

with Sections 6(b)(5) and 6(b)(7) of the Act.¹⁴ As noted above, since it became a national securities exchange, the Exchange has contracted with FINRA through various regulatory services agreements to perform certain regulatory functions on its behalf.¹⁵ Nasdaq Rule 0150 requires that, unless Nasdaq obtains prior Commission approval, the regulatory functions subject to the regulatory services agreement in effect at the time when Nasdaq began to operate a national securities exchange must at all times continue to be performed by FINRA or an affiliate thereof or by another independent self-regulatory organization. The Exchange now proposes to reallocate operational responsibility for the specific investigation and enforcement activities discussed above from FINRA to Nasdaq Regulation.¹⁶ The Commission believes that the Exchange could leverage its knowledge of its markets and members, its experience with investigation and enforcement work, and its surveillance, investigation, and enforcement staff, in helping it to effectively and efficiently conduct the reallocated investigation and enforcement activities. The Commission also notes that the proposal would be an incremental reallocation of operational responsibility because Nasdaq Regulation currently performs the same investigative and enforcement work on behalf of Nasdaq PHLX LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, and Nasdaq MRX, LLC.¹⁷ In addition, the Exchange states that Nasdaq Regulation has instituted the requisite infrastructure to accommodate the internalization of the investigative and enforcement work on behalf of the Exchange.¹⁸ Moreover, the Exchange states that Nasdaq Regulation has developed comprehensive plans covering the transition and has met regularly for more than one year to ensure a smooth transition of the work and prevent any gaps in regulatory coverage.¹⁹ Accordingly, the Commission believes that the proposed

rule change, as modified by Amendment No. 2, is consistent with the Act.

IV. Solicitation of Comments on Amendment No. 2 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 2 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 email to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2019-007 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-2019-007. 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 (<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-2019-007 and should be submitted on or before April 30, 2019.

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 2

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 2, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 2 in the **Federal Register**. The Commission notes that, in Amendment No. 2, the Exchange revised the timing for the phased transition, provided that BX will file a separate proposal to request Commission approval for Nasdaq Regulation to perform the same functions on behalf of BX, provided additional information to clarify and support the proposal, and did not materially change the substance of the proposal. The Commission also notes that the original proposal was subject to a 21-day comment period and no comments were received. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,²⁰ to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²¹ that the proposed rule change (SR-NASDAQ-2019-007), as modified by Amendment No. 2 be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²

Eduardo A. Aleman,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85498; File No. SR-NASDAQ-2019-004]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Designation of Longer Period for Commission Action on Proposed Rule Change To Adopt a New MIDP Routing Option Under Rule 4758 and Make a Conforming Change to Rule 4703(e)

April 3, 2019.

On January 31, 2019, The Nasdaq Stock Market LLC filed with the Securities and Exchange Commission ("Commission"), pursuant to Section

²⁰ 15 U.S.C. 78s(b)(2).

²¹ *Id.*

²² 17 CFR 200.30-3(a)(12).

¹⁴ 15 U.S.C. 78f(b)(5), (7).

¹⁵ See *supra* note 5 and accompanying text.

¹⁶ See *supra* notes 7-8 and accompanying text.

¹⁷ See Amendment No. 2, *supra* note 4 at 6.

¹⁸ See *id.* at 7. Specifically, Nasdaq has created a new investigation and enforcement group to perform the functions covered by this proposal, which included hiring additional staff. See *id.* at 8. Nasdaq would also leverage its existing staff of analysts, lawyers, programmers, and market structure experts to assist, where necessary, with performing the new functions covered by this proposal. See *id.*

¹⁹ See *id.* The investigatory and disciplinary processes and related rules applicable to Exchange members that FINRA currently follows on the Exchange's behalf (*i.e.*, the Series 8000 and 9000 rules) will remain the same. See *id.* at 8 n.14.

19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt a new MIDP routing option under Rule 4758 and make a conforming change to Rule 4703(e). The proposed rule change was published for comment in the **Federal Register** on February 19, 2019.³ The Commission has received no comments on the proposal.

Section 19(b)(2) of the Act ⁴ provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is April 5, 2019.

The Commission is extending the 45-day time period for Commission action on the proposed rule change. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change.

Accordingly, pursuant to Section 19(b)(2) of the Act,⁵ the Commission designates May 20, 2019, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR-NASDAQ-2019-004).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85503; File No. SR-NASDAQ-2019-009]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To Revise the Exchange’s Initial Listing Standards Related to Liquidity

April 3, 2019.

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 21, 2019, The Nasdaq Stock Market LLC (“Nasdaq” or the “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 revise the Exchange’s initial listing standards related to liquidity.

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 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 proposes several amendments in this rule change to increase Nasdaq’s requirements for initial listing and help

assure adequate liquidity for listed securities. First, Nasdaq proposes to revise its initial listing criteria to exclude restricted securities from the Exchange’s calculations of a company’s publicly held shares, market value of publicly held shares and round lot holders (“Initial Liquidity Calculations”). To do so, Nasdaq proposes to add three new definitions to define “restricted securities”, “unrestricted publicly held shares” and “unrestricted securities” and proposes to amend the definition of “round lot holder”. Second, Nasdaq proposes to impose a new requirement that at least 50% of a company’s round lot holders must each hold shares with a market value of at least \$2,500. Third, Nasdaq proposes to adopt a new listing rule requiring a minimum average daily trading volume for securities trading over-the-counter (“OTC”) at the time of their listing. Nasdaq is not proposing to change the requirements for continued listing purposes at this time, but believes that these heightened initial listing requirements will result in enhanced liquidity for the companies that satisfy them on an ongoing basis.³ Each amendment is described in more detail below.

I. Restricted Securities

Nasdaq is proposing to modify its initial listing standards to exclude securities subject to resale restrictions from its Initial Liquidity Calculations. Currently, securities subject to resale restrictions are included in the Exchange’s Initial Liquidity Calculations, however, such securities are not freely transferrable or available for outside investors to purchase and therefore do not truly contribute to a security’s liquidity upon listing. Because the current Initial Liquidity Calculations include restricted securities, a security with a substantial number of restricted securities could satisfy the Exchange’s initial listing requirements related to liquidity and list on the Exchange, even though there could be few freely tradable shares, resulting in a security listing on the Exchange that is illiquid. Nasdaq is concerned because illiquid securities may trade infrequently, in a more volatile manner and with a wider bid-ask spread, all of which may result in

³ Nasdaq staff may apply additional and more stringent criteria to a listed company that satisfies all of the continued listing requirements but where there are indications that there is insufficient liquidity in the security to support fair and orderly trading. In such circumstances, Nasdaq would typically first allow the company to provide and implement a plan to increase its liquidity in the near term.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 85113 (February 12, 2019), 84 FR 4885.

⁴ 15 U.S.C. 78s(b)(2).

⁵ 15 U.S.C. 78s(b)(2).

⁶ 17 CFR 200.30-3(a)(31).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.