

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100823; File No. SR-BX-2024-029)

August 27, 2024

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Remove Directed Order Functionality

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 August 15, 2024, Nasdaq BX, Inc. (“BX” 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 reserve Options 2, Section 10, Directed Market Makers.³

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ A Directed Market Maker is a Market Maker that may be entitled to an allocation in accordance with Options 3, Section 10 provided the Directed Market Maker was quoting at the better of the internal BBO or the NBBO at the time of receipt of the Directed Order. See Options 2, Section 10.

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

BX proposes to reserve Options 2, Section 10, Directed Market Makers. The Exchange does not currently offer Directed Order⁴ functionality and is not planning to offer this functionality.

BX received approval for its Directed Order functionality in 2015.⁵ Since that time, the Exchange has not implemented this functionality. At this time, the Exchange proposes to remove the rule text related to the Directed Order functionality and reserve Options 2, Section 10. If BX determines to offer Directed Order functionality it would file a rule change with the Commission.

With the removal of the Directed Order functionality, the Exchange proposes to reserve the description of a Directed Order within paragraph (a)(2) of Options 3, Section 7, Types of Orders and Order and Quote Protocols. The Exchange also proposes to remove references to Directed Market Maker or “DMM” allocation entitlements within Options 3, Section 10, Order Book Allocation.⁶ In Options 3, Section 10(a)(2)(iii)(2), the Exchange proposes to remove the clause “excluding All-or-None Orders that cannot be satisfied.” This clause is unnecessary as

⁴ The term “Directed Order” means any order to buy or sell which has been directed to a particular Market Maker by an Order Flow Provider. The term “Order Flow Provider” means any Participant that submits, as agent, orders to the Exchange. See Supplementary Material .01 to Options 2, Section 10.

⁵ See Securities Exchange Act Release No. 74129 (January 23, 2015), 80 FR 4954 (January 29, 2015) (SR-BX-2015-049) (Order Approving Proposed Rule Change Relating to Directed Market Makers). BX recently amended the rule text in Options 2, Section 10. See also Securities Exchange Act Release No. 100542 (July 16, 2024), 89 FR 59174 (July 22, 2024) (SR-BX-2024-003) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 2, Sections 6 and 10).

⁶ The Exchange updates citations where necessary to reflect changes in numbering.

All-or-None Orders⁷ are to be executed in their entirety or not at all. All-or-None Orders do not rest on the order book on BX and would not be allocated pursuant to Options 3, Section 10, which describes order book allocation for resting orders.

2. Statutory Basis

The Exchange believes that the proposed rule change 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 the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that it is consistent with the Act to remove BX's Directed Order functionality, which is not operative, because it would protect investors and the general public by avoiding confusion as whether the Exchange offers this functionality. BX received approval for its Directed Order functionality in 2015.¹⁰ Since that time, the Exchange has not implemented this functionality. At this time, the Exchange proposes to remove the rule text related to the Directed Order functionality and reserve Options 2, Section 10. If BX determines to offer Directed Order functionality it would file a rule change with the Commission.

The Exchange also believes that removing references to a Directed Order within Options 3, Section 7(a)(2) and removing references to Directed Market Maker or "DMM" allocation entitlements within Options 3, Section 10 will bring greater clarity to the unavailability of the

⁷ "All-or-None Order" is a market or limit order which is to be executed in its entirety or not at all. All-or-None Orders are treated as having a time-in-force designation of Immediate or Cancel. All-or-None Orders received prior to the opening or after market close will be rejected. See Options 3, Section 7(a)(7).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ See Securities Exchange Act Release No. 74129 (January 23, 2015), 80 FR 4954 (January 29, 2015) (SR-BX-2015-049) (Order Approving Proposed Rule Change Relating to Directed Market Makers).

Directed Order functionality. Amending the clause in Options 3, Section 10(a)(2)(iii)(2) related to All-or-None Orders is consistent with the Act because All-or-None Orders are to be executed in their entirety or not at all. All-or-None Orders do not rest on the order book on BX and would not be allocated pursuant to Options 3, Section 10, which describes order book allocation for resting orders.

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 remove BX’s Directed Order functionality does not impose an undue burden on intramarket competition because no Market Maker has ever utilized this functionality as the functionality has never been operative. The Exchange also believes that removing references to a Directed Order within Options 3, Section 7(a)(2) and removing references to Directed Market Maker or “DMM” allocation entitlements within Options 3, Section 10 will bring greater clarity to the unavailability of the Directed Order functionality. The Exchange’s proposal to remove BX’s Directed Order functionality does not impose an undue burden on intermarket competition as other options exchanges may elect to offer Directed Order functionality. The Exchange notes that today other options exchanges offer this functionality.¹¹

Amending the clause in Options 3, Section 10(a)(2)(iii)(2) related to All-or-None Orders does not impose an undue burden on intramarket competition because All-or-None Orders are to be executed in their entirety or not at all and they do not rest on the order book. Amending the clause in Options 3, Section 10(a)(2)(iii)(2) related to All-or-None Orders does not impose an undue burden on intermarket competition because other options exchanges have similar rules for

¹¹ See e.g. Nasdaq Phlx, LLC and Nasdaq ISE, LLC Options 2, Section 10.

order allocation for resting orders only. Also, the all-or-none order type on another exchange could allow it to rest on the order book.

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 Act¹² and subparagraph (f)(6) of Rule 19b-4 thereunder.¹³

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 may be submitted by any of the following methods:

¹² 15 U.S.C. 78s(b)(3)(A)(iii).

¹³ 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.

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-BX-2024-029 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-BX-2024-029. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright

protection. All submissions should refer to file number SR-BX-2024-029 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Sherry R. Haywood,
Assistant Secretary.

¹⁴ 17 CFR 200.30-3(a)(12).