March 21, 2019

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delay the Protocol Ouch to Trade Options or OTTO on The Nasdaq Options Market LLC

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 13, 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 delay the 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](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

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 filed a rule change\(^3\) which adopted a new protocol “Ouch to Trade Options” or “OTTO”\(^4\) and proposed to rename and modify the current OTTO protocol as “Quote Using Orders” or “QUO.”\(^5\) 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, 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 21(a)(i)(D).

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\(^4\) As modified by the Prior Rule Change, 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).

\(^5\) 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).
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.6

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. The Exchange filed a rule change implementing QUO and delaying the introduction of the OTTO functionality until Q1 2019 by announcing the date of implementation via an Options Traders Alert.7 The Exchange proposes to further delay the implementation of OTTO functionality until Q3 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.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,8 in general, and furthers the objectives of Section 6(b)(5) of the Act,9 in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect

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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

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 delay the adoption of the OTTO functionality does not impose an undue
burden on competition. Delaying the OTTO functionality will 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) of the
Act\(^\text{10}\) and Rule 19b-4(f)(6) thereunder.\(^\text{11}\)


\(^{11}\) 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 under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii) 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 additional time to implement this functionality and for Participants to sign-up for this new port and test with the Exchange and ensure a successful implementation of the OTTO. 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.

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.

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

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14 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).
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](http://www.sec.gov/rules/sro.shtml)); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2019-016 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-2019-016. 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](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-2019-016 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.\textsuperscript{15}

Eduardo A. Aleman
Deputy Secretary

\textsuperscript{15} 17 CFR 200.30-3(a)(12).