and Chapter VI, Sections 14, Authorization to Give Up and Section 15, Submission for Clearance, were relocated to Options 6. The Exchange amended Options 3, Section 21(b)(8) to refer to Section 22 which describes the limitation on orders on NOM.

Options 4

The Exchange proposes to amend Options 4, Options Listing Rules, to remove Section 5, which is reserved, and renumber Section 6, Series of Options Contracts Open for Trading, as Section 5.<sup>15</sup> The Exchange also proposes to reserve Section 6 and reserve a new Section 10.

Options 4A

The Exchange proposes to relocate rules within new proposed Options 4A, which is proposed to be titled “Options Index Rules” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
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<sup>15</sup> The corresponding rule numbers are changing for removals of certain sections.

Section 1	Chapter XIV, Section 1, Application of Index Rules
Section 2	Chapter XIV, Section 2, Definitions
Section 3	Chapter XIV, Section 3, Designation of a Broad-Based Index
Section 4	Chapter XIV, Section 6, Designation of Narrow-Based and Micro-Narrow-Based Index Options
Section 5	Chapter XIV, Section 4, Dissemination of Information
Section 6	Chapter XIV, Section 5, Position Limits for Broad-Based Index Options
Section 7	Chapter XIV, Section 7, Position Limits for Industry and Micro-Narrow Based Index Options
Section 8	Reserved
Section 9	Chapter XIV, Section 8, Exemptions from Position Limits
Section 10	Chapter XIV, Section 9, Exercise Limits
Section 11	Chapter XIV, Section 10, Trading Sessions
Section 12	Chapter XIV, Section 11, Terms of Index Options Contracts
Section 13	Chapter XIV, Section 12, Debit Put Spread Cash Account Transactions
Section 14	Chapter XIV, Section 13, Disclaimers
Section 15	Chapter XIV, Section 14, Exercise of American-Style Index Options
Section 16	Reserved

### Options 5

The Exchange proposes to rename Options 5 from “Options Trade Administration” to “Order Protection and Locked and Crossed Markets.” The current rules<sup>16</sup> within Options 5 are being relocated into Options 6B.

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<sup>16</sup> Options 5 currently includes the following rules: Section 101 Exercise of Options Contracts, Section 102 Allocation of Exercise Notices, and Section 103, Delivery and Payment.

The Exchange proposes to relocate the following rules within Options 5 as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter XII, Section 1, Definitions
Section 2	Chapter XII, Section 2, Order Protection
Section 3	Chapter XII, Section 3, Locked and Crossed Markets
Section 4	Chapter VI, Section 11(a), Order Routing
Section 5	Chapter VI, Section 11(b) to be titled "Cancellation of Orders and Error Account"

The definitions of "Exchange Act" and "SEC are being removed from Chapter XII, Section 1, "Definitions" as these terms are repetitive of definitions within General 1.

Options 6

The Exchange proposes to rename Options 6 from "Order Protection and Locked and Cross Markets" to "Options Trade Administration" and relocate rules within Options 6 as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter VI, Section 14, Authorization to Give Up
Section 2	Chapter VI, Section 15, Submission for Clearance
Section 3	Reserved
Section 4	Chapter VII, Section 8, Letters of Guarantee

Options 6A

The Exchange proposes to relocate rules within new proposed Options 6A titled "Closing Transactions" as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
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Section 1	Chapter X, Section 6, Contracts of Suspended Participants
Section 2	Chapter V, Section 8, Failure to Pay Premium

Options 6B

The Exchange proposes to relocate rules within new proposed Options 6B titled “Exercises and Deliveries” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Options 5, Section 101, Exercise of Options Contracts
Section 2	Options 5, Section 102, Allocation of Exercise Notices
Section 3	Options 5, Section 103, Delivery and Payment

Options 6C

The Exchange proposes to relocate rules within new proposed Options 6C titled “Exercises and Deliveries” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter XIII, Section 1, General Rule
Section 2	Chapter XIII, Section 2, Time Margin Must Be Obtained
Section 3	Chapter XIII, Section 3, Margin Requirements
Section 4	Reserved
Section 5	Chapter XIII, Section 4, Margin Required Is Minimum
Section 6	Reserved

Chapter XIII, Section 5, Joint Back Office Participants, is being relocated to Options 6D.

Options 6D

The Exchange proposes to relocate rules within new proposed Options 6D titled “Net

Capital Requirements” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Reserved
Section 2	Reserved
Section 3	Reserved
Section 4	Chapter XIII, Section 5, Joint Back Office Participants

With respect to the relocation of Joint Back Office Participants, the Supplementary Material .01 titled was removed and the text was retained as part of the main rule in paragraph (c) of Section 4.

Options 6E

The Exchange proposes to relocate rules within new proposed Options 6E titled “Records, Reports and Audits” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter IX, Section 1, Maintenance, Retention and Furnishing of Books, Records and Other Information
Section 2	Chapter IX, Section 2, Reports of Uncovered Short Positions
Section 3	Chapter IX, Section 3, Financial Reports and Audits
Section 4	Reserved
Section 5	Chapter IX, Section 4, Automated Submission of Trade Data
Section 6	Chapter IX, Section 6, Risk Analysis of Market Maker Accounts
Section 7	Chapter IX, Section 5, Regulatory Cooperation
Section 8	Reserved
Section 9	Chapter V, Section 7, Audit Trail

The Exchange proposes to relocate Chapter IX, Section 7, Anti-Money Laundering Compliance Program, to Options 9, Section 21.

Options 7

The Exchange is updating cross-references within Options 7 to the introductory section of the Rule as well as Options 7, Section 4 Nasdaq Options Market Data Distributor Fees.

Options 9

The Exchange proposes to relocate rules within new proposed Options 9, which is currently reserved, and title the chapter as “Business Conduct.” The following rules will be relocated within Options 9 with certain rules reserved:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Reserved
Section 2	Chapter III, Section 1, Adherence to Law and Section 2 Conduct and Compliance with the Rules
Section 3	Reserved
Section 4	Chapter III, Section 16, Disruptive Quoting and Trading Activity Prohibited
Section 5	Reserved
Section 6	Reserved
Section 7	Reserved
Section 8	Chapter III, Section 3, Rumors
Section 9	Chapter III, Section 4, Prevention of the Misuse of Material Nonpublic Information
Section 10	Chapter III, Section 5, Disciplinary Action by Other Organizations
Section 11	Chapter III, Section 6, Other Restrictions on Participants
Section 12	Chapter III, Section 15, Significant Business Transactions of Options Clearing Participants
Section 13	Chapter III, Section 7, Position Limits

Section 14	Chapter III, Section 8, Exemptions from Position Limits
Section 15	Chapter III, Section 9, Exercise Limits
Section 16	Chapter III, Section 10, Reports Related to Position Limits
Section 17	Chapter III, Section 11, Liquidation Positions
Section 18	Chapter III, Section 14, Limit on Outstanding Uncovered Short Positions
Section 19	Chapter III, Section 12, Other Restrictions on Options Transactions and Exercises
Section 20	Chapter III, Section 13, Mandatory Systems Testing
Section 21	Chapter IX, Section 7, Anti-Money Laundering Compliance Program
Section 22	Reserved
Section 23	Reserved

Options 10

The Exchange proposes to relocate rules within new proposed Options 10 titled “Doing Business with the Public” as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Chapter XI, Section 1, Eligibility
Section 2	Chapter XI, Section 2, Registration of Options Principals
Section 3	Chapter XI, Section 3, Registration of Representatives
Section 4	Chapter XI, Section 5, Discipline, Suspension, Expulsion of Registered Persons
Section 5	Chapter XI, Section 6, Branch Offices
Section 6	Chapter XI, Section 7, Opening of Accounts
Section 7	Chapter XI, Section 8, Supervision of Accounts
Section 8	Chapter XI, Section 9, Suitability of Recommendations

Section 9	Chapter XI, Section 10, Discretionary Accounts
Section 10	Chapter XI, Section 11, Confirmation to Public Customers
Section 11	Chapter XI, Section 12, Statement of Accounts to Public Customers
Section 12	Chapter XI, Section 13, Statements of Financial Condition to Customers
Section 13	Chapter XI, Section 15, Delivery of Current Options Disclosure Documents and Prospectus
Section 14	Chapter XI, Section 16, Restrictions on Pledge and Lending of Customers' Securities
Section 15	Chapter XI, Section 17, Transactions of Certain Customers
Section 16	Chapter XI, Section 18, Guarantees
Section 17	Chapter XI, Section 19, Profit Sharing
Section 18	Chapter XI, Section 20, Assuming Losses
Section 19	Chapter XI, Section 21, Transfer of Accounts
Section 20	Chapter XI, Section 22, Communications with Public Customers; and Section 14, Addressing of Communications to Public Customers (re-title "Communications with Public Customers")
Section 21	Chapter XI, Section 23, Fidelity Bond
Section 22	Chapter XI, Section 24, Public Customer Complaints
Section 23	Chapter XI, Section 25, Telephone Solicitation
Section 24	Chapter XI, Section 4, Other Affiliations of Registered Persons
Section 25	Reserved

The Exchange proposes to reserve Options 10, Section 25.

#### Options 11

The Exchange proposes to relocate Chapter X, Section 7 titled "Penalty for Minor Rule Violations" to Options 11 titled "Minor Rule Plan Violations" at Section 1. The Exchange proposes to relocate Chapter X, Section 1, "Imposition of Suspension," Section 2, "Investigation

Following Suspension Violations,” Section 3, “Reinstatement Following Suspension,” Section 4, “Failure to Obtain Reinstatement,” Section 5, “Termination of Rights by Suspension” and Section 6, “Contracts of Suspended Participants” into Options 11, Section 2, titled “Suspension.”

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>17</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>18</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by bringing greater transparency to its rules by relocating its Rules into the new Rulebook shell together with other rules which have already been relocated. The Exchange’s proposal is consistent with the Act and will protect investors and the public interest by harmonizing its rule structure, where applicable, across Nasdaq markets so that Members can readily locate rules which cover similar topics. The relocation and harmonization of the Nasdaq Rule structure is part of the Exchange’s continued effort to promote efficiency and conformity of its processes with those of its Affiliated Exchanges. The Exchange believes that the placement of the Nasdaq Rules into their new location in the shell will facilitate the use of the Rulebook by Members. Specifically, the Exchange believes that market participants that are members of more than one Nasdaq market will benefit from the ability to compare Rulebooks.

The Exchange is not substantively amending rule text unless noted otherwise within this rule change. The renumbering, re-lettering, deleting reserved rules, amending cross-references and other minor technical changes will bring greater transparency to Nasdaq’s Rule structure. ISE, GEMX and MRX have already relocated their Rulebooks. BX recently filed to relocate its

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<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

Rulebook.<sup>19</sup> Phlx will also relocate its Rulebook in order to harmonize its rule structure, where applicable, across Nasdaq markets. The Exchange believes its proposal will benefit investors and the general public by increasing the transparency of its Rulebook and promoting easy comparisons among the various Nasdaq Rulebooks.

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 believes that the proposed amendments do not impose an undue burden on competition because the amendments to relocate the Rules are non-substantive. This rule change is intended to bring greater clarity to the Exchange's Rules. Renumbering, re-lettering, deleting reserved rules and amending cross-references will bring greater transparency to Nasdaq's Rule structure.

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) of the Act<sup>20</sup> and Rule 19b-4(f)(6) thereunder.<sup>21</sup>

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<sup>19</sup> SR-BX-2019-036 filed on October 1, 2019.

<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</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

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>22</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>23</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 requested that the Commission waive the 30-day operative delay so that the Exchange could immediately relocate its rules. According to the Exchange, the proposal is intended to make it easier for members to locate the various Exchange rules, and is part of a larger effort to reorganize the Exchange's rules and those of its Affiliated Exchanges. 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. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>24</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 change should be approved or disapproved.

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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.

<sup>22</sup> 17 CFR 240.19b-4(f)(6).

<sup>23</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>24</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2019-098 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-2019-098. 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-2019-098, 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>25</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>25</sup> 17 CFR 200.30-3(a)(12).