# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Definitions

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(a) With respect to these NOM Rules, the following terms shall have the meanings specified in this Section 1. A term defined elsewhere in the Rules of the Exchange shall have the same meaning with respect to this Chapter I, unless otherwise defined below.

(1) The term "aggregate exercise price" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.

(2) The term "American-style option" means an options contract that, subject to the provisions of Options 5, Section 101 of these NOM Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.

(3) The term "associated person" or "person associated with a Participant" means any partner, officer, director, or branch manager of an Options Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Participant or any employee of a Participant.

(4) The term "bid" means a limit order to buy one or more options contracts.

(5) The term "Board" means the Board of Directors of The Nasdaq Stock Market LLC.

(6) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

(7) The term "class of options" means all options contracts of the same type and style covering the same underlying security.

(8) The term "Clearing Corporation" means The Options Clearing Corporation.

(9) The term "Clearing Participant" means a Participant that is self-clearing or a Participant that clears NOM Transactions for other Participants of NOM.

(10) The term "closing purchase transaction" means a NOM Transaction that reduces or eliminates a short position in an options contract.

(11) The term "closing writing transaction" means a NOM Transaction that reduces or eliminates a long position in an options contract.

(12) The term "covered short position" means (i) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

(13) The term "Customer" means a Public Customer or a broker-dealer.

(14) The term "Customer Order" means an agency order for the account of a Public Customer, as defined herein or a broker-dealer.

(15) The term "discretion" means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

(16) The term "European-style option" means an options contract that, subject to the provisions of Options 5, Section 101 of these Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on the business day of expiration, or, in the case of option contracts expiring on a day that is not a business day, the last business day prior to its expiration date.

(17) The term "Exchange" means The Nasdaq Stock Market LLC.

(18) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended, or Rules thereunder.

(19) The term "exercise price" means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.

(20) The terms "he," "him" or "his" shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

(21) The term "index option" means an options contract that is an option on a broad-based, narrow-based or micro narrow-based index of equity securities prices.

(22) The term "individual equity option" means an options contract which is an option on an equity security.

(23) The term "long position" means a person's interest as the holder of one or more options contracts.

(24) The term "MarketWatch" means a unit within Nasdaq Regulation that is responsible for the real-time surveillance and regulation of the trading of options on NOM.

(25) The terms "Nasdaq Options Order Entry Firm" or "Order Entry Firm" or "OEF" mean those Options Participants representing as agent Customer Orders on NOM and those non-Market Maker Participants conducting proprietary trading.

(26) The term "Nasdaq Options Market Maker" or "Options Market Maker" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VII of these Rules.

(27) The term "Nasdaq Rules" means the Rules of The Nasdaq Stock Market LLC.

(28) The term "NOM" means The Nasdaq Options Market or Nasdaq Stock Exchange Options Market, an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.

(29) The term "NOM Book" means the electronic book of orders maintained by the NOM Trading System.

(30) The term "NOM Rules" or "Rules of NOM" means the Rules of The Nasdaq Options Market.

(31) The term "NOM Transaction" means a transaction involving an options contract that is effected on or through NOM or its facilities or systems.

(32) The term "Nasdaq Regulation" means the Department of Nasdaq that supervises and administers the regulatory functions of Nasdaq, including the administration of any regulatory services agreements with another self-regulatory organization to which Nasdaq is a party.

(33) The term "NBBO" means the national best bid or offer as calculated by NOM based on market information received by NOM from OPRA.

(34) The term "offer" means a limit order to sell one or more options contracts.

(35) The term "opening purchase transaction" means a NOM Transaction that creates or increases a long position in an options contract.

(36) The term "opening writing transaction" means a NOM Transaction that creates or increases a short position in an options contract.

(37) The term "options contract" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

(38) The term "options market close" or "market close" means the time specified by NOM for the cessation of trading in contracts on NOM for options on that market day.

(39) The term "options market open" or "market open" means the time specified by NOM for the commencement of trading in contracts on NOM for options on that market day.

(40) The term "Options Participant" or "Participant" means a firm, or organization that is registered with the Exchange pursuant to Chapter II of these Rules for purposes of participating in options trading on NOM as a "Nasdaq Options Order Entry Firm" or "Nasdaq Options Market Maker".

(41) The term "Options Principal" means a person engaged in the management and supervision of the Options Participant's business pertaining to options contracts that has responsibility for the overall oversight of the Options Participant's options related activities on the Exchange.

(42) The term "Options Participation Agreement" means the agreement to be executed by Options Participants to qualify to participate on NOM.

(43) The term "OPRA" means the Options Price Reporting Authority.

(44) The term "order" means a firm commitment to buy or sell options contracts as defined in Section 1(d) of Chapter VI.

(45) The term "outstanding" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

(46) The term "pre-opening" means the period prior to the market open on NOM, beginning at a time specified by NOM, during which Participants may log on to the Trading System and submit, amend and withdraw orders, but no trading can occur.

(47) The term "primary market" means, in the case of securities listed on Nasdaq, the market that is identified as the listing market pursuant to Section X(d) of the approved national market system plan governing the trading of Nasdaq-listed securities, and, in the case of securities listed on another national securities exchange, the market that is identified as the listing market pursuant to Section XI of the Consolidated Tape association Plan.

(48) The term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. All Professional orders shall be appropriately marked by Participants.

(i) Calculation of Professional Orders. With respect to computing the number of orders in listed options per day on average during a calendar month for its own beneficial account(s), the following shall apply:

(a) Each order is counted toward the number of orders, regardless of the options exchange to which the order was routed in determining Professional orders.

(b) A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of "singlestrike algorithms" which track the NBBO. A cancel message is not an order.

(c) An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the resulting subordinate order and results in multiple sides/series shall be counted as a new order per side and series. An order that cancels and replaces the subordinate order on the same side and series will count as one order. For purposes of counting Public Customer orders, if one Public Customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order will count as one order.

(49) The term "Public Customer" means a person that is not a broker or dealer in securities.

(50) The term "Public Customer Order" means an order for the account of a Public Customer.

(51) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the

number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

(52) The term "Quarterly Option Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

(53) The term "quote" or "quotation" means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.

(54) The term "Responsible Person" shall mean a United States-based officer, director or management-level employee of an Options Participant, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Participant.

(55) The term "Rules of the Clearing Corporation" or "Rules of the OCC" means the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

(56) The term "SEC" or "Commission" means the United States Securities and Exchange Commission.

(57) The term "series of options" means all options contracts of the same class of options having the same exercise price and expiration date.

(58) The term "short position" means a person's interest as the writer of one or more options contracts.

(59) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

(60) The term "SRO" means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

(61) The term "Trading System" means the automated trading system used by NOM for the trading of options contracts.

(62) The term "type of option" means the classification of an options contract as either a put or a call.

(63) The term "uncovered" means a short position in an options contract that is not covered.

(64) The term "underlying security" means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

(65) The term "closing index value" in respect of a particular index means the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise (P.M.-settled), unless the settlement value of the index is based on the opening price of each component issue on the primary market (A.M.- settled).

(66) The term "foreign currency" means the standard unit of the official medium of exchange of a sovereign government or the Euro including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona, or the United States dollar).

(67) The term “in-the-money” shall mean the following: for call options, all strike prices at or below the offer in the underlying security on the primary listing market; for put options, all strike prices at or above the bid in the

underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Chapter VII, Section 6.

(68) The term “out-of-the-money” shall mean the following: for call options, all strike prices above the offer in the underlying security on the primary listing market; for put options, all strike prices below the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Chapter VII, Section 6.

(69) An “account number” shall mean a number assigned to a Participant. Participants may have more than one account number.

(70) A “badge” shall mean an account number, which may contain letters and/or numbers, assigned to NOM Market Makers. A NOM Market Maker account may be associated with multiple badges.

(71) A “mnemonic” shall mean an acronym comprised of letters and/or numbers assigned to Participants. A Participant account may be associated with multiple mnemonics.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 14, 2010 (SR-NASDAQ-2010-073); amended Oct. 1, 2010 (SR-NASDAQ-2010-099); amended Oct. 14, 2010 (SR-NASDAQ-2010-132), operative Dec. 1, 2010; amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013; amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; June 17, 2016 (SR-NASDAQ-2016-091); amended Aug. 26, 2016 (SR-NASDAQ-2016-122); amended Oct. 18, 2017 (SR-NASDAQ-2017-111); amended Feb. 8, 2018 (SR-NASDAQ-2018-011); amended July 20, 2018 (SR-NASDAQ-2018-060), operative Aug. 21, 2018; amended Oct. 29, 2018 (SR-NASDAQ-2018-085); amended Nov. 14, 2018 (SR-NASDAQ-2018-094); amended Nov. 30, 2018 (SR-NASDAQ-2018-100), operative Dec. 31, 2018; amended Oct. 29, 2018 (SR-NASDAQ-2018-085), operative Jan. 1, 2019.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Applicability

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(a) These are the Nasdaq Rules applicable to the trading of options contracts issued by The Options Clearing Corporation through NOM, Nasdaq's options trading facility, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading on NOM.

(b) Except to the extent that specific NOM Rules govern or unless the context otherwise requires, the provisions of the Nasdaq Rules shall be applicable to Options Participants and to the trading of option contracts on NOM and, for purposes of their application with respect to Options Participants and options trading, shall be interpreted in light of the nature of options trading and the NOM market, and the fact that options on NOM shall be traded electronically through the Trading System. To the extent that the provisions of the NOM Rules are inconsistent with any other provisions of the Nasdaq Rules, the NOM Rules shall control.

(c) For the purposes of cross-referencing, interpreting and applying Nasdaq Rules to the NOM Rules: 1) a reference to "members" of Nasdaq shall be functionally equivalent to "Participants" in NOM, whether NOM Market Makers, Order Entry Firms or both.

(d) For marketing and other purposes, the Nasdaq Options Exchange Facility may be referred to as the "Nasdaq Stock Market Options Exchange" or "Nasdaq Options Market" or "NOM".

(e) These Rules generally require Options Participants conducting business with the public to comply with applicable requirements of the United States federal securities laws and regulations promulgated thereunder by the Securities and Exchange Commission. To the extent that certain aspects of the federal securities laws and regulations promulgated thereunder do not apply to non-U.S. firms conducting business with non-U.S. customers, these Rules shall be interpreted accordingly, so long as such interpretation is consistent with the maintenance of a fair and orderly options market. In such case, however, such non-U.S. Options Participants must comply with all reasonably comparable laws and regulations of their home countries or of the home countries of their customers, as applicable.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Regulation of Nasdaq and its Members

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Nasdaq and the Financial Industry Regulatory Authority ("FINRA") are parties to the Regulatory Services Agreement dated as of June 28, 2000, as amended ( "Regulatory Contract"). Pursuant thereto, FINRA has agreed to perform certain functions described in these Rules on behalf of Nasdaq. NOM Rules that refer to Nasdaq Regulation, Nasdaq Regulation staff, NOM staff, and NOM departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of Nasdaq pursuant to the Regulatory Contract.

Notwithstanding the fact that Nasdaq has entered into the Regulatory Contract with FINRA Regulation to perform some of Nasdaq's functions, Nasdaq shall retain ultimate legal responsibility for, and control of, such functions.

In addition, Nasdaq has incorporated by reference certain FINRA, Chicago Board Options Exchange ( "CBOE"), and New York Stock Exchange ( "NYSE") rules. Nasdaq members shall comply with these rules and interpretations as if such rules and interpretations were part of Nasdaq's rules.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Options Participation

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(a) These Rules establish a new category of Nasdaq member participation called "Options Participant." Only Options Participants may transact business on NOM via the Trading System. Options Participants may trade options for their own proprietary accounts or, if authorized to do so under applicable law, and consistent with these NOM Rules and with applicable law and SEC rules and regulations, may conduct business on behalf of Customers.

(b) A prospective Options Participant must:

i. complete an Options Participant Application in the form prescribed by the Exchange;

ii. provide such other information as required by the Exchange;

iii. be an existing member or become a member of the Exchange, pursuant to the 1000 rules series, and continue to abide by the requirements of the 1000 Series with respect to participation in NOM.; and

iv. enter into an Options Participant Agreement in the form specified by the Exchange, agree to abide by the same as it has been or shall be from time to time amended, and pledge to abide by the Rules of the Exchange as amended from time to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Rules of the Exchange; and

v. be under the supervision and control of a Responsible Person.

(c) Upon completion of the application, the Exchange, or person(s) designated by the Exchange ( "designee") shall consider whether to approve the application, unless there is just cause for delay. In its consideration process, the Exchange may conduct such investigation as it deems appropriate and may take such steps as it deems necessary to confirm the information provided by the applicant. Within 30 days after the Exchange or its designee has completed its consideration of an application, it shall provide written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefore.

(d) These NOM Rules place no limit on the number of qualifying entities that may become Options Participants. However, based on system constraints or capacity restrictions, approval of qualifying applications for Options Participants may, in limited circumstances, be temporarily deferred. To the extent that the Board places limitations on otherwise qualified applicants to act as Options Participants, such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(e) Options Participant status cannot be leased or transferred except in the event of a change in control or corporate reorganization involving an Options Participant. In such a case, Options Participant status may be transferred to a qualified affiliate or successor upon written notice to the Exchange or its designee.

(f) Every Options Participant shall file with NOM and keep current an address where notices may be served, including current addresses of each Responsible Person, as specified in Paragraph (b)(v) of this Section 1.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Requirements for Options Participation

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(a) Options Participants may be corporations, partnerships, limited liability companies or sole proprietorships organized under the laws of a jurisdiction of the United States, or such other jurisdictions as the Exchange may approve.

(b) Options Participants must be Options Clearing Participants or establish a clearing arrangement with a Clearing Participant.

(c) Options Participants must have demonstrated ability to adhere to all applicable Exchange, SEC, Clearing Corporation and Federal Reserve Board policies, rules and regulations related to the trading of options, including those concerning record-keeping, reporting, finance and trading procedures and be able to satisfactorily demonstrate reasonably adequate systems capability and capacity.

(d) All associated persons of Options Participants who are not themselves Responsible Persons must be under the supervision of a U.S.-based Responsible Person.

(e) Every Options Participant shall have as the principal purpose of being a Participant the conduct of a securities business. Such a purpose shall be deemed to exist if and so long as:

i. the Participant has qualified and acts in respect of its business on NOM as either an OEF or a Options Market Maker, or both; and

ii. all transactions effected by the Participant are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted thereunder.

(f) Every Options Participant shall at all times maintain membership in another registered options exchange that is not registered solely under Section 6(g) of the Securities Exchange Act of 1934, or in FINRA. Options Participants that transact business with customers shall at all times be members of the FINRA.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Oct. 10, 2008 (SR-NASDAQ-2008-081); amended June 26, 2009 (SR-NASDAQ-2009-064); amended Sept. 27, 2018 (SR-NASDAQ-2018-078), operative Oct. 1, 2018.

## Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Persons Associated with Options Participants

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(a) Persons associated with Options Participants shall be bound by the Rules of the Exchange and the Rules of the Clearing Corporation.

(b) Each Options Participant shall file with the Exchange and keep current a list and descriptive identification of those persons associated with the Options Participant who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform application for Securities Industry Registration or Transfer (Form U- 4).

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Good Standing for Options Participants

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(a) To remain in good standing, all Options Participants must:

i. continue to satisfy the qualification requirements specified by the Exchange, as amended from time to time by the Exchange;

ii. comply with the Rules of the Exchange; and

iii. pay on a timely basis such participation, transaction and other fees as the Exchange and/or NOM shall prescribe.

(b) The good standing of an Options Participant may be suspended, terminated or otherwise withdrawn, as provided in the Nasdaq 9550 Rules, if any of the conditions of Section 2 or 3 of this Chapter II are not met or the Options Participant violates any of its agreements with the Exchange and/or NOM or any of the provisions of the Exchange Rules.

(c) Unless an Options Participant is in good standing, the Participant shall have no rights or privileges of options participation except as otherwise provided by law or the Rules, shall not hold himself or itself out for any purpose as a Participant, and shall not deal with the Exchange and/or NOM on any basis except as a non-Participant.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Adherence to Law

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No Options Participant shall engage in conduct in violation of the Exchange Act or Rules thereunder, the Rules of the Exchange or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Options Participant shall supervise persons associated with the Participant to assure compliance therewith.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Conduct and Compliance with the Rules

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(a) Each Options Participant shall be responsible for ensuring that all arrangements made and systems used in connection with business conducted on NOM, and the transaction of such business itself, comply with the Options Participant's and associated persons' obligations under the Rules of the Exchange, the Rules of the Clearing Corporation and any other relevant laws, rules, interpretations and obligations. In accordance with the NOM Rules and in connection with business conducted on NOM, each Options Participant shall:

i. have adequate arrangements to ensure that all staff involved in the conduct of business on NOM are suitable, adequately trained and properly supervised;

ii. be responsible for the acts and conduct of each associated person,

iii. establish its trading arrangements such that each Participant is able to meet the requirements set out in Section 1 of this Chapter and that all other relevant obligations contained in the Rules are complied with;

iv. implement suitable security measures such that only those individuals explicitly authorized by the Options Participant to trade may gain access to passwords and security keys;

v. ensure that any trading access granted to individuals (whether employees of the Options Participant or otherwise), for example by way of order routing systems, is adequately controlled and supervised, including appropriate checks before any orders are submitted to the Trading System; and

vi. ensure that accurate information is input into the System, including, but not limited to, the Options Participant’s capacity.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2009-014 eff. February 23, 2009.

## Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Rumors

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No Options Participant or person associated with an Options Participant shall circulate, in any manner, rumors of a character which might affect market conditions in any security; provided, however, that this Section shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Prevention of the Misuse of Material Nonpublic Information

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(a) Every Options Participant shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of the Participant's business, to prevent the misuse of material nonpublic information by such Participant or persons associated with such Participant in violation of the federal securities laws or the Rules thereunder, and the Rules of the Exchange.

(b) Misuse of material nonpublic information includes, but is not limited to:

i. trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material nonpublic information concerning that corporation;

ii. trading in an underlying security or related options or other derivative securities, while in possession of material nonpublic information concerning imminent transactions in the underlying security or related securities; and

iii. disclosing to another person any material nonpublic information involving a corporation whose shares are publicly traded or disclosing an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material nonpublic information.

(c) Each Options Participant shall establish, maintain and enforce the following policies and procedures as appropriate for the nature of each Participant's business:

i. All associated persons must be advised in writing of the prohibition against the misuse of material nonpublic information.

ii. Signed attestations from the Participant and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least three (3) years, the first two (2) years in an easily accessible place.

iii. Records of all brokerage accounts maintained by the Participant and all associated persons must be acquired and maintained for at least three (3) years, the first two (2) years in an easily accessible place, and such brokerage accounts must be reviewed periodically by the Participant for the purpose of detecting the possible misuse of material nonpublic information.

iv. Any business dealings the Participant may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Participant receiving, in the ordinary course of business, material nonpublic information concerning any such corporation, must be identified and documented.

(d) Participants that are required to file Form X-17A-5 under the Exchange Act or Rules thereunder, with the Exchange on an annual basis only, shall, contemporaneously with those submissions, file attestations signed by such Participants stating that the procedures mandated by this Section have been established, enforced and maintained.

(e) Any Options Participant or associated person who becomes aware of any possible misuse of material nonpublic information must promptly notify Nasdaq Regulation.

(f) It may be considered conduct inconsistent with just and equitable principles of trade for any Participant or person associated with a Participant who has knowledge of all material terms and conditions of:

(i) an order and a solicited order,

(ii) an order being facilitated or submitted to NOM for price improvement (e.g.,. price improving orders), or

(iii) orders being crossed;

the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until (a) the terms and conditions of the order and any changes in the terms and conditions of the order of which the Participant or person associated with the Participant has knowledge are disclosed, or (b) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received. The terms of an order are "disclosed" to NOM Option Participants when the order is entered into the NOM Book. For purposes of this Paragraph (f), an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising 10% or more of the component securities in the index or an order to buy or sell a futures contract on an economically equivalent index.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Disciplinary Action by Other Organizations

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Every Options Participant shall promptly notify Nasdaq Regulation in writing of any disciplinary action, including the basis therefore, taken by any national securities exchange or registered securities association, clearing corporation, commodity futures market or government regulatory body against the Options Participant or its associated persons who are directly involved in derivatives trading, and shall similarly notify Nasdaq Regulation of any disciplinary action taken by the Options Participant itself against any of its associated persons who are directly involved in derivatives trading involving suspension, termination, the withholding of commissions or imposition of fines in excess of $2,500, or any other significant limitation on activities.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Other Restrictions on Participants

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Whenever the Exchange shall find that an Options Participant has failed to perform on its contracts or is insolvent or is in such financial or operational condition or is otherwise conducting business in such a manner that it cannot safely conduct business with Customers, creditors or the Exchange, the Exchange may summarily suspend the Options Participant in accordance with Chapter X (Summary Suspension) or may impose such conditions and restrictions upon the Options Participant as the Exchange considers reasonably necessary for the protection of the Exchange, NOM, and the Customers of such Options Participant.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Position Limits

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(a) No Options Participant shall make, for any account in which it has an interest or for the account of any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly:

(i) exceed the applicable position limit fixed from time to time by the Chicago Board Options Exchange for any options contract traded on NOM and the Chicago Board Options Exchange, notwithstanding the foregoing options contracts overlying SPDR® S&P 500® exchange-traded fund ("SPY ETF" or "SPY") shall have a position limit of 1,800,000 contracts on the same side of the market; or

(ii) exceed the position limit fixed by NOM from time to time for any options contract traded on NOM but not traded on the Chicago Board Options Exchange;

(iii) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on NOM, when the Options Participant is not a member of the other exchange on which the transaction was effected; or

(iv) exceed the applicable position limit fixed from time-to-time by PHLX with respect to U.S. Dollar-Settled Foreign Currency Options.

(b) Should an Options Participant have reason to believe that a position in any account in which it has an interest or for the account of any Customer of such Options Participant is in excess of the applicable limit, such Options Participant shall promptly take the action necessary to bring the position into compliance.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Jan. 16, 2013 (SR-NASDAQ-2013-011); amended Mar. 11, 2013 (SR-NASDAQ-2013-046); amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; amended May 8, 2014 (SR-NASDAQ-2014-052); amended July 1, 2015 (SR-NASDAQ-2015-072); June 10, 2016 (SR-NASDAQ-2016-084); amended June 29, 2017 (SR-NASDAQ-2017-063); amended June 11, 2018 (SR-NASDAQ-2018-044), operative July 12, 2018.

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Exemptions from Position Limits

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An Options Participant may rely upon any available exemptions from applicable position limits granted from time to time by another Options Exchange for any options contract traded on NOM provided that such Options Participant (1) provides Nasdaq Regulation with a copy of any written exemption issued by another Options Exchange or a written, description of any exemption issued by another Options Exchange other than in writing containing sufficient detail for Nasdaq Regulation to verify the validity of that exemption with the issuing Exchange, and (2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemptions with respect to its trading on NOM.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, Exercise Limits

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(a) No Options Participant shall exercise, for any account in which it has an interest or for the account of any Customer, a long position in any options contract where such Options Participant or Customer, acting alone or in concert with others, directly or indirectly, has or will have:

(i) exceeded the applicable exercise limit fixed from time to time by the Chicago Board Options Exchange for any options contract traded on NOM and the Chicago Board Options Exchange, notwithstanding the foregoing options contracts overlying SPDR® S&P 500® exchange-traded fund (“SPY ETF” or “SPY”) shall have an exercise limit of 1,800,000 contracts on the same side of the market;

(ii) exceeded the exercise limit fixed by NOM from time to time for any options contract traded on NOM but not traded on the Chicago Board Options Exchange;

(iii) exceeded the applicable exercise limit fixed from time to time by another exchange for an options contract not traded on NOM, when the Options Participant is not a member of the other exchange on which the transaction was effected; or

(iv) exceeded the applicable exercise limit fixed from time-to-time by PHLX with respect to U.S. Dollar-Settled Foreign Currency Options.

(b) an Options Market Maker that has been granted an exemption to position limits pursuant to Section 8 of this Chapter III (Exemption to Position Limits), the number of contracts which can be exercised over a five (5) business day period shall equal the Market Maker's exempted position.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; amended June 11, 2014 (SR-NASDAQ-2014-064), operative July 11, 2014; amended June 11, 2018 (SR-NASDAQ-2018-044), operative July 12, 2018.

# Nasdaq Stock Market Rules, Regulation, Sec. 10, Nasdaq, Reports Related to Position Limits

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Each Options Participant shall maintain and furnish to Nasdaq Regulation all reports required by the applicable rule of any Options Exchange of which it is a member with respect to reports related to position limits.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 11, Nasdaq, Liquidation Positions

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(a) Whenever Nasdaq Regulation shall find that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all options contracts or one or more classes or series traded on NOM in excess of the applicable position limit established pursuant to Section 7 of this Chapter III (Position Limits), it may order all Options Participants carrying a position in options contracts of such classes or series for such person or persons to liquidate such positions as expeditiously as possible, consistent with the maintenance of a fair and orderly market.

(b) Whenever such an order is given, no Options Participant shall accept any order to purchase, sell or exercise any options contract for the account of the person or persons named in the order, unless and until Nasdaq Regulation expressly approves such person or persons for options transactions.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 12, Nasdaq, Other Restrictions on Options Transactions and Exercises

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(a) NOM may impose such restrictions on transactions or exercises in one or more series of options of any class traded on NOM as Nasdaq Regulation in its judgment deems advisable in the interests of maintaining a fair and orderly market in options contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors.

i. During the effectiveness of such restrictions, no Options Participant shall, for any account in which it has an interest or for the account of any Customer, engage in any transaction or exercise in contravention of such restrictions.

ii. Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, other than index options, which shall include such expiration date for an option contract that expires on a business day, no restriction on exercise under this Section may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the business day of their expiration or, in the case of an option contract expiring on a day that is not a business day, on the last business day before the expiration date.

iii. Exercises of American-style, cash-settled index options shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:

1) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the Rules of the Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by Nasdaq Regulation, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension;

2) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the business day of expiration, or in the case of an option contract expiring on a day that is not a business day, the last business day prior to their expiration;

3) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 4:00 p.m. Eastern time. In the event of such a trading halt, exercises may occur through 4:20 p.m. Eastern time. In addition, if trading resumes following such a trading halt pursuant to the procedure described in Section 4 of Chapter V of these Rules, exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph (a)(iii)(3) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to paragraph (a) of this Rule; and

4) NOM may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

(b) Whenever the issuer of a security underlying a call option traded on NOM is engaged or proposes to engage in a public underwritten distribution ( "public distribution") of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that NOM impose restrictions upon all opening writing transactions in such options at a "discount" where the resulting short position will be uncovered ( "uncovered opening writing transactions").

i. In addition to a request, the following conditions are necessary for the imposition of restrictions:

1) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;

2) the underwriters agree to notify Nasdaq Regulation upon the termination of their stabilization activities; and

3) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a "minus" or "zero minus" tick.

ii. Upon receipt of such a request and determination that the conditions listed above are met, Nasdaq Regulation shall impose the requested restrictions as promptly as possible but no earlier than fifteen (15) minutes after Participants shall have been notified and shall terminate such restrictions upon request of the underwriters or when Nasdaq Regulation otherwise discovers that stabilizing transactions by the underwriters has been terminated.

iii. For purposes of paragraph (b) of this Section 12, an uncovered opening writing transaction in a call option will be deemed to be effected at a "discount" when the premium in such transaction is either:

1) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters' stabilization bid for the underlying security exceeds the exercise price of such option; or

2) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters' stabilization bid in the underlying security at the subscription price exceeds the exercise price of such option.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013.

# Nasdaq Stock Market Rules, Regulation, Sec. 13, Nasdaq, Mandatory Systems Testing

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(a) Each Options Participant that Nasdaq designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Exchange's systems in the manner and frequency prescribed by the Exchange. Nasdaq will designate Options Participants as required to participate in a system test based on: (1) the category of the Participant (Market Maker and OEF); (2) the computer system(s) the Participant uses; and (3) the manner in which the Participant connects to the Exchange. Nasdaq will give Participants reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Participants' obligations in participating in the test.

(b) Every Options Participant required by Nasdaq to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to the testing as the Exchange may prescribe. Participants shall maintain adequate documentation of tests required by this Section 13 and results of such testing for examination by the Exchange.

(c) An Options Participant that is subject to this Section 13 and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to a summary suspension or other action taken pursuant to Chapter X of these Rules and/or a disciplinary action pursuant to the Rule 9000 Series of the Rules of the Exchange (Disciplining of Members).

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012.

## Nasdaq Stock Market Rules, Regulation, Sec. 14, Nasdaq, Limit on Outstanding Uncovered Short Positions

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(a) Whenever it is determined from the reports of uncovered short positions submitted pursuant to Section 2 of Chapter IX of these Rules (Reports of Uncovered Short Positions), viewed in light of current market conditions in options and in underlying securities, that there are outstanding an excessive number of uncovered short positions in options contracts of a given class traded on NOM or that an excessively high percentage of outstanding short positions in options contracts of a given class traded on NOM are uncovered, Nasdaq Regulation may determine to prohibit Options Participants from any further opening writing transactions on any exchange in options contracts of that class unless the resulting short position will be covered, and Nasdaq Regulation may prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in options contracts or in underlying securities.

(b) Nasdaq Regulation may exempt transactions of Options Market Makers from restrictions imposed under this Rule. Such restrictions shall be rescinded upon a determination that they are no longer appropriate.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012.

# Nasdaq Stock Market Rules, Regulation, Sec. 15, Nasdaq, Significant Business Transactions of Options Clearing Participants

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Significant Business Transactions of Options Clearing Participants shall be governed by this Section 15 and not by Nasdaq Rule 1017. All other Significant Business Transactions of Options Participants shall be subject to Nasdaq Rule 1017.

(a) Except as provided in paragraph (c) below, a Participant that clears Options Market Maker trades is required to notify Nasdaq Regulation in writing fifteen (15) days prior to any of the following proposed significant business transactions ( "SBT"):

i. the combination, merger or consolidation between the Participant and another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products;

ii. the transfer from another person, market maker, broker-dealer, or customer of securities or futures accounts that are significant in size or number to the business of the Participant;

iii. the assumption or guarantee by the Participant of liabilities of another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products, in connection with a direct or indirect acquisition of all or substantially all of the person's assets; or

iv. termination of the Participant's clearing business or any material part thereof.

(b) Notification of any of the following SBTs shall be made in writing to Nasdaq Regulation, not later than five (5) business days from the date on which the SBT becomes effective:

i. the sale by the Clearing Participant of a significant part of its assets to another person;

ii. a change in the identity of any general partner or a change in the beneficial ownership of ten percent (10%) or more of any class of the outstanding stock of any corporate general partner;

iii. a change in the beneficial ownership of twenty percent (20%) or more of any class of the outstanding stock of the Participant or the issuance of any capital stock of the Participant; or

iv. the acquisition by the Clearing Participant of assets of another person that would constitute a "business" that is "significant," as those terms are defined in Section 11-01 of Regulation S-X under the Exchange Act.

(c) A Clearing Participant is required to notify Nasdaq Regulation in writing thirty (30) days prior to a proposed SBT included in paragraph (a) of this Rule, and such SBT shall be subject to the prior approval of Nasdaq Regulation, if the Participant's Market Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:

i. fifteen percent (15%) of cleared NOM Market Maker contract volume for the most recent three (3) months;

ii. an average of fifteen percent (15%) of the number of NOM Market Makers as of each month and for the most recent three (3) months; or

iii. twenty-five percent (25%) of NOM Market Maker gross deductions (haircuts) defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant in relation to the aggregate of such haircuts carried by all other Clearing Participants for any month end within the most recent three (3) months.

(d) An SBT that comes within paragraph (c) of this Section 15 may be disapproved or conditioned within the thirty (30) day period if Nasdaq Regulation determines that such SBT has the potential to threaten the financial or operational integrity of Market Maker transactions. In making this determination, Nasdaq Regulation may consider, among other relevant matters, the following:

i. The effect of the proposed SBT on the capital size and structure of the resulting Clearing Participant(s), the potential for financial failure and the consequences of any such failure on the NOM market as a whole, and the potential for increased or decreased operational efficiencies arising from the proposed transaction.

ii. The effect of the proposed SBT upon overall concentration of Market Makers, including a comparison of the following measures before and after the proposed transaction:

1) proportion of NOM Market Maker contract volume cleared;

2) proportion of NOM Market Makers cleared; and

3) proportion of Market Maker gross deductions (haircuts) as defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant(s) in relation to the aggregate of such deductions carried by other Participants that clear market maker transactions.

iii. The regulatory history of the affected Participants, specifically as it may indicate a tendency to financial or operational weakness.

(e) Transactions that come within paragraph (c) of this Section 15 shall be reviewed according to the following procedures:

i. A Participant must provide promptly, in writing, all information reasonably requested by Nasdaq Regulation. Any information disclosed by Participants pursuant to the requirements of this Section 15 shall be kept confidential by Nasdaq Regulation until such information is otherwise publicly disclosed and shall be used only for purposes of reviewing the proposal.

ii. If Nasdaq Regulation determines, prior to the expiration of the thirty (30) day period, that a proposed SBT may be approved without conditions, Nasdaq Regulation shall promptly so advise the Participant.

iii. All decisions to disapprove or condition a proposed SBT or to impose extraordinary requirements shall be in writing, shall include a statement setting forth the grounds for the decision, and the Participant shall be promptly notified of any such decisions by Nasdaq Regulation.

iv. Notwithstanding any other provisions of the NOM Rules, the Participant may appeal a decision to disapprove or condition a proposed SBT directly to the Board by filing an application for review with the Secretary of the Exchange within fifteen (15) days of the date of service of the decision. Appeal to the Board shall be the exclusive method of reviewing such a decision.

v. An appeal to the Board of a decision to disapprove or condition a proposed SBT shall not operate as a stay of that decision during the pendency of the appeal.

vi. Nasdaq Regulation shall file notice with the SEC in accordance with the provisions of Section 19(d)(1) of the Exchange Act of all final decisions to disapprove or condition a proposed SBT.

(f) Nasdaq Regulation may impose additional financial and/or operational requirements on a Participant that clears Market Maker trades at any time when it determines that the Participant's continuance in business without such requirements has the potential to threaten the financial or operational integrity of Market Maker transactions.

(g) The provisions of this Section 15 do not preclude summary action under Chapter X, Discipline and Summary Suspensions, of these Rules, or other Nasdaq Regulation action pursuant to the NOM Rules.

(h) Nasdaq Regulation, upon approval by the Chief Regulatory Officer of Nasdaq, may exempt a Participant from the requirements of this Section 15, either generally or in respect of specific types of transactions, based on the limited proportion of Market Maker trades on NOM that are cleared by the Participant or on the limited importance that the clearing of Market Maker trades bears to the total business of the Participant.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012.

*Services and does not reflect the views of Nasdaq OMX. Nasdaq OMX reserves the right to amend the Nasdaq Manual at its discretion.*

## Nasdaq Stock Market Rules, Regulation, Sec. 16, Nasdaq, Disruptive Quoting and Trading Activity Prohibited

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(a) No Participant shall engage in or facilitate disruptive quoting and trading activity on the Exchange, as described in subsections (i) and (ii) of this Rule, including acting in concert with other persons to effect such activity.

- (i) For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the following facts are present:
  - (a) Disruptive Quoting and Trading Activity Type 1:
    - (i) a party enters multiple limit orders on one side of the market at various price levels (the "Displayed Orders"); and
    - (ii) following the entry of the Displayed Orders, the level of supply and demand for the security changes; and
    - (iii) the party enters one or more orders on the opposite side of the market of the Displayed Orders (the "Contra-Side Orders") that are subsequently executed; and
    - (iv) following the execution of the Contra-Side Orders, the party cancels the Displayed Orders.
  - (b) Disruptive Quoting and Trading Activity Type 2:
    - (i) a party narrows the spread for a security by placing an order inside the NBBO; and
    - (ii) the party then submits an order on the opposite side of the market that executes against another market participant that joined the new inside market established by the order described in paragraph (b)(i).
    - (iii) Applicability. For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the facts listed above are present. Unless otherwise indicated, the order of the events indicating the pattern does not modify the applicability of the Rule. Further, disruptive quoting and trading activity includes a pattern or practice in which of the quoting and trading activity is conducted on the Exchange as well as a pattern or practice in which some portion of the quoting or trading activity is conducted on the Exchange and the other portions of the quoting or trading activity is conducted on one or more other exchanges.

Adopted June 22, 2016 (SR-NASDAQ-2016-092), operative July 22, 2016.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Designation of Securities

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Securities traded on NOM are options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month, exercise price and type (put or call).

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Rights and Obligations of Holders and Writers

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The rights and obligations of holders and writers are set forth in the Rules of the Clearing Corporation.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

## Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Criteria for Underlying Securities

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(a) Underlying securities with respect to which put or call options contracts are approved for listing and trading on NOM must meet the following criteria:

i. The security must be registered with the SEC and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and

ii. the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

(b) In addition, Nasdaq Regulation shall from time to time establish standards to be considered in evaluating potential underlying securities for NOM options transactions. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the standards established by Nasdaq Regulation does not necessarily mean that it will be selected as an underlying security. Nasdaq Regulation may give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the foregoing, an underlying security will not be selected unless:

i. There are a minimum of seven (7) million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.

ii. There are a minimum of 2,000 holders of the underlying security.

iii. The issuer is in compliance with any applicable requirements of the Exchange Act or Rules thereunder.

iv. Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.

v. Either:

1) If the underlying security is a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least $3.00 for the previous three consecutive business days preceding the date on which the Exchange submits a certificate to the Clearing Corporation for listing and trading, as measured by the closing price reported in the primary market in which the underlying security is traded; or

2) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least $7.50 for the majority of business days during the three (3) calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

*(c) Securities of Restructured Companies*

*i. Definitions.* The following definitions shall apply to the provisions of this paragraph (c):

1) "Restructuring Transaction" refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.

2) "Restructure Security" refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.

3) "Original Equity Security" refers to a company's equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.

4) "Relevant Percentage" refers to either: (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure

determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

*ii. "Share" and "Number of Shareholder" Standards.* In determining whether a Restructure Security satisfies the share standard set forth in this Section 3(b)(i) (the "Share Standard") or the number of holders standard set forth in this Section 3(b)(ii) (the "Number of Shareholders Standard"), Nasdaq Regulation may rely upon the facts and circumstances that it expects to exist on the option's intended listing date, rather than on the date on which Nasdaq Regulation selects for options trading the underlying Restructure Security.

1) Nasdaq Regulation may assume that: (i) both the "Share" and "Number of Shareholders" Standards are satisfied if, on the option's intended listing date, Nasdaq Regulation expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and (ii) either such Standard is satisfied if, on the option's intended listing day, Nasdaq Regulation expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Standard in question.

2) Nasdaq Regulation may not rely on any such assumption, however, if a reasonable Nasdaq Regulation investigation or that of another exchange demonstrates that either the Share Standard or Number of Shareholders Standard will not in fact be satisfied on an option's intended listing date.

3) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, Nasdaq Regulation may determine that either the Share Standard or the Number of Shareholders Standard is satisfied based upon Nasdaq Regulation's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.

*iii. "Trading Volume" Standard.* In determining whether a Restructure Security that is issued or distributed to the holders of shares of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies the trading volume standard set forth in Section 3(b)(iv) (the "Trading Volume Standard"), Nasdaq Regulation may consider the trading volume history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (v) below.

*iv. "Market Price" Standard.* In determining whether a Restructure Security satisfies the market price history standard set forth in Section 3(b)(v) (the "Market Price Standard"), Nasdaq Regulation may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:

1) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (v) below; and

2) in the case of the application of the Market Price Standard to a Restructure Security that is distributed pursuant to a public offering or a rights distribution: (i) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five trading days immediately preceding the date of selection; and (ii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of trading on the date of selection, the market price of the Restructure Security was at least $7.50, or, if the Restructure Security is a "covered security," as defined in Section 3(b)(v)(1), the market price of the Restructure Security was at least $3.00.

*v. The "Substantiality Test."* A Restructure Security satisfies the "Substantiality Test" if:

1) the Restructure Security has an aggregate market value of at least $500 million; or

2) at least one of the following conditions is met:

(a) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;

(b) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both $50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or

(c) the revenues attributed to the business represented by the Restructure Security equals or exceeds both $50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

vi. A Restructure Security's aggregate market value may be determined from "when issued" prices, if available.

vii. In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, Nasdaq Regulation shall use the Restructure Security's closing price on its primary market on the last business day prior to the selection date or the Restructure Security's opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.

viii. In calculating comparative asset values and revenues, Nasdaq Regulation shall use either: (a) the issuer's latest annual financial statements or (b) the issuer's most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

ix. Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, Nasdaq Regulation may not rely upon the trading volume or market price history of an Original Equity Security as Paragraph (c) of this Section 3 permits for any trading day unless it relies upon both of those measures for that trading day.

x. Once Nasdaq Regulation commences to rely upon a Restructure Security's trading volume and market price history for any trading day, Nasdaq Regulation may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.

*xi. "When Issued"* Trading Prohibited. Nasdaq Regulation shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.

(d) In considering underlying securities, Nasdaq Regulation shall ordinarily rely upon information made publicly available by the issuer and/or the markets in which the security is traded.

(e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.

(f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ( "ADRs") if they meet the criteria and standards set forth in this Section 3 and if, in the case of ADRs:

i. Nasdaq Regulation has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

ii. the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading; or

iii.

1) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where Nasdaq Regulation has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading,

2) the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and

3) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months preceding the date of selection of the ADR for options trading ( "Daily Trading Volume Standard"); or

iv. the SEC otherwise authorizes the listing.

(g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ( "International Funds") if they meet the criteria and standards set forth in this Section 3 and either:

i. Nasdaq Regulation has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or

ii. the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five (5) or more countries.

(h) A "market information sharing agreement" for purposes of this Section is an agreement that would permit Nasdaq Regulation to obtain trading information relating to the securities held by the fund including the identity of the Participant of the foreign exchange executing a trade. International Fund shares not meeting the criteria of paragraph (i) shall be deemed appropriate for options trading if the SEC specifically authorizes the listing thereof.

(i) Securities deemed appropriate for options trading shall include shares or other securities ( "Fund Shares"), including but not limited to Partnership Units as defined in this Section 3, that are principally traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, and that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolios of securities (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities) ( "Funds ") and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the "Financial Instruments"), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (ii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency ("Commodity Pool ETFs") or (iii) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), or (iv) represent interests in the SPDR Gold Trust or are issued by the iShares COMEX Gold Trust or iShares Silver Trust or, ETFS Gold Trust ( "SGOL"); provided that all of the following conditions are met:

i. The Fund Shares are listed pursuant to generic listing standards for series of portfolio depositary receipts and index fund shares based on international or global indexes, in which case a comprehensive surveillance agreement is not required; or

   (1) any non-U.S. component stocks of the index or portfolio on which the Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;
   (2) Stocks for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index; and
   (3) stocks for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index.

ii. the Fund Shares either (1) meet the criteria and standards set forth in paragraphs (a) and (b) of this Section 3 above; or (2) the Fund Shares are available for creation or redemption each business day in cash or in kind from the investment company, commodity pool or other entity at a price related to net asset value, and the investment company, commodity pool or other entity is obligated to provide that Fund Shares may be created even if some or all of the securities and/or cash required to be deposited have not been received by the Fund, the unit investment trust or the management investment company, provided the authorized creation participant has undertaken to deliver the securities and/or cash as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Fund, all as described in the Fund's or unit trust's prospectus.

iii. For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded.

iv. For Currency Trust Shares, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded.

(j) Securities deemed appropriate for options trading shall include shares or other securities ( "Trust Issued Receipts") that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:

i. the Trust Issued Receipts (1) meet the criteria and standards for underlying securities set forth in paragraph (b) to this Rule; or (2) must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and

ii. not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.

(k) Notwithstanding the requirements set forth in Paragraphs (b)(i), (b)(ii), (b)(iv), and (b)(v) above, options may be listed for trading on NOM if:

(i) the underlying security meets the guidelines for continued listing in Chapter 4, Section 4; and

(ii) options on such underlying security are listed and traded on at least one other national securities exchange.

Nasdaq shall employ the same procedures to qualify underlying securities pursuant to this subsection (k) as it employs in qualifying underlying securities pursuant to other subsections of this Section 3.

(l) Index-Linked Securities

i. Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index-Linked Securities") that are principally traded on a national securities exchange and an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:

(1) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an underlying index or indexes of equity securities ("Equity Reference Asset");

(2) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing ("Commodity Reference Asset");

(3) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in this Section 3(i)), or a basket or index of any of the foregoing ("Currency Reference Asset");

(4) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing ("Fixed Income Reference Asset");

(5) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts ("Futures Reference Asset"); and

(6) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets ("Multifactor Reference Asset");

ii. For purposes of paragraph (l) of this Section 3, Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as "Reference Assets."

iii. (1) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in subsection (b) of this Section 3; or

(2) the Index-Linked Securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

iv. Nasdaq will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

(m) “Partnership Unit” means a security (a) that is issued by a partnership that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities (as defined in Section 1(a)(4) of the Commodity Exchange Act) and/or securities; and (b) that is issued and redeemed daily in specified aggregate amounts at net asset value

(n) U.S. Dollar-Settled Foreign Currency Options. The British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors. The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 03, 2008 (SR-NASDAQ-2008-051); amended June 24, 2008 (SR-NASDAQ-2008-057); amended May 8, 2009 (SR-NASDAQ-2009-046); amended Nov. 15, 2010 (SR-NASDAQ-2010-148); amended Aug. 2, 2011 (SR-NASDAQ-2011-109); amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; amended Aug. 17, 2015 (SR-NASDAQ-2015-097); amended Jan. 16, 2018 (SR-NASDAQ-2018-005).

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Withdrawal of Approval of Underlying Securities

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(a) If put or call options contracts with respect to an underlying security are approved for listing and trading on NOM, such approval shall continue in effect until such approval is affirmatively withdrawn by Nasdaq Regulation. Whenever Nasdaq Regulation determines that an underlying security previously approved for NOM Transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, Nasdaq will not open for trading any additional series of options of the class covering that underlying security and shall prohibit any opening purchase transactions in series of options of that class previously opened to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with Nasdaq's current approval maintenance requirements, regarding number of publicly held shares of publicly held principal amount, number of shareholders, trading volume or market price Nasdaq may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of option contracts of the class covering that underlying security.

(b) An underlying security will not be deemed to meet Nasdaq Regulation's requirements for continued approval whenever any of the following occur:

i. There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.

ii. There are fewer than 1,600 holders of the underlying security.

iii. The trading volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months.

iv. Reserved.

v. The underlying security ceases to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act.

vi. If an underlying security is approved for options listing and trading under the provisions of Section 3 of this Chapter IV (Criteria for Underlying Securities), the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including "when-issued" trading, may be taken into account in determining whether the trading volume requirement of (iii) of this paragraph (b) is satisfied.

(c) Reserved.

(d) In considering whether any of the events specified in paragraph (b) of this Section 4 have occurred with respect to an underlying security, Nasdaq Regulation shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.

(e) If prior to the delisting of a class of options contracts covering an underlying security that has been found not to meet Nasdaq Regulation's requirements for continued approval, Nasdaq Regulation determines that the underlying security again meets Nasdaq Regulation's requirements, Nasdaq may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed by this Section 4.

(f) Whenever Nasdaq Regulation announces that approval of an underlying security has been withdrawn for any reason or that Nasdaq Regulation has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Participant shall, prior to effecting any transaction in options contracts with respect to such underlying security for a Customer, inform such Customer of such fact and of the fact that Nasdaq Regulation may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.

(g) If an ADR was initially deemed appropriate for options trading on the grounds that fifty percent (50%) or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which Nasdaq Regulation has in place an effective surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the daily trading volume standard in Section 3 of this Chapter IV (Criteria for Underlying Securities), Nasdaq may not open for trading additional series of options on the ADR unless:

i. The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which Nasdaq Regulation has in place effective surveillance sharing agreements for any consecutive three (3) month period is either: (1) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or (2) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares; or

ii. Nasdaq Regulation then has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

iii. the SEC has otherwise authorized the listing thereof.

(h) Fund Shares approved for options trading pursuant to Section 3 of this Chapter IV will not be deemed to meet the requirements for continued approval, and Nasdaq shall not open for trading any additional series of option contracts of the class covering such Fund Shares if the security is delisted from trading as provided in subparagraph (b)(v) of this Section. In addition, Nasdaq Regulation shall consider the suspension of opening transactions in any series of options of the class covering Fund Shares in any of the following circumstances:

i. In the case of options covering Fund Shares approved pursuant to Section 3(i)(iv)(1), in accordance with the terms of subparagraphs (b)(i), (ii) and (iii) of this Section 4;

ii. In the case of options covering Fund Shares approved pursuant to Section 3(i)(iv)(2) of this Chapter IV, following the initial twelve-month period beginning upon the commencement of trading in the Fund Shares on a national securities exchange and are defined as NMS stock under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Fund Shares for 30 consecutive days;

iii. the value of the index, non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments or Money Market Instruments, or portfolio of securities on which the Fund Shares are based is no longer calculated or available; or

iv. such other event occurs or condition exists that in the opinion of Nasdaq Regulation makes further dealing in such options on NOM inadvisable.

(i) Securities initially approved for options trading pursuant to paragraph (j) of Section 3 of this Chapter IV (such securities are defined and referred to in that paragraph as "Trust Issued Receipts") shall not be deemed to meet Nasdaq Regulation's requirements for continued approval, and Nasdaq shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, Nasdaq Regulation shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

i. in accordance with the terms of paragraph (b) of this Section 4 in the case of options covering Trust Issued Receipts when such options were approved pursuant to subparagraph (j)(i)(1) under Section 3 of this Chapter IV;

ii. upon annual review, the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 consecutive days;

iii. the Trust has fewer than 50,000 receipts issued and outstanding;

iv. the market value of all receipts issued and outstanding is less than $1,000,000; or

v. such other event shall occur or condition exist that in the opinion of Nasdaq Regulation makes further dealing in such options on NOM inadvisable.

(j) For Trust Issued Receipts approved for options trading pursuant to paragraph (j) of Section 3 of this Chapter IV that are also Holding Company Depositary Receipts ( "HOLDRs"), Nasdaq will not open additional series of options overlying HOLDRs (without prior Commission approval) if: (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRs trust is less than 80% (as measured by their relative weightings in the HOLDRs trust); or (2) less than 80% of the total number of securities held in a HOLDRs trust underlie standardized equity options.

(k) Index Linked Securities

Absent exceptional circumstances, Index-Linked Securities ("Securities") initially approved for options trading pursuant to paragraph (l) of Chapter IV, Section 3 shall not be deemed to meet Nasdaq's requirements for continued approval, and Nasdaq shall not open for trading any additional series or option contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, Nasdaq shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

i. The underlying Index-Linked Security fails to comply with the terms of paragraph (l) of Chapter IV, Section 3;

ii. In accordance with the terms of paragraph (b) of this Section 4, in the case of options covering Index-Linked Securities when such options were approved pursuant to paragraph (l) of Chapter IV, Section 3, except that, in the case of options covering Index- Linked Securities approved pursuant to paragraph (l)(iii)(2) of Chapter IV, Section 3 that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are "NMS" stock as defined in Rule 600 of Regulation NMS;

iii. In the case of any Index-Linked Security trading pursuant to paragraph (l) of Chapter IV, Section 3, the value of the Reference Asset is no longer calculated; or

iv. Such other event shall occur or condition exist that in the opinion of Nadaq make further dealing in such options on Nasdaq inadvisable.

(l) Inadequate Volume Delisting.

Absent exceptional circumstances, a security initially approved for options trading may be deemed by Nasdaq not to meet the requirements for continued approval, in which case Nasdaq will not open for trading any additional series of equity option contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

i. The option has been trading on Nasdaq not less than six (6) months; and

ii. Nasdaq average daily volume ("ADV") of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

If the option is singly listed only on Nasdaq, Nasdaq will cease to add new series and may delist the class of options when there is no remaining open interest;

Should Nasdaq determine to delist an equity option pursuant to this subsection (l), it will provide notification of the determination to delist such option not less than three (3) days prior to the scheduled delisting date.

(m) If an option series is listed but restricted to closing transactions on another national securities exchange, the Exchange may list such series (even if such series would not otherwise be eligible for listing under the Exchange's rules), which shall also be restricted to closing transactions on the Exchange.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Feb. 27, 2009 (SR-NASDAQ-2009-016); amended May 8, 2009 (SR-NASDAQ-2009-046); amended Oct. 16, 2009 (SR-NASDAQ-2009-090).

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Reserved

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Reserved.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Aug. 18, 2009 (SR-NASDAQ-2009-056); amended Mar. 18, 2010 (SR-NASDAQ-2010-007).

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Series of Options Contracts Open for Trading

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(a) After a particular class of options has been approved for listing and trading on NOM by Nasdaq Regulation, Nasdaq from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on NOM. Prior to the opening of trading in a given series, Nasdaq will fix the expiration month, year and exercise price of that series. For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04.

(b) At the commencement of trading on NOM of a particular class of options, NOM will open a minimum of one (1) series of options in that class. The exercise price of the series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on NOM.

(c) Additional series of options of the same class may be opened for trading on NOM when Nasdaq deems it necessary to maintain an orderly market, to meet Customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, Nasdaq, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(d) The interval between strike prices of series of options on individual stocks will be:

i. $2.50 or greater where the strike price is $25.00 or less;

ii. $5.00 or greater where the strike price is greater than $25.00; and

iii. $10.00 or greater where the strike price is greater than $200.00, except as provided in (d)(v).

iv. The interval between strike prices of series of options on Fund Shares approved for options trading pursuant to Section 3 (i) of this Chapter IV shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on NOM, or at such intervals as may have been established on another options exchange prior to the initiation of trading on NOM.

v. Nasdaq may list series in intervals of $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $5 Strike Price Program under their respective rules.

vi. Notwithstanding any other provision regarding strike prices in this rule, non-Short Term Options that are on a class that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”) shall be opened during the month prior to expiration in the same manner as permitted in Supplementary Material .07 to Chapter IV, Section 6 and in the same strike price intervals that are permitted in Supplementary Material .07 to Chapter IV, Section 6.

(e) Nasdaq will open at least one expiration month for each class of options open for trading on NOM.

(f) The interval of strike prices may be $2.50 in any multiply-traded option class to the extent permitted on NOM by the Securities and Exchange Commission or once another exchange trading that option lists strike prices of $2.50 on such options class.

(g) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Supplementary Material .01 to this Section 6.

**Supplementary Material to Section 6**

**.01** (a) The interval between strike prices of series of options on individual stocks may be $2.50 or greater where the strike price is $25 or less, provided however, that NOM may not list $2.50 intervals below $50 (e.g. $12.50, $17.50) for any class included within the $1 Strike Price Program, as detailed below in Supplementary Material .02.

(b) For series of options on Exchange-Traded Fund Shares that satisfy the criteria set forth in Chapter IV, Section 3(i) of these Rules, the interval of strike prices may be $1 or greater where the strike price is $200 or less or $5 or greater where the strike price is over $200.

(i) $0.50 and $1 Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the provisions of this Rule, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

(c) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be $1 or greater.

(d) For series of options on Index Linked Securities that satisfy the criteria set forth in Chapter IV, Section 3(l), the interval of strike prices may be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

(e) For series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDRS) that satisfy the criteria set forth in Chapter IV, Section 3(j) of these Rules, the interval of strike prices may be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

(f) Exceptions to the strike price intervals above are set forth in Supplementary Material to Section 6 below.

**.02** *$1 Strike Price Interval Program:* The interval between strike prices of series of options on individual stocks may be:

(a) $1.00 or greater strike price intervals where the strike price is $50 or less, but not less than $1. Except as provided in subparagraph (c) below, the listing of $1 strike price intervals shall be limited to option classes overlying no more than one hundred fifty (150) individual stocks (the "$1 Strike Program") as specifically designated by NOM. NOM may list $1 strike price intervals on any other option classes if those classes are specifically designated by other national securities exchanges that employ a similar $1 Strike Program under their respective rules. If a class participates in the $1 Strike Program, $2.50 strike price intervals are not permitted between $1 and $50 for non-LEAPS and LEAPS.

(b) Initial and Additional Series. To be eligible for inclusion into the $1 Strike Program, an underlying security must close below $50 in the primary market on the previous trading day.

After a security is added to the $1 Strike Program, NOM may list $1 strike price intervals from $1 to $50 according to the following parameters:

(i) If the price of the underlying stock is equal to or less than $20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is $2, the Exchange would be permitted to list the following series: $1, $2, $3, $4, $5, $6 and $7.

(ii) If the price of the underlying stock is greater than $20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to $50.

(iii) For the purpose of adding strikes under the $1 Strike Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in .06(a) of Supplemental Material to Section 6.

(iv) No additional series in $1 strike price intervals may be listed if the underlying stock closes at or above $50 in its primary market. Additional series in $1 strike price intervals may not be added until the underlying stock closes again below $50.

(v) LEAPS. For stocks in the $1 Strike Program, the Exchange may list one $1 strike price interval between each standard $5 strike interval, with the $1 strike price interval being $2 above the standard strike for each interval above the price of the underlying stock, and $2 below the standard strike for each interval below the price of the underlying stock ( "$2 wings"). For example, if the price of the underlying stock is $24.50, the Exchange may list the following standard strikes in $5 intervals: $15, $20, $25, $30 and $35. Between these standard $5 strikes, the Exchange may list the following $2 wings: $18, $27 and $32. In addition, the Exchange may list the $1 strike price interval which is $2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price ($24.50) is $20, the Exchange may list a $22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

Additional long-term option strikes may not be listed within $1 of an existing strike until less than nine months to expiration.

A security shall remain in the $1 Strike Program until otherwise designated by NOM.

(c) The Exchange may list $1 strike prices up to $5 in any series having greater than nine (9) months until expiration (LEAPS(R)) in up to 200 option classes on individual stocks. The Exchange may not list $1 strike price intervals within $0.50 on an existing $2.50 strike price in the same expiration, except that strike prices of $2 and $3 shall be permitted within $0.50 of a $2.50 strike price for classes also selected to participate in the $0.50 Strike Program.

(d) Delisting Policy. For options classes selected to participate in the $1 Strike Program, the Exchange will, on a monthly basis, review series that were originally listed under the $1 Strike Program with strike prices that are more than $5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the $1 Strike Program that are eligible for delisting.

**.03**

(a) NOM may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50. In addition to those options selected by NOM, the strike price interval may be $2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program.

(b) In addition, on any option class that has been selected as part of the $2.50 Strike Price Program pursuant to paragraph (a) above, the Exchange may list $2.50 strike prices between $50 and $100, provided the $2.50 strike prices between $50 and $100 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price, and the $62.50 strike price on the next business day.

(c) An option class shall remain in the $2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

**.04** *Quarterly Options Series Program:* The Exchange may list and trade P.M. settled options series that expire at the close of business on the last business day of a calendar quarter (“Quarterly Options Series”). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds (“ETF”). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within $5 from the closing price of the underlying on the preceding day.

(c) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or “Fund Shares”) as defined in Chapter IV, Section 3(i) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(d) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(e) Reserved.

(f) Delisting Policy. With respect to Quarterly Options Series added pursuant to the above paragraphs, the Exchange will, on a monthly basis review series that are outside of a range of five (5) strikes above and five (5) strikes below the current price of the ETF, and delist series with no open interest in both the call and the put series having a (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration month.

Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series eligible for delisting shall be granted. In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other option exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to help to ensure uniform delisting of multiply listed Quarterly Options Series in ETF options.

**.05** The interval between strike prices of series of options on individual stocks may be $0.50 or greater beginning at $.50 where the strike price is $5.50 or less, but only for options classes whose underlying security closed at or below $5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of $0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "$0.50 Strike Program") as specifically designated by NOM. NOM may list $0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $0.50 Strike Program under their respective rules. A stock shall remain in the $0.50 Strike Program until otherwise designated by NOM.

**.06** *Range Limitations for New Option Series:* Range Limitations applicable to equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading are adopted by the Exchange to codify a quote mitigation strategy in the Options Listing Procedures Plan ( "OLPP").

(a) Except as provided in subparagraphs (b) through (d) below, if the price of the underlying security is less than or equal to $20, the Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three exercise prices per expiration month in an option class. Except as provided in Supplementary Material to Section 6 at .07(d), if the price of the underlying security is greater than $20, the Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

(i) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;
(ii) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines to list a new series; and
(iii) for option series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. Eastern Time

(b) The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to:

(i) the listing of $1 strike prices in option classes participating in the $1 Strike Program.

(c) The Exchange may designate up to five option classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the option class is delisted by the Exchange, in which case the Exchange may designate another option class to replace the delisted class. If a designated option class is delisted by the Exchange but continues to trade on at least one options exchange, the option class shall be subject to the limitations on listing new series set forth in this Supplementary Material .06 unless designated by another exchange.

(d) If the Exchange has designated five option classes pursuant to subparagraph (c) above, and requests that one or more additional option classes be excepted from the limitations on listing new series set forth in subparagraph (a) above, the additional option class(es) may so be designated upon the unanimous consent of all exchanges that trade such option class(es). Additionally, the Exchange may increase the percentage range for the listing of new series to more than 100% above and below the price of the underlying security for an option class, upon the unanimous consent of all exchanges that trade such option class(es).

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the unanimous consent, plus the next standard expiration month to be added, and also to any nonstandard expirations that occur prior to the next standard monthly expiration.

(e) The Exchange can list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

**.07** *Short Term Option Series*: After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five consecutive Fridays that are business days ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Option Series on the same class.

(c) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices of Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Short Term Option Series may be (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all classes that participate in the Short Term Options Series Program; (ii) $0.50 for classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. Related non-Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Supplementary Material to Section 6 at .07 and in the same strike price intervals that are permitted in Supplementary Material to Section 6 at .07.

**.08** *Mini Options Contracts*

(a) After an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the Exchange. Mini Option contracts may currently be listed on SPDR S&P 500 (“SPY”), Apple Inc. (“AAPL”), SPDR Gold Trust (“GLD”), Alphabet Inc. (“GOOGL”) and Amazon.com Inc. (“AMZN”).

(b) Strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at $125 per share has a total deliverable value of $1250, and the strike price will be set at 125.

(c) No additional series of Mini Options may be added if the underlying security is trading at $90 or less. The underlying security must trade above $90 for five consecutive days prior to listing Mini Options contracts in an additional expiration month.

(d) The minimum price variation for bids and offers for Mini Options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, Mini Options on the same underlying security may be quoted in the same minimum increments, e.g., $0.01 for all quotations in series that are quoted at less than $3 per contract and $0.05 for all quotations in series that are quoted at $3 per contract or greater, $0.01 for all SPY option series, and Mini Options do not separately need to qualify for the Penny Pilot Program.

**.09 U.S. Dollar-Settled Foreign Currency Options.** Within each class of approved U.S. Dollar- Settled Foreign Currency options, the Exchange may open for trading series of options expiring in consecutive calendar months (“consecutive month series”), as provided in subparagraph (A), and series of options expiring at three-month intervals (“cycle month series”), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. Dollar- Settled Foreign Currency Options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. Dollar-Settled Foreign Currency options, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. Dollar-Settled Foreign Currency option. An expiration cycle shall consist of four calendar months (“cycle months”) occurring at three-month intervals.

With respect to any particular class of U.S. Dollar-Settled Foreign Currency option, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series

The Exchange may list, with respect to any U.S. Dollar-Settled Foreign Currency, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. Dollar-Settled Foreign Currency options, in addition to the strike prices listed by the Exchange pursuant to the Supplementary Material at .09 to this Section 6, the Exchange shall also list a single strike price of $0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

The Exchange may initially list exercise strike prices for each expiration of U.S. Dollar-Settled Foreign Currency options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent ($.50) intervals. Thus, if the Exchange Spot Price of the Euro were at $100.00, the Exchange would list strikes in $.50 intervals up to $120.00 and down to $80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. Dollar-Settled Foreign Currency options moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at $100.00, the strike prices the Exchange will list will be $80.00 to $120.00. If the Exchange Spot Price then moves to $105.00, the Exchange may list additional strikes at the following prices: $105.50 to $126.00.

The exercise price of each series of U.S. Dollar-Settled Foreign Currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current

Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices.

(i) Exchange Spot Price - The term “Exchange Spot Price” in respect of an option contract on a foreign currency means the cash market spot price, for the sale of one foreign currency for another, quoted by various foreign exchange participants for the sale of a single unit of such foreign currency for immediate delivery that is calculated from the foreign currency price quotation reported by the foreign currency price quotation dissemination system selected by the Exchange, to which an appropriate multiplier is applied. The multiplier(s) will be: 100 for the British pound, the Euro, the Swiss Franc, the Canadian dollar, the Australian dollar, the Brazilian real, and the New Zealand dollar; 1,000 for the Chinese yuan, the Danish krone, the Mexican peso, the Norwegian krone, the South African rand, and the Swedish krona; 10,000 for the Japanese yen and the Russian ruble; and 100,000 for the South Korean won.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 24, 2008 (SR-NASDAQ-2008-057); amended July 18, 2008 (SR-NASDAQ-2008-064); amended Mar. 17, 2009 (SR-NASDAQ-2009-025); amended June 26, 2009 (SR-NASDAQ-2009-063); amended Nov. 3, 2009 (SR-NASDAQ-2009-099); amended Dec. 4, 2009 (SR-NASDAQ-2009-108); amended Jan. 11, 2010 (SR-NASDAQ-2010-003); amended Mar. 16, 2010 (SR-NASDAQ-2010-038); amended Apr. 20, 2010 (SR-NASDAQ-2010-035); amended June 10, 2010 (SR-NASDAQ-2010-070); amended June 14, 2010 (SR-NASDAQ-2010-073); amended July 2, 2010 (SR-NASDAQ-2010-083); amended Oct. 13, 2010 (SR-NASDAQ-2010-131); amended Jan. 3, 2011 (SR-NASDAQ-2011-001); amended Jan. 3, 2011 (SR-NASDAQ-2011-002); amended Jan. 31, 2011 (SR-NASDAQ-2011-018); amended Mar. 29, 2011 (SR-NASDAQ-2011-041); amended Apr. 18, 2011 (SR-NASDAQ-2011-057); amended June 29, 2011 (SR-NASDAQ-2011-090); amended Sep. 27, 2011 (SR-NASDAQ-2011-133); amended Nov. 17, 2011 (SR-NASDAQ-2011-138); amended Feb. 13, 2012 (SR-NASDAQ-2012-026); amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012; amended Jan. 16, 2012 (SR-NASDAQ-2013-011); amended Mar. 14, 2013 (SR-NASDAQ-2013-047); amended July 26, 2013 (SR-NASDAQ-2013-101); amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013; amended Apr. 24, 2014 (SR-NASDAQ-2014-043); amended Apr. 25, 2014 (SR-NASDAQ-2014-046); amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; amended July 25, 2014 (SR-NASDAQ-2014-074), operative Aug. 24, 2014; amended Sep. 2, 2014 (SR-NASDAQ-2014-091); amended Jan. 21, 2015 (SR-NASDAQ-2015-005); amended Oct. 7, 2015 (SR-NASDAQ-2015-116); amended Aug. 26, 2016 (SR-NASDAQ-2016-122); amended July 21, 2017 (SR-NASDAQ-2017-073); amended Feb. 8, 2018 (SR-NASDAQ-2018-011).

## Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Adjustments

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Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. Nasdaq will announce adjustments, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Long-Term Options Contracts

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(a) Notwithstanding conflicting language in Section 5 of this Chapter IV (Series of Options Contracts Open for Trading), Nasdaq may list long-term options contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six (6) expiration months for options on all other securities. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(b) After a new long-term options contract series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Nov. 7, 2018 (SR-NASDAQ-2018-088).

# Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

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U.S. Dollar-Settled Foreign Currency options are settled in U.S. dollars.

The closing settlement value for the U.S. Dollar-Settled Foreign Currency options on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

Adopted Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Access to and Conduct on the NOM Market

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(a) *Access to NOM*. Unless otherwise provided in the Rules, no one but a Participant or a person associated with a Participant shall effect any NOM Transactions.

(b) *NOM Conduct*. Participants and persons employed by or associated with any Participant, while using the facilities of NOM, shall not engage in conduct: (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; or (iii) inconsistent with the ordinary and efficient conduct of business. Activities that shall violate the provisions of this paragraph (b) include, but are not limited to, the following:

i. failure of a Market Maker to provide quotations in accordance with Chapter VII, Section 6 of these Rules;

ii. failure of a Market Maker to bid or offer within the ranges specified by Chapter VII, Section 5 of these Rules;

iii. failure of a Participant to supervise a person employed by or associated with such Participant adequately to ensure that person's compliance with this paragraph (b).

iv. failure to maintain adequate procedures and controls that permit the Options Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in this paragraph (b) and Chapter III, Section 2 of these Rules;

v. failure to abide by a determination of Nasdaq Regulation;

vi. effecting transactions that are manipulative as provided in Rule 2110, 2111, 2120 or any other rule of the Exchange;

vii. refusal to provide information requested by Nasdaq Regulation; and

viii. failure to abide by the provisions of the sections of this Chapter V related to limitations on orders.

(c) Subject to the Rules, NOM will provide access to the Trading System to Options Participants in good standing that wish to conduct business on NOM.

(d) Pursuant to the Rules and the arrangements referred to in this Chapter V, Nasdaq Regulation may:

i. suspend an Options Participant's access to the Trading System following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or

ii. terminate an Options Participant's access to the Trading System by notice in writing.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, MarketWatch

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Personnel from MarketWatch, a unit of Nasdaq Regulation, shall monitor and surveil options trading on NOM in order to ensure the maintenance of a fair and orderly market.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Trading Halts

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(a) *Halts*. Nasdaq Regulation may halt trading in any option contract in the interests of a fair and orderly market. The following are among the factors that shall be considered in determining whether the trading in an option contract should be halted:

i. trading in the underlying security has been halted or suspended in the primary market.

ii. the opening of such underlying security has been delayed because of unusual circumstances.

iii. occurrence of an act of God or other event outside NOM's control;

iv. a Trading System technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Options Participant trading applications, or the electrical power supply to the system itself or any related system; or;

v. other unusual conditions or circumstances are present.

vi. Trading Pauses. Trading on the Exchange in any option contract shall be halted whenever trading in the underlying security has been paused by the primary listing market.

(A) Trading in such options contracts may be resumed upon a determination by the Exchange that the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one exchange. If, however, trading has not been resumed on the primary listing market for the underlying security after ten minutes have passed since the underlying security was paused by the primary listing market, trading in such options contracts may be resumed by the Exchange if the underlying security has resumed trading on at least one exchange.

(B) During the halt, the Exchange will maintain existing orders on the book, accept orders, and process cancels, except that Market Maker interest entered pursuant to the obligations contained in Chapter VII, Section 5 is cancelled.

(b) In the event Nasdaq Regulation determines to halt trading, all trading in the effected class or classes of options shall be halted. NOM shall disseminate through its trading facilities and over OPRA a symbol with respect to classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.

(c) No Options Participant or person associated with a Participant shall effect a trade on NOM in any options class in which trading has been halted under the provisions of this Section 3 during the time in which the halt remains in effect.

(d) This paragraph shall be in effect during a pilot period that expires at the close of business on October 18, 2019. Capitalized terms used in this paragraph shall have the same meaning as provided for in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"). During a Limit State and Straddle State in the Underlying NMS stock:

(i) The Exchange will not open an affected option.

(ii) After the opening, the Exchange shall reject Market Orders, as defined in Chapter VI, Section 1, and shall notify Participants of the reason for such rejection.

(iii) When evaluating whether a Market Maker has met the intra-day quoting obligations of Chapter VII, Section 6(d) in options overlying NMS stocks, the Exchange will not consider as part of the trading day the time that an NMS stock underlying an option was in a Limit State or Straddle State.

(iv) For a pilot period that expires at the close of business on October 18, 2019, trades are not subject to an obvious error or catastrophic error review pursuant to Chapter V, Sections 6(c) or (d). Nothing in this provision shall prevent trades from review on Exchange motion pursuant to Chapter V, Section 6(c)(3), or subject to nullification or adjustment pursuant to Chapter V, Section 6(e) – (j).

(e) The Exchange shall halt trading in all options whenever the equities markets initiate a market-wide trading halt commonly known as a circuit breaker in response to extraordinary market conditions.

***Commentary:***…

**.01** The Exchange shall nullify any transaction that occurs with respect to equity options (including options overlying ETFs), during a regulatory halt as declared by the primary listing market for the underlying security.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 10, 2010 (SR-NASDAQ-2010-071); amended July 14, 2010 (SR-NASDAQ-2010-087); amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012; amended Feb. 28, 2013 (SR-NASDAQ-2013-040), operative Mar. 30, 2013; amended Apr. 5, 2013 (SR-NASDAQ-2013-043); amended Apr. 8, 2013 (SR-NASDAQ-2013-048); amended Apr. 7, 2014 (SR-NASDAQ-2014-033); amended Feb. 19, 2015 (SR-NASDAQ-2015-016); amended May 7, 2015 (SR-NASDAQ-2015-054); amended Oct. 20, 2015 (SR-NASDAQ-2015-125); amended July 26, 2017 (SR-NASDAQ-2017-078), operative Oct. 18, 2017; amended June 29, 2018 (SR-NASDAQ-2018-051); amended July 2, 2018 (SR-NASDAQ-2018-052); amended Apr. 5, 2019 (SR-NASDAQ-2019-026).

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Resumption of Trading After a Halt

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Trading in an option that has been the subject of a halt under Section 3of this Chapter V shall be resumed upon the determination by Nasdaq Regulation, that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading. Trading shall resume according to the process set forth in Chapter VI, Section 8 of these rules.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended May 11, 2011 (SR-NASDAQ-2011-037), operative Aug. 26, 2011; amended June 8, 2011 (SR-NASDAQ-2011-079).

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Unusual Market Conditions

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(a) NOM staff may determine that the level of trading activities or the existence of unusual market conditions is such that NOM is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on NOM. Upon making such a determination, Nasdaq Regulation shall designate the market in such option to be "fast." When a market for an option is declared fast, Nasdaq Regulation will provide notice that NOM quotations are not firm by appending an appropriate indicator to the NOM quotations.

(b) If a market is declared fast, Nasdaq Regulation shall have the power to do one or more of the following with respect to the class or classes involved:

i. Suspend the minimum size requirement as permitted under Chapter VII, Section 6 (Market Maker Quotations) of these Rules.

ii. Take such other actions as are deemed in the interest of maintaining a fair and orderly market.

(c) Nasdaq Regulation will monitor the activity or conditions that caused a fast market to be declared, and shall review the condition of such market at least every thirty (30) minutes. Regular trading procedures shall be resumed when NOM determines that the conditions supporting a fast market declaration no longer exist. Nasdaq Regulation will provide notice that its quotations are once again firm by removing the indicator from the NOM quotations.

(d) If the conditions supporting a fast market declaration cannot be managed utilizing one or more of the procedures contained in this Section 6, then Nasdaq Regulation, shall instruct Nasdaq operations to halt trading in the class or classes so affected.

(e) Nasdaq Regulation shall instruct Nasdaq operations to halt trading in all options whenever a marketwide trading halt is initiated on the New York Stock Exchange (commonly known as a "circuit breaker") in response to extraordinary market conditions.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Nullification and Adjustment of Options Transactions including Obvious Errors

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The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any Participant to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) *Definitions*.

(1) *Customer*. For purposes of this Rule, a Customer shall not include any broker-dealer or Professional.

(2) *Erroneous Sell/Buy Transaction*. For purposes of this Rule, an "erroneous sell transaction" is one in which the price received by the person selling the option is erroneously low, and an "erroneous buy transaction" is one in which the price paid by the person purchasing the option is erroneously high.

(3) *Official*. For purposes of this Rule, the term " Official" shall mean an Exchange staff member or contract employee designated as such by the Chief Regulatory Officer. A list of individual Officials shall be displayed on the Exchange website. The Chief Regulatory Officer shall maintain the list of Officials and update the website each time a name is added to, or deleted from, the list of Officials. In the event no Official is available to rule on a particular matter, the Chief Regulatory Officer or his/her designee shall rule on such matter.

(4) *Size Adjustment Modifier*. For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

| Number of Contracts per Execution | Adjustment – Theoretical Price (TP) Plus/Minus |
|---|---|
| 1-50 | N/A |
| 51-250 | 2 times adjustment amount |
| 251-1000 | 2.5 times adjustment amount |
| 1001 or more | 3 times adjustment amount |

(b) *Theoretical Price*. Upon receipt of a request for review and prior to any review of a transaction execution price, the "Theoretical Price" for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in sub-paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to Exchange's receipt of the order. The Exchange will rely on this paragraph (b) and Commentary .04 of this Rule when determining Theoretical Price.

(1) *Transactions at the Open*. For a transaction occurring as part of the Opening Process (as defined in Chapter VI, Section 8) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask

differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

(2) *No Valid Quotes* The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:

(A) all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a "crossed market");

(B) quotes published by the Exchange that were submitted by either party to the transaction in question;

(C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange's best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and

(D) quotes published by another options exchange against which the Exchange has declared self-help.

(3) *Wide Quotes*. The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

| **Bid Price at Time of Trade** | **Minimum Amount** |
|---|---|
| Below $2.00 | $0.75 |
| $2.00 to $5.00 | $1.25 |
| Above $5.00 to $10.00 | $1.50 |
| Above $10.00 to $20.00 | $2.50 |
| Above $20.00 to $50.00 | $3.00 |
| Above $50.00 to $100.00 | $4.50 |
| Above $100.00 | $6.00 |

(c) *Obvious Errors*.

(1) *Definition*. For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| **Theoretical Price** | **Minimum Amount** |
|---|---|
| Below $2.00 | $0.25 |
| $2.00 to $5.00 | $0.40 |
| Above $5.00 to $10.00 | $0.50 |
| Above $10.00 to $20.00 | $0.80 |
| Above $20.00 to $50.00 | $1.00 |
| Above $50.00 to $100.00 | $1.50 |
| Above $100.00 | $2.00 |

(2) *Time Deadline*. A party that believes that it participated in a transaction that was the result of an Obvious Error must notify an Official in the manner specified from time to time by the

Exchange in a notice distributed to Participants. Such notification must be received by an Official within the timeframes specified below:

(A) *Customer Orders*. For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and

(B) *"Non-Customer" Orders*. For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.

(C) *Linkage Trades*. Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange ("linkage trades"). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non- Customer order).

(3) Acting on Own Motion. The President or designee thereof, who is an officer of the Exchange (collectively "Exchange officer") may review a transaction believed to be erroneous on his/ her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Exchange officer that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Exchange officer shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Exchange officer act later than 8:30 a.m. Eastern Time on the next trading day following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with paragraph (k) below; however, a determination by an Exchange officer not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Exchange officer's own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) *Adjust or Bust*. If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) *Non-Customer Transactions*. Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

| **Theoretical Price (TP)** | **Buy Transaction Adjustment – TP Plus** | **Sell Transaction Adjustment – TP Minus** |
|---|---|---|
| Below $3.00 | $0.15 | $0.15 |

| | | |
|---|---|---|
| At or above $3.00 | $0.30 | $0.30 |

(B) *Customer Transactions*. Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to subparagraph (C) below.

(C) If any Participant submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that Participant has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non- Customer adjustment criteria set forth in sub-paragraph (A) above to such transactions.

(d) *Catastrophic Errors*.

(1) *Definition*. For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| **Theoretical Price** | **Minimum Amount** |
|---|---|
| Below $2.00 | $0.50 |
| $2.00 to $5.00 | $1.00 |
| Above $5.00 to $10.00 | $1.50 |
| Above $10.00 to $20.00 | $2.00 |
| Above $20.00 to $50.00 | $2.50 |
| Above $50.00 to $100.00 | $3.00 |
| Above $100.00 | $4.00 |

(2) *Time Deadline*. A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify the Exchange's Officials in the manner specified from time to time by the Exchange in a notice distributed to Participants. Such notification must be received by the Exchange's Officials by 8:30 a.m. Eastern Time on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify the Exchange's Officials within 45 minutes after the close of trading that same day.

(3) *Adjust or Bust*. If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

| **Theoretical Price (TP)** | **Buy Transaction Adjustment – TP Plus** | **Sell Transaction Adjustment – TP Minus** |
|---|---|---|
| Below $2.00 | $0.50 | $0.50 |
| $2.00 to $5.00 | $1.00 | $1.00 |
| $5.00 to $10.00 | $1.50 | $1.50 |
| $10.00 to $20.00 | $2.00 | $2.00 |
| $20.00 to $50.00 | $2.50 | $2.50 |
| $50.00 to $100.00 | $3.00 | $3.00 |
| Above $100.00 | $4.00 | $4.00 |

(e) *Significant Market Events*.

(1) Definition. For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and

any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of $30,000,000, where the Worst- Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

(i) $0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times
(ii) the contract multiplier for each traded contract; times
(iii) the number of contracts for each trade; times
(iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;
(C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of $100,000,000 are potentially erroneous;
(D) 10,000 transactions are potentially erroneous.

(2) Coordination with Other Options Exchanges . To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) *Adjust or Bust*. If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above.

| **Theoretical Price (TP)** | **Buy Transaction Adjustment – TP Plus** | **Sell Transaction Adjustment – TP Minus** |
|---|---|---|
| Below $3.00 | $0.15 | $0.15 |
| At or above $3.00 | $0.30 | $0.30 |

(B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

(4) *Nullification of Transactions*. If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with

other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(5) *Final Rulings*. With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.

(f) *Trading Halts*. The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Commentary .03 of this Rule.

(g) *Erroneous Print in Underlying*. A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies an Official in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify an Official within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification.

(h) *Erroneous Quote in Underlying*. A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in subparagraph (c)(4) this Rule, provided a party notifies an Official in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least $1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of sample quotations at regular 15- second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify an Official in accordance with sub-paragraph (c)(2) above.

(i) Reserved.

(j) *Linkage Trades*. If the Exchange routes an order pursuant to the Plan (as defined in Chapter XII, Section 1(17)) that results in a transaction on another options exchange (a "Linkage Trade") and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.

(k) *Verifiable Disruption or Malfunction of Exchange Systems*. Parties to a trade may have a trade nullified or its price adjusted if it resulted from a verifiable disruption or malfunction of Exchange execution, dissemination, or communication systems that caused a quote/order to trade in excess of its disseminated size (e.g. a quote/order that is frozen, because of an Exchange system error, and repeatedly traded). Parties to a trade may have a trade nullified or its price adjusted if it resulted from a verifiable disruption or malfunction of an Exchange dissemination or communication system that prevented a member from updating or canceling a quote/order for which the member is responsible where there is Exchange documentation providing that the member sought to update or cancel the quote/order.

(l) *Appeals*. A party to a transaction affected by a decision made under this section may appeal that decision to the Nasdaq Review Council. An appeal must be made in writing, and must be received by Nasdaq within thirty (30) minutes after the person making the appeal is given the notification of the determination being appealed. The Nasdaq Review Council may review any decision appealed, including whether a complaint was timely, whether an Obvious Error or Catastrophic Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price.

(1) A Nasdaq Review Council panel will be comprised minimally of representatives of one (1) member engaged in Market Making and two (2) industry representatives not engaged in Market Making. At no time should a review panel have more than 50% members engaged in Market Making.

(2) The Nasdaq Review Council, pursuant to the standards set forth in this rule, shall affirm, modify, or reverse the determination.

(3) The decision of the Nasdaq Review Council pursuant to an appeal, or a determination by a Nasdaq Official that is not appealed, shall be final and binding upon all parties and shall constitute final Nasdaq action on the matter in issue. Any determination by a Nasdaq Official or the Nasdaq Review Council shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(4) The party initiating the appeal shall be assessed a $500.00 fee if the Nasdaq Review Council upholds the decision of the Nasdaq Official. In addition, in instances where Nasdaq, on behalf of an Options Participant, requests a determination by another market center that a transaction is clearly erroneous, Nasdaq will pass any resulting charges through to the relevant Options Participant.

***Commentary:***…

**.01** Reserved.

**.02** For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

**.03** Trading Halts. Trades on the Exchange will be nullified when:

(A) The trade occurred during a trading halt in the affected option on the Exchange;

(B) Respecting equity options (including options overlying ETFs), the trade occurred during a trading halt on the primary market for the underlying security; or

(C) Respecting index options, the trade occurred during a trading halt on the primary market in underlying securities representing more than 10 percent of the current index value for stock index options.

**.04** Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

(a) The Exchange will request Theoretical Price from the third party vendor defined in paragraph (d) below ("TP Provider") to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described below.

(b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official shall contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange shall also promptly provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.

(c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.

(d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: CBOE Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the “TP Provider”), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Commentary .04. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider shall have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Nov. 19, 2008 (SR-NASDAQ-2008-088); amended Feb. 18, 2010 (SR-NASDAQ-2010-022); amended Feb. 26, 2013 (SR-NASDAQ-2013-039), operative Mar. 28, 2013; amended July. 19, 2013 (SR-NASDAQ-2013-095), operative Aug. 18, 2013; amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013; amended Apr. 30, 2014 (SR-NASDAQ-2014-048), operative May 30, 2014; amended May 7, 2015 (SR-NASDAQ-2015-054); amended Aug. 13. 2015 (SR-NASDAQ-2015-100); amended July 26, 2017 (SR-NASDAQ-2017-078), operative Oct. 18, 2017.

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Audit Trail

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(a) *Order Identification*. When entering orders on NOM, each Options Participant shall submit order information in such form as may be prescribed by Nasdaq in order to allow NOM to properly prioritize and match orders and report resulting transactions to the Clearing Corporation.

(b) An Options Participant must ensure that each options order received from a Customer for execution on NOM is recorded and time-stamped immediately. The order record must be time-stamped again on execution and also at the time of any modification or cancellation of the order by the Customer. Order records relating to NOM must contain the following information at a minimum:

i. a unique order identification;

ii. the underlying security;

iii. opening/closing designation;

iv. the identity of the Clearing Participant;

v. Options Participant identification;

vi. Participant Capacity;

vii. identity of the individual/terminal completing the order ticket;

viii. customer identification;

ix. account identification;

x. buy/sell;

xi. contract volume;

xii. contract month;

xiii. exercise price;

xiv. put/call;

xv. price or price limit, price range or strategy price;

xvi. special instructions (e.g *.*, GTC); and

xvii. and such other information as may be required by NOM.

(c) An Options Participant that employs an electronic system for order routing or order management which complies with NOM requirements will be deemed to be complying with the requirements of this Section if the required information is recorded in electronic form rather than in written form.

(d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Section must be retained by Options Participants for a period of no less than three (3) years after the date of the transaction.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Failure to Pay Premium

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(a) When the Clearing Corporation shall reject a NOM Transaction because of the failure of the Clearing Participant acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Options Participant acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice thereof to the Clearing Participant or to enter into a closing writing transaction in respect of the same options contract that was the subject of the rejected NOM Transaction for the account of the defaulting Clearing Participant.

(b) Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. EST on the business day following the day the NOM Transaction was rejected by the Clearing Corporation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, Limitation of Liability

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(a) Except as provided for in Rule 4626, NOM and its affiliates shall not be liable for any losses, damages, or other claims arising out of the NOM Trading System or its use. Any losses, damages, or other claims, related to a failure of the NOM Trading System to deliver, display, transmit, execute, compare, submit for clearance and settlement, adjust, retain priority for, or otherwise correctly process an order, message, or other data entered into, or created by, the NOM Trading System shall be absorbed by the member, or the member sponsoring the customer, that entered the order, message, or other data into the NOM Trading System.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Definitions

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The following definitions apply to Chapter VI for the trading of options listed on NOM.

(a) The term "System" shall mean the automated system for order execution and trade reporting owned and operated by The Nasdaq Options Market LLC. The Nasdaq Options Market comprises:

(1) an order execution service that enables Participants to automatically execute transactions in System Securities; and provides Participants with sufficient monitoring and updating capability to participate in an automated execution environment;

(2) a trade reporting service that submits "locked-in" trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment; and

(3) the data feeds described in Section 19.

(b) The term "System Securities" shall mean all options that are currently trading on NOM pursuant to Chapter IV above. All other options shall be "Non System Securities."

(c) The term "Participant" shall include Options Market Makers and Options Order Entry Firms that are registered to enter orders into the System.

(d) The term "Order" shall mean a single order submitted to the System by a Participant that is eligible to submit such orders.

(e) The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1) Cancel-replacement order shall mean a single message for the immediate cancellation of a previously received order and the replacement of that order with a new order with new terms and conditions. If the previously placed order is already filled partially or in its entirety, the replacement order is automatically canceled or reduced by the number of contracts that were executed. The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained.

(2) "Limit Orders" are orders to buy or sell an option at a specified price or better. A limit order is marketable when, for a limit order to buy, at the time it is entered into the System, the order is priced at the current inside offer or higher, or for a limit order to sell, at the time it is entered into the System, the order is priced at the inside bid or lower.

(3) "Minimum Quantity Orders" are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders are treated as having a time-in-force designation of Immediate or Cancel. Minimum Quantity Orders received prior to the opening cross or after market close will be rejected.

(4) Reserved.

(5) "Market Orders" are orders to buy or sell at the best price available at the time of execution. Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant.

(6) "Price Improving Orders" are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation in the security. Price Improving Orders may be entered in increments as small as one cent. Price Improving Orders that are available for display shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders.

(7) The term "On the Open Order" shall mean an order with a designated time-in-force of "OPG". An On the Open Order will be executable only during the Opening Cross. If such order is not executed in its entirety during the Opening Cross, the order, or any unexecuted portion of such order, will be cancelled back to the entering participant.

(8) "Intermarket Sweep Order" or "ISO" are limit orders that are designated as ISOs in the manner prescribed by Nasdaq and are executed within the System by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Chapter XII, Section 1. ISOs may have any time-in-force designation except WAIT, are handled within the System pursuant to Chapter VI, Section 10 and shall not be eligible for routing as set out in Chapter VI, Section 11.

Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Chapter XII, Section 1) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an intermarket sweep order (as defined in Chapter XII, Section 1). These additional routed orders must be identified as ISOs.

(9) "One-cancels-the-other" shall mean an order entered by a Market Maker that consists of a buy order and a sell order treated as a unit; the full execution of one of the orders causes the other to be canceled.

(10) "All-or-none" shall mean 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 cross or after market close will be rejected.

(11) "Post-Only Orders" are orders that will not remove liquidity from the System. Post- Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post-Only Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Chapter VI, Section 7(b)(3)(C). Participants may choose to have their Post-Only Orders returned whenever the order would lock or cross the NBBO or be placed on the book at a price other than its limit price. Post-Only Orders received prior to the opening will be eligible for execution during the opening cross and will be processed as per Chapter VI, Section 8. Post-Only Orders received after market close will be rejected. Post-Only Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel.

(f) The term "Order Size" shall mean the number of contracts up to 999,999 associated with the Order.

(g) The term "Time in Force" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1) "On the Open Order" or "OPG" shall mean for orders so designated, that if after entry into the System, the order is not fully executed in its entirety during the Opening Cross, the order, or any unexecuted portion of such order, will be cancelled back to the entering participant.

(2) "Immediate Or Cancel" or "IOC" shall mean for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. IOC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close. IOC Orders entered between the time specified by the Exchange on its website and 9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the System shall determine whether such orders are marketable.

(3) "DAY" shall mean for orders so designated, that if after entry into the System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution until market

close, unless canceled by the entering party, after which it shall be returned to the entering party. DAY Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close.

(4) "Good Til Cancelled" or "GTC" shall mean for orders so designated, that if after entry into System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close.

(5) "WAIT" shall mean for orders so designated, that upon entry into the System, the order is held for one second without processing for potential display and/or execution. After one second, the order is processed for potential display and/or execution in accordance with all order entry instructions as determined by the entering party.

(h) The term "System Book Feed" shall mean a data feed for System securities.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Mar. 19, 2008 (SR-NASDAQ-2008-022); amended Feb. 17, 2009 (SR-NASDAQ-2009-011); amended Mar. 6, 2009 (SR-NASDAQ-2009-017); amended June 26, 2009 (SR-NASDAQ-2009-064); amended July 7, 2009 (SR-NASDAQ-2009-066); amended June 29, 2009 (SR-NASDAQ-2009-065); amended Aug. 13, 2009 (SR-NASDAQ-2009-076); amended Aug. 18, 2009 (SR-NASDAQ-2009-056); amended Feb. 25, 2010 (SR-NASDAQ-2010-028); amended Nov. 10, 2010 (SR-NASDAQ-2010-147), operative Dec. 10, 2010; amended Feb. 24, 2011 (SR-NASDAQ-2011-032), operative Mar. 24, 2011; amended Apr. 14, 2011 (SR-NASDAQ-2011-052), operative Aug. 26, 2011; amended May 3, 2011 (SR-NASDAQ-2011-065), operative Aug. 26, 2011; amended June. 20, 2011 (SR-NASDAQ-2011-085), operative Aug. 26, 2011; amended July 27, 2011 (SR-NASDAQ-2011-098), operative Aug. 26, 2011; amended Nov. 8, 2011 (SR-NASDAQ-2011-152), operative Dec. 8, 2011; amended Nov. 22, 2011 (SR-NASDAQ-2011-159), operative Nov. 30, 2011; amended Nov. 22, 2011 (SR-NASDAQ-2011-164), operative Dec. 29, 2011; amended Dec. 6, 2011 (SR-NASDAQ-2011-171); amended Jan. 31, 2012 (SR-NASDAQ-2012-023); amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012; amended July 20, 2012 (SR-NASDAQ-2012-089), operative Aug. 1, 2012; amended Nov. 5, 2013 (SR-NASDAQ-2013-139); amended Oct. 28, 2014 (SR-NASDAQ-2014-099), operative Nov. 27, 2014; amended Jan. 20, 2015 (SR-NASDAQ-2014-116); amended Oct. 18, 2017 (SR-NASDAQ-2017-111); amended Feb. 22, 2018 (SR-NASDAQ-2018-016).

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Days and Hours of Business

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(a) The System operates and shall be available to accept bids and offers and orders from the time prior to market open specified by the Exchange on its website to market close on each business day, unless modified by NOM. Orders and bids and offers shall be open and available for execution as of 9:30 a.m. Eastern Time and shall close as of 4:00 p.m. Eastern Time except for option contracts on certain fund shares or broad-based indexes which will close as of 4:15 p.m. Eastern Time.

(b) Except for unusual conditions as may be determined by the Board, hours during which transactions in options on individual stocks may be made on NOM shall correspond to the normal business days and hours for business set forth in the rules of the primary market trading the securities underlying NOM options. Notwithstanding the foregoing, transactions may be effected in options contracts on Fund Shares, as defined in Chapter 4, Section 3(i); and in options contracts on exchange-traded notes including Index-Linked Securities, as defined in Chapter IV, Section 3(l), on NOM until 4:15 p.m.

(c) NOM shall not be open for business on any holiday observed by The Nasdaq Stock Market, LLC.

> Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 26, 2009 (SR-NASDAQ-2009-064); amended Apr. 20, 2010 (SR-NASDAQ-2010-035); amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012; amended Oct. 18, 2017 (SR-NASDAQ-2017-111).

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Units of Trading

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The unit of trading in each series of options traded on NOM shall be the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of Nasdaq with the Clearing Corporation.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Meaning of Premium Quotes and Orders

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(a) *General*. Except as provided in paragraph (b), orders shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of "5" shall represent a bid of $500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of $550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.

(i) *Mini Options*. Bids and offers for an option contract overlying 10 shares shall be expressed in terms of dollars per 1/10th part of the total value of the contract. An offer of ".50" shall represent an offer of $5.00 on an option contract having a unit of trading consisting of 10 shares.

(b) *Special Cases*. Orders for an options contract for which NOM has established an adjusted unit of trading in accordance with Section 4 of this Chapter VI shall be expressed in terms of dollars per 1/100 part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of "3" shall represent an offer of $300 for an options contract having a unit of trading consisting of 100 shares of an underlying security plus ten (10) rights.

(c) All options on foreign currencies where the underlying foreign currency is not the U.S. dollar shall have a minimum increment of $.01.

(d) In the case of options on foreign currencies, all bids or offers shall be expressed in terms of U.S. dollars per unit of the underlying foreign currency. E.g., a bid of "3.25" for a premium on a $170 strike price option on the British pound shall represent a bid to pay $325 per option contract.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Jan. 16, 2013 (SR-NASDAQ-2013-011); amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014.

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Minimum Increments

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(a) The Board may establish minimum quoting increments for options contracts traded on NOM. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Section within the meaning of Section 19 of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply:

(1) If the options series is trading at less than $3.00, five (5) cents;

(2) If the options series is trading at $3.00 or higher, ten (10) cents; and

(3) For a pilot period scheduled to expire on June 30, 2019 or the date of permanent approval, if earlier, if the options series is trading pursuant to the Penny Pilot program one (1) cent if the options series is trading at less than $3.00, five (5) cents if the options series is trading at $3.00 or higher, unless for QQQQs, SPY and IWM where the minimum quoting increment will be one cent for all series regardless of price. A list of such options shall be communicated to membership via an Options Trader Alert ("OTA") posted on the Exchange's web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity in the previous six months. The replacement issues may be added to the pilot on the second trading day in the first month of each quarter.

(4) All Mini Options contracts shall have a minimum price variation as set forth in Chapter IV, Supplementary Material .08 to Section 6.

(b) The minimum trading increment for options contracts traded on NOM will be one (1) cent for all series.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 25, 2009 (SR-NASDAQ-2009-061); amended Oct. 16, 2009 (SR-NASDAQ-2009-091); amended Dec. 24, 2009 (SR-NASDAQ-2009-115); amended July 22, 2010 (SR-NASDAQ-2010-092); amended Nov. 22, 2010 (SR-NASDAQ-2010-150); amended Dec. 2, 2011 (SR-NASDAQ-2011-169); amended June 25, 2012 (SR-NASDAQ-2012-075); amended Dec. 20, 2012 (SR-NASDAQ-2012-143); amended Mar. 14, 2013 (SR-NASDAQ-2013-47); amended June 11, 2013 (SR-NASDAQ-2013-082); amended Dec. 13, 2013 (SR-NASDAQ-2013-154); amended May 20, 2014 (SR-NASDAQ-2014-056); amended Nov. 21, 2014 (SR-NASDAQ-2014-115); amended June 18, 2015 (SR-NASDAQ-2015-063); amended June 8, 2016 (SR-NASDAQ-2016-052); amended Nov. 16, 2016 (SR-NASDAQ-2016-160); amended May 11, 2017 (SR-NASDAQ-2017-049); amended Dec. 12, 2017 (SR-NASDAQ-2017-130); amended June 25, 2018 (SR-NASDAQ-2018-048); amended Dec. 21, 2018 (SR-NASDAQ-2018-107); amended Mar. 21, 2019 (SR-NASDAQ-2019-020).

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Acceptance of Quotes and Orders

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**OTTO functionality implementation shall be delayed until Q3 2019. The Exchange will issue an Options Trader Alert notifying Participants when this functionality will be available.**

All bids or offers made and accepted on NOM in accordance with the NOM Rules shall constitute binding contracts, subject to applicable requirements of the Rules of the Exchange and the Rules of the Clearing Corporation.

(a) General - A System order is an order that is entered into the System for display and/or execution as appropriate. Such orders are executable against marketable contra-side orders in the System.

(1) All System Orders shall indicate whether they are a call or put and buy or sell and a price, if any. Systems Orders can be designated as Immediate or Cancel ( "IOC"), Good-till-Cancelled ( "GTC"), Day ( "DAY") or WAIT.

(2) A System order may also be designated as a Limit Order, a Minimum Quantity Order, a Market Order, a Price Improving Order, an All-or-None Order, or a Post-Only Order.

(3) **Zero-Bid Option Series.** In the case where the bid price for any options contract is $0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.

(b) Routing - All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Section 11 below.

(c) Reserved.

(d) Nasdaq Options Kill Switch is an optional tool that enables NOM Participants to initiate a message(s) to the System to: (i) promptly remove quotes; and/or (ii) promptly cancel orders. Participants may submit a request to the System to remove/cancel quotes and/or orders based on certain identifier(s) on either a user or group level (“Identifier”). Permissible groups must reside within a single broker-dealer. The System will send an automated message to the NOM Participant when a Kill Switch request has been processed by the Exchange’s System.

(i) If quotes are cancelled by the NOM Participant utilizing the Kill Switch, it will result in the removal of all quotes requested for the Identifier(s). The NOM Participant will be unable to enter any additional quotes for the affected Identifier(s) until re-entry has been enabled pursuant to section (d)(iii).

(ii) If orders are cancelled by the NOM Participant utilizing the Kill Switch, it will result in the cancellation of all orders requested for the Identifier(s). The NOM Participant will be unable to enter additional orders for the affected Identifier(s) until re-entry has been enabled pursuant to section (d)(iii).

(iii) After quotes and/or orders are removed/cancelled by the NOM Participant utilizing the Kill Switch, the NOM Participant will be unable to enter additional quotes and/or orders for the affected Identifier(s) until the NOM Participant has made a verbal request to the Exchange and Exchange staff has set a re-entry indicator to enable re-entry. Once enabled for re-entry, the System will send a Re-entry Notification Message to the NOM Participant. The applicable Clearing Participant also will be notified of the re-entry into the System after quotes and/or orders are removed/cancelled as a result of the Kill Switch, provided the Clearing Participant has requested to receive such notification.

(e) Detection of Loss of Communication

(i) When the SQF Port detects the loss of communication with a NOM Market Maker’s Client Application because the Exchange’s server does not receive a Heartbeat message for a certain time period (“nn” seconds), the Exchange will automatically logoff the NOM Market Maker's affected Client Application and automatically cancel all of the NOM Market Maker's open quotes. Quotes will be cancelled across all Client Applications that are associated with the same NOM Market Maker ID and underlying issues.

(A) A "Heartbeat" message is a communication which acts as a virtual pulse between the SQF, FIX, QUO or OTTO Port and the Client Application. The Heartbeat message sent by the Participant and subsequently received by the Exchange allows the SQF, FIX, QUO or OTTO Port to continually monitor its connection with the Participant.
(B) SQF Port is the Exchange's System component through which NOM Market Makers communicate their quotes from the Client Application.
(C) FIX and OTTO Ports are the Exchange's System components through which Participants communicate their orders from the Client Application.
(D) QUO is the Exchange's System component through which NOM Market Makers communicate orders from the Client Application.
(E) Client Application is the System component of the Participant through which the Exchange Participant communicates its quotes and orders to the Exchange.

(ii) When the FIX Port detects the loss of communication with a Participant's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the Participant's affected Client Application and if the Participant has elected to have its orders cancelled pursuant to Chapter VI, Section 6(e)(v) automatically cancel all open orders posted.
(iii) When the OTTO Port detects the loss of communication with a Participant's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the Participant's affected Client Application and if the Participant has elected to have its orders cancelled pursuant to Chapter VI, Section 6(e)(vi) automatically cancel all open orders posted.
(iv) When the QUO Port detects the loss of communication with a NOM Market Maker's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the NOM Market Maker's affected Client Application and if the NOM Market Maker has elected to have its orders cancelled pursuant to Chapter VI, Section 6(e)(viii) automatically cancel all open orders posted.
(v) The default time period ("nn" seconds) for SQF Ports shall be fifteen (15) seconds. A NOM Market Maker may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (i) above, to trigger the disconnect and must communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for SQF Ports prior to each session of connectivity to the Exchange. This feature is enabled for each NOM Market Maker and may not be disabled.

(A) If the NOM Market Maker systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to fifteen seconds. The NOM Market Maker change the default setting systemically prior to each session of connectivity.
(B) If a time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the NOM Market Maker shall persist for each subsequent session of connectivity until the NOM Market Maker either contacts Exchange operations and changes the setting or the NOM Market Maker systemically selects another time period prior to the next session of connectivity.

(vi) The default period of "nn" seconds for FIX Ports shall be thirty (30) seconds for the disconnect and, if elected, the removal of orders. If the Participant elects to have its orders removed, in addition to the disconnect, the Participant may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (ii) above, to trigger the disconnect and removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one (1) second and thirty (30) seconds for FIX Ports prior to each session of connectivity to the Exchange. This feature may be disabled for the removal of orders, however the Participant will be disconnected.

(A) If the Participant systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to thirty seconds. The Participant may change the default setting systemically prior to each session of connectivity.

(B) If the time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the Participant shall persist for each subsequent session of connectivity until the Participant either contacts Exchange operations and changes the setting or the Participant systemically selects another time period prior to the next session of connectivity.

(vii) The default time period ("nn" seconds) for OTTO Ports shall be fifteen (15) seconds for the disconnect and, if elected, the removal of orders. If the Participant elects to have its orders removed, in addition to the disconnect, the Participant may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (iii) above, to trigger the disconnect and removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for OTTO Ports prior to each session of connectivity to the Exchange. This feature may be disabled for the removal of orders, however the Participant will be disconnected.

(A) If the Participant systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to fifteen seconds. The Participant may change the default setting systemically prior to each session of connectivity.

(B) If a time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the Participant shall persist for each subsequent session of connectivity until the Participant either contacts Exchange operations and changes the setting or the Participant systemically selects another time period prior to the next session of connectivity.

(viii) The default time period ("nn" seconds) for QUO Ports shall be fifteen (15) seconds for the disconnect and, if elected, the removal of orders. If the NOM Market Maker elects to have its orders removed, in addition to the disconnect, the NOM Market Maker may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (iii) above, to trigger the disconnect and removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for QUO Ports prior to each session of connectivity to the Exchange. This feature may be disabled for the removal of orders, however the NOM Market Maker will be disconnected.

(A) If the NOM Market Maker systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to fifteen seconds. The NOM Market Maker may change the default setting systemically prior to each session of connectivity.

(B) If a time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the NOM Market Maker shall persist for each subsequent session of connectivity until the NOM Market Maker either contacts Exchange operations and changes the setting or the NOM Market Maker systemically selects another time period prior to the next session of connectivity.

(ix) The trigger for the SQF, FIX, QUO and OTTO Ports is event and Client Application specific. The automatic cancellation of the NOM Market Maker's quotes for SQF Ports and open orders for FIX, QUO and OTTO Ports entered into the respective SQF, FIX, QUO or OTTO Ports via a particular Client Application will neither impact nor determine the treatment of the quotes of other NOM Market Makers entered into SQF Ports or orders of the same or other Participants entered into the FIX, QUO or OTTO Ports via a separate and distinct Client Application.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Feb. 17, 2009 (SR-NASDAQ-2009-011); amended Mar. 6, 2009 (SR-NASDAQ-2009-017); amended July 7, 2009 (SR-NASDAQ-2009-066); amended Aug. 13, 2009 (SR-NASDAQ-2009-076); amended Apr. 14, 2011 (SR-NASDAQ-2011-052), operative Aug. 26, 2011; amended June 8, 2011 (SR-NASDAQ-2011-080), operative Aug. 26, 2011; amended July 22, 2011 (SR-NASDAQ-2011-098), operative Aug. 26, 2011; amended Nov. 8, 2011 (SR-NASDAQ-2011-152), operative Dec. 8, 2011; amended Nov. 22, 2011 (SR-NASDAQ-2011-159), operative Nov. 30, 2011; amended Nov. 22, 2011 (SR-NASDAQ-2011-164), operative Dec. 29, 2011; amended Dec. 6, 2011 (SR-NASDAQ-2011-171); amended Jan. 31, 2012 (SR-NASDAQ-2012-023); amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012; amended Oct. 9, 2015 (SR-NASDAQ-2015-096); amended Nov. 11, 2015 (SR-NASDAQ-2015-142); amended Dec. 23, 2015 (SR-NASDAQ-2015-163); amended July 28, 2016 (SR-NASDAQ-2016-097); amended Oct. 18, 2017 (SR-NASDAQ-2017-111); amended Apr. 30, 2018 (SR-NASDAQ-2018-037); amended June 29, 2018 (SR-NASDAQ-2018-051); amended Oct. 29, 2018 (SR-NASDAQ-2018-085), operative Jan. 1, 2019; amended Nov. 26, 2018 (SR-NASDAQ-2018-097); amended Mar. 28, 2019 (SR-NASDAQ-2019-016), operative Mar. 13, 2019.

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Entry and Display Orders

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(a) Entry of Orders—Participants can enter orders into the System, subject to the following requirements and conditions:

(1) Participants shall be permitted to transmit to the System multiple orders at a single as well as multiple price levels. Each order shall indicate the amount of Reserve Size (if applicable).

(2) The System shall time-stamp an order which shall determine the time ranking of the order for purposes of processing the order.

(3) Orders can be entered into the System (or previously entered orders cancelled) from the time prior to market open specified by the Exchange on its website until market close.

(b) Display of Orders— The System will display orders submitted to the System as follows:

(1) System Book Feed—displayed orders resident in the System available for execution will be displayed via the System Book Feed.

(2) Best Priced Order Display - For each System Security, the aggregate size of all Orders at the best price to buy and sell resident in the System will be transmitted for display to the appropriate network processor.

(3) Exceptions—The following exceptions shall apply to the display parameters set forth in paragraphs (1) and (2) above:

(A) Reserved.

(B) The contract size associated with Displayed Price Improving Orders to buy (sell) are displayed at the MPV below (above) the price of the Price Improving Order. Price Improving Orders will not be permitted to create a locked or crossed market or to cause a trade through violation.

(C) Trade-Through Compliance and Locked or Crossed Markets- An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions.

If, at the time of entry, an order that the entering party has elected not to make eligible for routing would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Mar. 19, 2008 (SR-NASDAQ-2008-022); amended June 26, 2009 (SR-NASDAQ-2009-064); amended Nov. 22, 2011 (SR-NASDAQ-2011-164), operative Dec. 29, 2011.

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Nasdaq Opening and Halt Cross

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**OTTO functionality implementation shall be delayed until Q3 2019. The Exchange will issue an Options Trader Alert notifying Participants when this functionality will be available.**

(a) Definitions. For the purposes of this rule the term:

(1) "Imbalance" shall mean the number of contracts of Eligible Interest that may not be matched with other order contracts at a particular price at any given time.

(2) "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about Eligible Interest and the price in penny increments at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) "Current Reference Price" shall mean an indication of what the opening cross price would be at a particular point in time.

(B) the number of contracts of Eligible Interest that are paired at the Current Reference Price;

(C) the size of any Imbalance; and

(D) the buy/sell direction of any Imbalance.

(3) "Nasdaq Opening Cross" shall mean the process for opening or resuming trading pursuant to this rule and shall include the process for determining the price at which Eligible Interest shall be executed at the open of trading for the day, or the open of trading for a halted option, and the process for executing that Eligible Interest.

(4) "Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of IOC (immediate-or-cancel), DAY (day order), GTC (good-till-cancelled), and OPG (On the Open Order). However, orders received via FIX and OTTO protocol prior to the Nasdaq Opening Cross designated with a time-in-force of IOC will be rejected and shall not be considered eligible interest. Orders received via QUO and quotes received via SQF prior to the Nasdaq Opening Cross designated with a time-in-force of IOC will remain in-force through the opening and shall be cancelled immediately after the opening.

(5) "Market for the Underlying Security" shall mean either the primary listing market, the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), or the first market to open the underlying security, as determined by the Exchange on an issue-by-issue basis and announced to the membership on the Exchange's web site.

(6) "Valid Width National Best Bid or Offer" or "Valid Width NBBO" shall mean the combination of all away market quotes and any combination of NOM-registered Market Maker orders and quotes received over the QUO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange. The Valid Width NBBO will be configurable by underlying, and tables with valid width differentials will be posted by Nasdaq on its website. Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation.

(7) "Away Best Bid or Offer" or "ABBO" shall mean the displayed National Best Bid or Offer not including the Exchange’s Best Bid or Offer.

(b) Processing of Nasdaq Opening Cross. For the opening of trading of System securities, the Opening Cross shall occur at or after 9:30, if the dissemination of a regular market hours quote or trade (as determined by the Exchange) by the Market for the Underlying Security has occurred (or, in the case of index options, the Exchange has received the opening price of the underlying index). Or, in the case of a trading halt, the Opening Cross shall occur when trading resumes pursuant to Chapter V, Section 4. Market hours trading shall commence or, in the case of a halted option, resume when the Nasdaq Opening Cross concludes.

In each case, the opening of trading or resumption of trading after a halt of System securities will be dependent on the following criteria, provided the ABBO is not crossed:

(1) If there is a possible trade on NOM, a Valid Width NBBO must be present.

(2) If no trade is possible on NOM, then NOM will open dependent upon one of the following:

(A) A Valid Width NBBO is present;

(B) A certain number of other options exchanges (as determined by the Exchange) have disseminated a firm quote on OPRA; or

(C) A certain period of time (as determined by the Exchange) has elapsed.

(3) Nasdaq shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds beginning between 9:20 and 9:28, or a shorter dissemination interval as established by the Exchange, with the default being set at 9:25 a.m. The start of dissemination, and a dissemination interval, shall be posted by Nasdaq on its website.

(4)

(A) The Nasdaq Opening Cross shall occur at the price that maximizes the number of contracts of Eligible Interest in NOM to be executed at or within the ABBO and within a defined range, as established and published by the Exchange, of the Valid Width NBBO.

(B) If more than one price exists under subparagraph (A), and there are no contracts that would remain unexecuted in the cross, the Nasdaq Opening Cross shall occur at the midpoint price, rounded to the penny closest to the price of the last execution in that series (and in the absence of a previous execution price, the price will round up, if necessary) of (1) the National Best Bid or the last offer on NOM against which contracts will be traded whichever is higher, and (2) the National Best Offer or the last bid on NOM against which contracts will be traded whichever is lower.

(C) If more than one price exists under subparagraph (A), and contracts would remain unexecuted in the cross, then the opening price will be the highest/lowest price, in the case of a buy/sell imbalance, at which the maximum number of contracts can trade which is equal to or within a defined range, as established and published by the Exchange, of the Valid Width NBBO on the contra side of the imbalance that would not trade through the ABBO.

Regarding unexecuted contracts:

(i) If unexecuted contracts remain with a limit price that is equal to the opening price, then the remaining unexecuted contracts will be posted at the opening price, displayed one minimum price variation (MPV) away if displaying at the opening price would lock or cross the ABBO, with the contra-side NOM BBO reflected as firm;

(ii) If unexecuted contracts remain with a limit price that is through the opening price, and there is a contra side ABBO at the opening price, then the remaining unexecuted contracts will be posted at the opening price, displayed one minimum price variation (MPV) away, with the contra side NOM BBO reflected as firm and order handling of any remaining interest will be done in accordance with the routing and time-in-force instructions of such interest with the opening price representing the reference price set forth in Chapter VI, Section 10;

(iii) If unexecuted contracts remain with a limit price that is through the opening price, and there is no contra side ABBO at the opening price, then the remaining contracts will be posted at the opening price, with the contra-side NOM BBO reflected as non-firm; and

(iv) Order handling of any residual unexecuted contracts will be done in accordance with Chapter VI, Section 10(7), with the opening price representing the reference price.

(5) If the Nasdaq Opening Cross price is selected and fewer than all contracts of Eligible Interest that are available in NOM would be executed, all Eligible Interest shall be executed at the Nasdaq Opening Cross price in accordance with the execution algorithm assigned to the associated underlying option.

(6) All Eligible Interest executed in the Nasdaq Opening Cross shall be executed at the Nasdaq Opening Cross price, trade reported anonymously, and disseminated via a national market system plan. The Nasdaq Opening Cross price shall be the Nasdaq Official Opening Price for options that participate in the Nasdaq Opening Cross.

(7) If the conditions specified in (b) above have occurred, but there is an imbalance containing marketable routable interest, then one additional Order Imbalance Indicator will be disseminated, after which the cross will occur, executing the maximum number of contracts at the price provided for in subsection (b)(4) of this Section 8. Any remaining Imbalance will be canceled, posted, or routed as per the directions on the customer's order.

(c) Absence of Opening Cross. If an Opening Cross in a symbol is not initiated before the conclusion of the Opening Order Cancel Timer, a firm may elect to have orders returned by providing written notification to the Exchange. These orders include all non GTC orders received over the FIX protocol. The Opening Order Cancel Timer represents a period of time since the underlying market has opened, and shall be established and disseminated by Nasdaq on its website.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Mar. 19, 2008 (SR-NASDAQ-2008-022); amended May 13, 2008 (SR-NASDAQ-2008-045); amended June 12, 2008 (SR-NASDAQ-2008-052); amended Oct. 26, 2009 (SR-NASDAQ-2009-093), operative Nov. 23, 2009; amended Apr. 15, 2010 (SR-NASDAQ-2010-050); amended May 11, 2011 (SR-NASDAQ-2011-037), operative Aug. 26, 2011; amended June 8, 2011 (SR-NASDAQ-2011-079); amended Jan. 20, 2015 (SR-NASDAQ-2014-116); amended Oct. 29, 2018 (SR-NASDAQ-2018-085), operative Jan. 1, 2019; amended Nov. 26, 2018 (SR-NASDAQ-2018-097); amended Mar. 28, 2019 (SR-NASDAQ-2019-016), operative Mar. 13, 2019.

## Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, Reserved

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Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Mar. 19, 2008 (SR-NASDAQ-2008-022); amended June 26, 2009 (SR-NASDAQ-2009-064); deleted Nov. 10, 2010 (SR-NASDAQ-2010-147), operative Dec. 10, 2010.

# Nasdaq Stock Market Rules, Regulation, Sec. 10, Nasdaq, Book Processing

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System orders shall be executed through the Nasdaq Book Process set forth below:

(1) Execution Algorithm - The Exchange will determine to apply, for each option, one of the following execution algorithms described in paragraphs (A) or (B). The Exchange will issue an Options Alert specifying which execution algorithm will govern which options any time it is modified.

(A) Price/Time - The System shall execute trading interest within the System in price/time priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. Within each price level, if there are two or more quotes or orders at the best price, trading interest will be executed in time priority.

(B) Size Pro-Rata - The System shall execute trading interest within the System in price priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. Within each price level, if there are two or more quotes or orders at the best price, trading interest will be executed based on the size of each Participant's quote or order as a percentage of the total size of all orders and quotes resting at that price. If the result is not a whole number, it will be rounded down to the nearest whole number. If there are residual contracts remaining after rounding, such contracts will be distributed one contract at a time to the remaining Participants in time priority.

(C) Priority Overlays Applicable to Size Pro-Rata Execution Algorithm: the Exchange will apply the following designated Participant priority overlays, which are always in effect when the Size Pro-Rata execution algorithm is in effect.

(i) Public Customer Priority: the highest bid and lowest offer shall have priority except that Public Customer orders shall have priority over non-Public Customer orders at the same price. If there are two or more Public Customer orders for the same options series at the same price, priority shall be afforded to such Public Customer orders in the sequence in which they are received by the System. For purposes of this Rule, a Public Customer order does not include a Professional Order.

(ii) Market Maker Priority: After all Public Customer orders have been fully executed, Options Market Makers shall have priority over all other Participant orders at the same price. If there are two or more Options Market Maker quotes and orders for the same options series at the same price, those shall be executed based on the Size Pro-Rata execution algorithm. If there are contracts remaining after all Market Maker interest has been fully executed, such contracts shall be executed based on the Size Pro-Rata execution algorithm.

(2) Decrementation - Upon execution, an order shall be reduced by an amount equal to the size of that execution.

(3) Price Improvement - any potential price improvement resulting from an execution in the System shall accrue to the party that is removing liquidity previously posted to the Book.

(4) Nasdaq-listed options that are the subject of a trading halt initiated pursuant to Chapter V, Section 3, shall open for trading at the time specified by Nasdaq pursuant to Chapter V, Section 4. When the System opens, orders shall be added to the book in time priority and executed as described above in Subsection (1).

(5) *Market Access.* In addition to the Exchange Rules regarding routing to away trading centers, Nasdaq Execution Services, LLC, as defined in Chapter VI, Section 11(e) has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by Nasdaq

Execution Services, LLC to comply with Rule 15c3- 5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Mar. 19, 2008 (SR-NASDAQ-2008-022); amended June 14, 2011 (SR-NASDAQ-2011-083); amended July 13, 2011 (SR-NASDAQ-2011-097); amended June 14, 2011 (SR-NASDAQ-2011-083), operative Aug. 26, 2011; amended Aug. 2, 2011 (SR-NASDAQ-2011-110), operative Aug. 26, 2011; amended Sep. 27, 2011 (SR-NASDAQ-2011-105); amended Nov. 22, 2011 (SR-NASDAQ-2011-164), operative Dec. 29, 2011; amended Nov. 21, 2013 (SR-NASDAQ-2013-145); amended Dec. 16, 2013 (SR-NASDAQ-2013-158); amended Dec. 16, 2013 (SR-NASDAQ-2013-156), operative Jan. 15, 2014; amended July 6, 2017 (SR-NASDAQ-2017-069), operative Aug. 5, 2017; amended Oct. 18, 2017 (SR-NASDAQ-2017-111); amended Oct. 26, 2017 (SR-NASDAQ-2017-115); amended Apr. 30, 2018 (SR-NASDAQ-2018-037).

# Nasdaq Stock Market Rules, Regulation, Sec. 11, Nasdaq, Order Routing

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(a) For System securities, the order routing process shall be available to Participants from 9:30 a.m. Eastern Time until market close and shall route orders as described below. Participants can designate orders as either available for routing or not available for routing. All routing of orders shall comply with Chapter XII, Options Order Protection and Locked and Crossed Market Rules.

(1) The system provides a number of routing options pursuant to which orders are sent to other available market centers for potential execution, per the entering firm's instructions. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-inforce whose terms are inconsistent with the terms of a particular routing option. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The system routing options are:

(A) SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(C). If contracts remain un-executed after routing, they are posted on the book at its limit price. While on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. SEEK orders will not be eligible for routing until the next time the option series is subject to a new opening or reopening.

(B) SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(C). If contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will re-route.

(C) After an order is initially routed, pursuant to either the SEEK or SRCH routing option the order will post to the book and will be routed after a time period ("Route Timer") not to exceed one second as specified by the Exchange on its website provided that the order's limit price would lock or cross other market center(s). If, during the Route Timer, any new interest arrives opposite the order that is equal to or better than the ABBO price, the order will trade against such new interest at the ABBO price. Eligible unexecuted orders will be routed at the end of the Route Timer provided the order was not filled and the order's limit price would continue to lock or cross the ABBO. If an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and route again pursuant to the process described above, if applicable, if the order's limit price would lock or cross another market center(s).

(b) Reserved.

(c) Priority of Routed Orders. Orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. A routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System, unless any portion of the original order remains on the System, in which case the routed order shall retain its timestamp and its priority.

(d) Options Participants whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on NOM.

(e) NOM shall route orders in options via Nasdaq Execution Services, LLC ( "NES"), a broker-dealer that is a member of an unaffiliated SRO which is the designated examining authority for the broker-dealer. NES serves as the Routing Facility of NOM. The sole function of the Routing Facility will be to route orders in options listed and open for trading on NOM to away markets either directly or through one or more third-party unaffiliated routing broker-dealers pursuant to NOM rules on behalf of NOM. The Exchange and NES may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority. The Routing Facility is subject to regulation as a facility of Nasdaq, including the requirement to file proposed rule changes under Section 19 of the Act.

Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing.

The Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (f) below, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

NOM shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and its facilities (including the Routing Facility), and any other entity; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Exchange Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(f) *Market Access.* In addition to the Exchange Rules regarding routing to away trading centers, NES has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

(g) Cancellation of Orders and Error Account

(1) The Exchange or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, NES, or a routing destination. The Exchange or NES shall provide notice of the cancellation to affected members as soon as practicable.

(2) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ( "error positions").

(A) For purposes of this Section 11(g), an error position shall not include any position that results from an order submitted by a member to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

(B) Except as provided in Section 11(g)(2)(C), NES shall not (i) accept any positions in its error account from an account of a member, or (ii) permit any member to transfer any positions from the member's account to NES's error account.

(C) If a technical or systems issue results in the Exchange not having valid clearing instructions for a member to a trade, NES may assume that member's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

(3) In connection with a particular technical or systems issue, NES or the Exchange shall either (i) assign all resulting error positions to members in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(A) NES or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the members affected by that technical or systems issue if NES or the Exchange:

(i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the members affected by that technical or systems issue;

(ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the members affected by that technical or systems issue; and

(iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (g)(1) above.

(B) If NES or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected members in accordance with subparagraph (A) above, or if NES or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (g)(1) above, then NES shall liquidate the error positions as soon as practicable. NES shall:

(i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and

(ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and NES/the Exchange associated with the liquidation of the error positions.

(4) NES and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to members or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended July 9, 2008 (SR-NASDAQ-2008-061); amended July 7, 2009 (SR-NASDAQ-2009-066); amended June 29, 2009 (SR-NASDAQ-2009-065); amended Aug. 13, 2009 (SR-NASDAQ-2009-076); amended Feb. 25, 2010 (SR-NASDAQ-2010-028); amended Sep. 27, 2010 (SR-NASDAQ-2010-116); amended June 27, 2011 (SR-NASDAQ-2011-088), operative Aug. 26, 2011; amended July 13, 2011 (SR-NASDAQ-2011-097); amended June 26, 2012 (SR-

NASDAQ-2012-077), operative July 26, 2012; amended Nov. 29, 2012 (SR-NASDAQ-2012-134); amended Jan. 15, 2014 (SR-NASDAQ-2014-007), operative Feb. 14, 2014; amended Oct. 28, 2014 (SR-NASDAQ-2014-099), operative Nov. 27, 2014; amended July 13, 2015 (SR-NASDAQ-2015-079).

# Nasdaq Stock Market Rules, Regulation, Sec. 12, Nasdaq, Anonymity

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(a) The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.

(b) Nasdaq shall reveal a Participant's identity in the following circumstances:

(1) when a registered clearing agency ceases to act for a participant, or the Participant's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades;

(2) for regulatory purposes or to comply with an order of an arbitrator or court;

(3) if both Participants to the transaction consent;

(4) Unless otherwise instructed by a member, Nasdaq will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the member's Order has been decremented by another Order submitted by that same member.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 13, Nasdaq, Transaction Price Binding

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The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was reported to have been executed in error.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

## Nasdaq Stock Market Rules, Regulation, Sec. 14, Nasdaq, Clearing Participant Give Up

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An Options Participant must give up the name of the Clearing Participant through which the transaction will be cleared. If there is a subsequent change in identity of the Clearing Participant through whom a transaction will be cleared, the Options Participant must, as promptly as possible, report such change to NOM.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 15, Nasdaq, Submission for Clearance

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(a) All options transactions effected on NOM shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation. Every Clearing Participant shall be responsible for the clearance of NOM Transactions of such Clearing Participant and of each Options Participant that gives up such Clearing Participant's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such Clearing Participant to such Options Participant, which authorization must be submitted to Nasdaq.

(b) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, NOM shall furnish the Clearing Corporation a report of each Clearing Participant's matched trades.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 16, Nasdaq, Fees, Dues and Other Charges

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(a) The Board of Directors shall have the power (i) to establish, assess and levy such fees, dues and other charges (including, without limitation, any extraordinary assessments) upon Participants and any other persons using the facilities or services of the Exchange, and upon applicants for and persons being admitted, registered, qualified and/or initiated to any such status, in each case as the Board of Directors may from time to time establish by resolution or in the Rules of the Exchange (which shall be deemed to include any schedule of fees, dues, other charges and penalties as may be in effect from time to time), (ii) to establish rebates, credits and discounts with respect to any of the foregoing, (iii) to establish programs whereby the Exchange shares or permits any person to participate in any identified source of revenues (less any expenses or other charges as the Exchange shall determine) of the Exchange, (iv) to provide for the direct reimbursement to the Exchange of any cost, expense or category thereof, and (v) except insofar as otherwise specified or provided for in the By-Laws, to establish and assess penalties for failure to pay any fees, dues or charges owed to the Exchange, including, without limitation, termination of membership (which membership may be reissued) and forfeiture of all rights as a member. The Board of Directors may authorize any committee thereof or the Chair of the Board of Directors to exercise any powers of the Board of Directors with respect to the assessment of fees, dues, other charges and penalties authorized in accordance with this Section.

(b) Without limiting the generality of the provisions of the By-Laws, the Board of Directors may, from time to time, fix and impose charges upon Participants, measured by their respective net commissions on transactions effected on the Exchange. Such charges shall be payable at such times and shall be collected in such manner as may be determined by the Board of Directors.

(c) The obligation of Participants to abide by the provisions of these By-Laws and the Rules of the Exchange shall include, without limitation, the obligation to pay all applicable fees, dues and other charges imposed thereon by these By-Laws or the Rules of the Exchange.

(d) The Board of Directors or their designee may suspend or terminate, after due notice, any permit or rights of any Participant or employee thereof using facilities or services of the Exchange, or enjoying any of the privileges therein, who shall not pay dues, fees, other charges, other monies due and owed the Exchange, fines and/or other monetary sanctions in accordance with the Rules of the Exchange.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Apr. 17, 2015 (SR-NASDAQ-2015-039).

# Nasdaq Stock Market Rules, Regulation, Sec. 17, Nasdaq, Message Traffic Mitigation

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For the purpose of message traffic mitigation, based on NOM's traffic with respect to target traffic levels and in accordance with NOM's overall objective of reducing both peak and overall traffic:

(a) NOM will periodically delist options with an average daily volume ( "ADV") of less than 100 contracts. Nasdaq will, on a monthly basis, determine the ADV for each series listed on NOM and delist the current series and not list the next series after expiration where the ADV is less than 100 contracts. For options series traded solely on NOM, Nasdaq will delay delisting until there is no open interest in that options series.

(b) NOM will implement a process by which an outbound quote message that has not been sent, but is about to be sent, will not be sent if a more current quote message for the same series is available for sending. This replace on queue functionality will be applied to all options series listed on the Nasdaq Options Market in real time and will not delay the sending of any messages.

(c) When the size associated with a bid or offer increases by an amount less than or equal to a percentage (never to exceed 20%) of the size associated with the previously disseminated bid or offer, NOM will not disseminate the new bid or offer

(d) All message traffic mitigation mechanisms which are used on NOM will be identical for the OPRA "top of the book" broadcast.

Amended May 29, 2012 (SR-NASDAQ-2012-067), operative June 28, 2012.

## Nasdaq Stock Market Rules, Regulation, Sec. 18, Nasdaq, Risk Protections

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(a) The following are order risk protections on NOM:

(1) **Order Price Protection ("OPP")**. OPP is a feature of the System that prevents certain day limit, good til cancelled, and immediate or cancel orders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to market orders or Intermarket Sweep Orders. OPP does not apply to orders entered through QUO.

(A) OPP is operational each trading day after the opening until the close of trading, except during trading halts. OPP may be temporarily deactivated on an intra-day basis at the Exchange's discretion.

(B) OPP will reject incoming orders that exceed certain parameters according to the following algorithm:

(i) If the better of the NBBO or the internal market BBO (the "Reference BBO") on the contra-side of an incoming order is greater than $1.00, orders with a limit more than the greater of the below will cause the order to be rejected by the System upon receipt.

(A) 50% through such contra-side Reference BBO; or

(B) a configurable dollar amount not to exceed $1.00 through such contra-side Reference BBO as specified by the Exchange announced via an Options Trader Alert.

(ii) If the Reference BBO on the contra-side of an incoming order is less than or equal to $1.00, orders with a limit more than the greater of the below will cause the order to be rejected by the System upon receipt.

(A) 100% through such contra-side Reference BBO; or

(B) a configurable dollar amount not to exceed $1.00 through such contra-side Reference BBO as specified by the Exchange announced via an Options Trader Alert.

(2) **Market Order Spread Protection.** System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO (the "Reference BBO") is wider than a preset threshold at the time the order is received by the System. Market Order Spread Protection shall not apply to the Opening Process or during a trading halt. The Exchange may establish different thresholds for one or more series or classes of options.

(b) The following are order and quote risk protections on NOM:

(1) **Acceptable Trade Range.** The system will calculate an Acceptable Trade Range to limit the range of prices at which an order/quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders/quotes). Upon receipt of a new order/quote, the reference price is the NBB for sell orders/quotes and the NBO for buy orders/quotes or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.

(A) If an order/quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the order/quote or an updated NBB for buy orders/quotes or the NBO for sell orders/quotes (whichever is higher for a buy order/ quote lower for a sell order/quote) then becomes the reference price for calculating a new Acceptable Trade Range. If the order remains unexecuted, a New Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Acceptable Trade Range Threshold Price. This process will repeat until either i) the order/quote is executed, cancelled, or posted at its limit price or ii) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

(B) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the order/quote triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using the "non-firm" indicator message in accordance with the specifications of the network processor. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

(c) The following are Market Maker risk protections on NOM:

(1) **Anti-Internalization.** Quotes and orders entered by Options Market Makers will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same Market Maker identifiers, or alternatively, if selected by the Participant, the same account number or Participant identifier. In such a case, the System will cancel the oldest of the quotes or orders back to the entering party prior to execution.

(2) **Quotation Adjustments.**

(A) A NOM Market Maker may provide a specified time period and specified percentage (as these terms are defined below) by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the NOM Market Maker not to exceeds 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the number of contracts available at the time of execution plus the number of contracts executed in unexpired prior executions of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a NOM Market Maker not less than 1% ("Specified Percentage"), the System will automatically remove a NOM Market Maker's quotes and orders in all series of the underlying security submitted through designated NOM protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period ("Percentage-Based Threshold"). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.

(B) A NOM Market Maker may provide a specified time period and a volume threshold by which the Exchange's System will automatically remove a NOM Market Maker's quotes and orders in all series of an underlying security submitted through designated NOM protocols, as specified by the Exchange, during a specified time period established by the

NOM Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the NOM Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-Based Threshold"). The NOM Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the Percentage Based Threshold. A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and orders as described in (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(C) A NOM Market Maker or NOM Market Maker Group (multiple affiliated NOM Market Makers is a "Group" as defined by a NOM Participant and provided by such Participant to the Exchange) may provide a specified time period and number of allowable triggers by which the Exchange will automatically remove quotes and orders in all options series in all underlying issues submitted through designated NOM protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period(s) established by the NOM Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the NOM Market Maker's or Group's quotes and orders in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in (f)(i) above, as well as the Volume-Based Threshold described in (f)(ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the NOM Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes and orders in all options series in all underlying issues for that NOM Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove quotes and orders in all options series in an underlying issue. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage- Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and orders as described in (f)(iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the NOM Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(D) The System will automatically remove quotes in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the NOM Market Maker for all affected options when the above thresholds have been reached.

  (i) The Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.
  (ii) Marketable orders or quotes will be automatically executed up to the NOM Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.

(E) If a NOM Market Maker requests the System to remove quotes and orders in all options series in an underlying security, the System will automatically reset the Percentage-Based

Threshold or Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(F) When the System removes quotes or orders as a result of the Percentage-Based Threshold or Volume-Based Threshold, the NOM Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes or orders as a result of the Multi-Trigger Threshold, the System will not accept orders or quotes through designated protocols until the NOM Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and reentry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.

(G) The Exchange will require NOM Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold. The Multi-Trigger Threshold is optional.

Adopted Apr. 14, 2011 (SR-NASDAQ-2011-053), operative Aug. 26, 2011; amended June 4, 2015 (SR-NASDAQ-2015-060); amended Apr. 30, 2018 (SR-NASDAQ-2018-037); amended Oct. 29, 2018 (SR-NASDAQ-2018-085), operative Jan. 1, 2019; amended Dec. 7, 2018 (SR-NASDAQ-2018-102), operative Jan. 7, 2019.

# Nasdaq Stock Market Rules, Regulation, Sec. 19, Nasdaq, Data Feeds and Trade Information

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(a) The following data feeds are offered by NOM:

(1) Nasdaq ITCH to Trade Options (ITTO) is a data feed that provides full order and quote depth information for individual orders and quotes on the NOM book, last sale information for trades executed on NOM, and Order Imbalance Information as set forth in NOM Rules Chapter VI, Section 8. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on NOM and identifies if the series is available for closing transactions only.

(2) Best of Nasdaq Options (BONO) is a data feed that provides the NOM Best Bid and Offer and last sale information for trades executed on NOM. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on NOM and identifies if the series is available for closing transactions only.

(b) The following order and execution information is available to Participants:

(1) **Clearing Trade Interface ("CTI")** is a real-time clearing trade update message that is sent to a Participant after an execution has occurred and contains trade details specific to that Participant. The information includes, among other things, the following: (i) The Clearing Member Trade Agreement or "CMTA" or The Options Clearing Corporation or "OCC" number; (ii) Exchange badge or house number; (iii) the Exchange internal firm identifier; (iv) an indicator which will distinguish electronic and non-electronically delivered orders; (v) liquidity indicators and transaction type for billing purposes; and (vi) capacity.

(2) **TradeInfo,** a user interface, permits a Participant to:(i) search all orders submitted in a particular security or all orders of a particular type, regardless of their status (open, canceled, executed, etc.); (ii) cancellation of open orders at the order, port or firm mnemonic level; (iii) a view of orders and executions; and (iv) download of orders and executions for recordkeeping purposes.

(3) **FIX DROP** is a real-time order and execution update message that is sent to a Participant after an order been received/modified or an execution has occurred and contains trade details specific to that Participant. The information includes, among other things, the following: (i) executions; (ii) cancellations; (iii) modifications to an existing order; and (iv) busts or post-trade corrections.

(4) **QUO DROP** provides real-time information regarding orders entered through QUO and the execution of those orders. The QUO DROP data feed is not a trading interface and does not accept order messages.

Adopted July 22, 2011 (SR-NASDAQ-2011-077), operative Aug. 26, 2011; amended Oct. 16, 2015 (SR-NASDAQ-2015-122); amended Feb. 22, 2018 (SR-NASDAQ-2018-016); amended Apr. 27, 2018 (SR-NASDAQ-2018-035); amended May 30, 2018 (SR-NASDAQ-2018-040); amended Oct. 29, 2018 (SR-NASDAQ-2018-085), operative Jan. 1, 2019.

# Nasdaq Stock Market Rules, Regulation, Sec. 20, Nasdaq, Exchange Sharing of Participant-Designated Risk Settings

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The Exchange may share any Participant-designated risk settings in the Trading System with the Clearing Participant that clears transactions on behalf of the Participant.

Adopted Jan. 28, 2015 (SR-NASDAQ-2015-007), operative Feb. 27, 2015.

# Nasdaq Stock Market Rules, Regulation, Sec. 21, Nasdaq, Order and Quote Protocols

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**OTTO functionality implementation shall be delayed until Q3 2019. The Exchange will issue an Options Trader Alert notifying Participants when this functionality will be available.**

(a) **Entry and Display of Orders and Quotes**. Participants may enter orders and quotes into the System as specified below.

(i) The Exchange offers Participants the following protocols for entering orders and quotes respectively:

(A) **“Financial Information eXchange**” or “ **FIX**” 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) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications.

(B) “ **Specialized Quote Feed**” or “ **SQF**” is an interface that allows Market Makers to connect, send, and receive messages related to quotes and Immediateor- Cancel Orders into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g underlying instruments); (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) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; and (8) opening imbalance messages. The SQF Purge Interface only receives and notifies of purge request from the Market Maker.

(C) “ **Ouch to Trade Options**” or “ **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.

(D) “ **Quote Using Orders**” or “ **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.

Adopted Aug. 17, 2018 (SR-NASDAQ-2018-069), operative Jan. 1, 2019; amended Nov. 26, 2018 (SR-NASDAQ-2018-097); amended Mar. 28, 2019 (SR-NASDAQ-2019-016), operative Mar. 13, 2019.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Customer Orders and Order Entry Firms

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Order Entry Firms (OEFs) are those Options Participants representing as agent Customer Orders on NOM or trading as principal on NOM.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Market Maker Registration

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Options Participants registered as Market Makers have certain rights and bear certain responsibilities beyond those of other Options Participants. All Market Makers are designated as specialists on NOM for all purposes under the Exchange Act or Rules thereunder.

(a) To register as a Market Maker, a Participant must file an application in writing on such forms as Nasdaq Regulation may prescribe. Nasdaq Regulation reviews applications and considers an applicant's market making ability and such other factors as Nasdaq Regulation deems appropriate in determining whether to approve an applicant's registration as a Market Maker.

(b) The registration of any Participant as a Market Maker may be suspended or terminated by Nasdaq Regulation upon a determination that such Participant has failed to properly perform as a Market Maker.

(c) These Rules place no limit on the number of qualifying entities that may become Market Makers. However, based on system constraints, capacity restrictions or other factors relevant to protecting the integrity of the NOM Trading System the Board or its designee may limit access to the Trading System, for a period to be determined in the Board's discretion, pending any action required to address the issue of concern to the Board. To the extent that the Board places limitations on access to the Trading System on any Participant(s), such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Act.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Continuing Market Maker Registration

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(a) An Options Participant that has qualified as an Options Market Maker may register to make markets in individual options.

(b) An Options Market Maker may become registered in an option by entering a registration request via a Nasdaq approved electronic interface with Nasdaq's systems. Registration shall become effective on the day the registration request is entered.

(c) An Options Market Maker's registration in an option shall be terminated if the market maker fails to enter quotations in the option within five (5) business days after the market maker's registration in the option becomes effective.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Mar. 3, 2011 (SR-NASDAQ-2011-036), operative Aug. 26, 2011; amended June 8, 2011 (SR-NASDAQ-2011-079).

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Good Standing for Market Makers

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(a) To remain in good standing as a Market Maker, the Market Maker must:

i. continue to meet the requirements established in SEC Rule 15c3-1(a)(6)(i), and the general membership requirements set forth in the Rule 1010 Series of the Nasdaq Rules and the requirements for Market Makers as set forth in Nasdaq Rule 4611.

ii. continue to satisfy the Market Maker qualification requirements specified by Nasdaq, as amended from time to time by Nasdaq;

iii. comply with the Rules of the Exchange as well as the Rules of the OCC and the Federal Reserve Board; and

iv. pay on a timely basis such Participation, transaction and other fees as the Exchange and NOM shall prescribe.

(b) The good standing of a Market Maker may be suspended, terminated or otherwise withdrawn, as provided in the Rules, if any of said conditions for approval cease to be maintained or the Market Maker violates any of its agreements with the Exchange or any of the provisions of the Rules.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Obligations of Market Makers

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(a) In registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Ordinarily, Market Makers are expected to:

i. During trading hours, a Market Maker must maintain a two-sided market, pursuant to Section 6(d)(i) of this Chapter VII, in those options in which the Market Maker is registered to trade, in a manner that enhances the depth, liquidity and competitiveness of the market.

ii. Reserved.

iii. Engage, to a reasonable degree under the existing circumstances, in dealings for their own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.

iv. Compete with other Market Makers in all options in which the Market Maker is registered to trade.

v. Make markets that will be honored for the number of contracts entered into NOM's system in all options in which the Market Maker is registered to trade.

vi. Update quotations in response to changed market conditions in all options in which the Market Maker is registered to trade.

vii. Maintain active markets in all options in which the Market Maker is registered.

viii. Honor all orders that the Trading System routes to away markets pursuant to Chapter XII of these Rules.

(b) Options Market Makers should not effect purchases or sales on NOM except in a reasonable and orderly manner.

(c) If Nasdaq Regulation finds any substantial or continued failure by an Options Market Maker to engage in a course of dealings as specified in paragraph (a) of this Section, such Options Market Maker will be subject to disciplinary action or suspension or revocation of registration in one or more of the securities in which the Market Maker is registered. Nothing in this Section will limit any other power of the Board under these Rules, or procedures of NOM with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Section 5.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Aug. 18, 2009 (SR-NASDAQ-2009-056); amended Apr. 20, 2010 (SR-NASDAQ-2010-051); amended Mar. 3, 2011 (SR-NASDAQ-2011-036), operative Aug. 26, 2011; amended June 8, 2011 (SR-NASDAQ-2011-079); amended Aug. 10, 2012 (SR-NASDAQ-2012-095), operative Sep. 9, 2012.

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Market Maker Quotations

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(a) *Size Associated with Quotes*. A Market Maker's bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the Market Maker is willing to buy or sell. The best bid and best offer entered by a Market Maker must have a size of at least one (1) contract.

(b) *Two-Sided Quotes*.

A Market Maker that enters a bid (offer) in a series of an option in which he is registered on NOM must enter an offer (bid).

(c) *Firm Quotes*.

i. All quotes and orders entered into the System by Options Participants are firm under this Rule and Rule 602 of Regulation NMS under the Exchange Act ( "Rule 602") for the number of contracts specified and according to the requirements of paragraph (a) above.

ii. Market Maker bids and offers are not firm under this Rule and Rule 602:

1) for the period prior to the Opening Cross; or

2) if any of the circumstances provided in paragraph (b)(3) or (c)(4) of Rule 602 exist.

(d) *Intra-day Quotes*. A Market Maker must enter bids and offers for the options to which it is registered, as follows:

i. A Market Maker must enter bids and offers for the options to which it is registered, except in an assigned options series listed intra-day on the Exchange. On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below.

(1) Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as NOM may announce in advance, for which that Options Participant's assigned options series are open for trading. Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this Chapter VII, Section 6(d)(i)(1) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

  (a) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").

(2) Specifically, the Exchange will calculate subparagraph (1) above by (i) taking the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for Market Makers; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(3) Nasdaq Regulation may consider exceptions to the requirement to quote 60% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the Exchange's surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

(4) If a technical failure or limitation of a System of Nasdaq prevents a Market Maker from maintaining, or prevents a Market Maker from communicating to NOM, timely and accurate quotes, the duration of such failure or limitation shall not be included in any of the calculations under this subparagraph (1) with respect to the affected quotes.

ii. Bid/ask Differentials (Quote Spread Parameters). Options on equities (including Exchange-Traded Fund Shares), and on index options must be quoted with a difference not to exceed $5 between the bid and offer regardless of the price of the bid, including before and during the opening. However, respecting in-the-money series where the market for the underlying security is wider than $5, the bid/ask differential may be as wide as the spread between the national best bid and offer in the underlying security. The Exchange may establish differences other than the above for one or more series or classes of options.

iii. A Market Maker may be called upon by Nasdaq Regulation to submit a single bid or offer or maintain continuous bids and offers in one or more of the series in options to which the Market Maker is registered whenever, in the judgment of Nasdaq Regulation, it is necessary to do so in the interest of fair and orderly markets.

(e) *Options Classes Other Than Those in Which Registered*. A Market Maker shall be considered an OEF under the Rules in all classes of options listed on NOM. The total number of contracts executed by a Market Maker in options in which it is not registered as a Market Maker shall not exceed 25 percent of the total number of all contracts executed by the Market Maker in any calendar quarter.

(f) Reserved.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008. Amended by SR-NASDAQ-2008-022 eff. Mar. 19, 2008; amended by SR-NASDAQ-2008-063 eff. July 15, 2008; amended Mar. 3, 2011 (SR-NASDAQ-2011-036), operational Aug. 26, 2011; amended June 8, 2011 (SR-NASDAQ-2011-079); amended Sep. 28, 2011 (SR-NASDAQ-2011-136), operative Oct. 28, 2011; amended Aug. 10, 2012 (SR-NASDAQ-2012-095), operative Sep. 9, 2012; amended Aug. 19, 2013 (SR-NASDAQ-2013-110); amended Aug. 21, 2014 (SR-NASDAQ-2014-084); amended June 23, 2015 (SR-NASDAQ-2015-061); amended Oct. 16, 2015 (SR-NASDAQ-2015-122); amended June 30, 2016 (SR-NASDAQ-2016-087); amended Feb. 14, 2017 (SR-NASDAQ-2017-020), operative Mar. 16, 2017; amended Apr. 30, 2018 (SR-NASDAQ-2018-037); amended July 2, 2018 (SR-NASDAQ-2018-052).

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Securities Accounts and Orders of Market Makers

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(a) *Identification of Accounts*. In a manner prescribed by Nasdaq Regulation, each Market Maker shall file with Nasdaq Regulation and keep current a list identifying all accounts for stock, options and related securities trading in which the Market Maker may, directly or indirectly, engage in trading activities or over which it exercises investment discretion. No Market Maker shall engage in stock, options or related securities trading in an account which has not been reported pursuant to this Section.

(b) *Reports of Orders*. Each Market Maker shall, upon request and in the prescribed form, report to Nasdaq Regulation every order entered by the Market Maker for the purchase or sale of (i) a security underlying options traded on NOM, or (ii) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Section. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.

(c) *Joint Accounts*. No Market Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is an Options Participant and unless such account is reported to, and not disapproved by, Nasdaq Regulation. Such reports in a form prescribed by Nasdaq Regulation shall be filed with Nasdaq Regulation before any transaction is effected on NOM for such joint account. A participant in a joint account must:

i. Be either a Market Maker or a Clearing Participant that carries the joint account.

ii. File and keep current a completed application on such form as is prescribed by Nasdaq Regulation.

iii. Be jointly and severally responsible for assuring that the account complies with all the Rules of the Exchange.

iv. Not be a Market Maker registered to the same options classes to which the joint account holder is also registered as a Market Maker.

Coimmentary .01 Reports of accounts and transactions required to be filed with NOM pursuant to this Rule relate only to accounts in which a Market Maker, as an individual, directly or indirectly controls trading activities or has a direct interest in the profits or losses of such account. Such reports would be required for accounts over which a Market Maker exercises investment discretion as well as a Market Maker's proprietary accounts.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Letters of Guarantee

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(a) *Required of Each Options Participant*. No Options Participant shall make any transactions on NOM unless a Letter of Guarantee has been issued for such Participant by a Clearing Participant and filed with Nasdaq Regulation, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Section.

(b) *Terms of Letter of Guarantee*. A Letter of Guarantee shall provide that the issuing Clearing Participant accepts financial responsibilities for all NOM Transactions made by the guaranteed Participant.

(c) *Revocation of Letter of Guarantee*. A Letter of Guarantee filed with Nasdaq Regulation shall remain in effect until a written notice of revocation has been filed with Nasdaq Regulation by the Guarantor Clearing Participant. A revocation shall in no way relieve a Clearing Participant of responsibility for transactions guaranteed prior to the effective date of such revocation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-067 eff. July 29, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, Financial Requirements for Market Makers

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(a) Each Market Maker shall maintain (i) net liquidating equity in its Market Maker account of not less than $200,000, and in conformity with such guidelines as the Board may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each Market Maker which is a Clearing Participant shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each Market Maker account, without regard to the number of Market Maker accounts per firm. The term "net liquidating equity" means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.

(b) Each Market Maker that makes an arrangement to finance his transactions as a Market Maker must identify in writing to Nasdaq Regulation the source of the financing and its terms. Nasdaq Regulation must be informed immediately of the intention of any party to terminate or change any such arrangement.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 10, Nasdaq, Reserved

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Reserved.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Mar. 18, 2016 (SR-NASDAQ-2016-040).

# Nasdaq Stock Market Rules, Regulation, Sec. 11, Nasdaq, Mass Cancellation of Trading Interest

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An Options Participant may simultaneously cancel all its bids, offers, and orders in all series of options by requesting NOM operations staff to effect such cancellation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 12, Nasdaq, Order Exposure Requirements

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With respect to orders routed to NOM, Options Participants may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on NOM for at least one (1) second or (ii) the Options Participant has been bidding or offering on NOM for at least one (1) second prior to receiving an agency order that is executable against such bid or offer.

**Commentary**:

**.01** Section 12 prevents Options Participants from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on NOM an opportunity to either trade with the agency order or to trade at the execution price when the Options Participant was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for an Options Participant to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on NOM and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of Section 12 for an Options Participant to be a party to any arrangement designed to circumvent Section 12 by providing an opportunity for a customer to regularly execute against agency orders handled by the Options Participant immediately upon their entry into NOM.

**.02** It will be a violation of Section 12 for an Options Participant to cause the execution of an order it represents as agent on NOM against orders it solicited from members and non-member broker-dealers, whether such solicited orders are entered into NOM directly by the Options Participant or by the solicited party (either directly or through another Options Participant), if the Options Participant fails to expose orders on NOM as required by Section 12.

**.03** With respect to Price Improving Orders, the exposure requirement of subsection (i) is satisfied if the displayable portion of the order is displayed at its displayable price for one second.

**.04** Prior to or after submitting an order to NOM, an Options Participant cannot inform another Options Participant or any other third party of any of the terms of the order.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008; amended by SR-NASDAQ-2009-005 eff. February 19, 2009; amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Maintenance, Retention and Furnishing of Books, Records and Other Information

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(a) Each Options Participant shall make, keep current and preserve such books and records as Nasdaq Regulation may prescribe pursuant to the Rules of the Exchange and as may be prescribed by the Exchange Act and the rules and regulations thereunder.

(b) No Options Participant shall refuse to make available to Nasdaq Regulation such books, records or other information as may be called for under the Rules of the Exchange or as may be requested in connection with an investigation by Nasdaq Regulation.

(c) All Options Participants shall prepare and make available all books and records as required by the Rules of the Exchange in English and U.S. dollars.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Reports of Uncovered Short Positions

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(a) Upon request of Nasdaq Regulation, each Options Participant shall submit a report of the total uncovered short positions in each options contract of a class dealt in on NOM showing:

i. positions carried by such Options Participant for its own account and

ii. positions carried by such Options Participant for the accounts of Customers;

iii. provided that the Options Participant shall not report positions carried for the accounts of other Options Participants where such other Options Participants report the positions themselves.

(b) Such report shall be submitted not later than the second business day following the date the request is made.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Financial Reports and Audits

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Each Options Participant shall submit to Nasdaq Regulation answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange or Nasdaq Regulation under the Rules of the Exchange.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Automated Submission of Trade Data

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(a) An Options Participant shall submit requested trade data elements, in such automated format as may be prescribed by Nasdaq Regulation from time to time, in regard to a transaction(s) that is the subject of the particular request for information.

(b) If the transaction was a proprietary transaction effected or caused to be effected by the Options Participant for any account in which such Participant, or any person associated with the Options Participant, is directly or indirectly interested, the Participant shall submit or cause to be submitted, any or all of the following information as requested by Nasdaq Regulation:

i. Clearing house number or alpha symbol as used by the Options Participant submitting the data;

ii. Clearing house number(s) or alpha symbol(s) as may be used from time to time, of the Options Participant(s) on the opposite side of the transaction;

iii. Identifying symbol assigned to the security and where applicable for the options month and series symbols;

iv. Date transaction was executed;

v. Number of option contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale, as well as:

1) the number of shares traded or held by accounts for which options data is submitted;

2) where applicable, the number of shares for each specific transaction and whether each transaction was a purchase, sale or short sale;

vi. Transaction price;

vii. Account number; and

viii. Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the Options Participant for any Customer, such Options Participant shall submit or cause to be submitted any or all the following information as requested by Nasdaq Regulation:

i. Data elements (i) through (viii) of paragraph (b) above;

ii. If the transaction was effected for a Public Customer, customer name, address(es), branch office number, representative number, whether the order was discretionary, solicited or unsolicited, date the account was opened and employer name and tax identification number(s); and

iii. If the transaction was effected for a Participant broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of Nasdaq Regulation's request.

(d) In addition to the above trade data elements, an Options Participant shall submit such other information in such automated format as may be prescribed by Nasdaq Regulation, as may from time to time be required.

(e) Nasdaq Regulation may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (b) and (c) above be submitted to Nasdaq Regulation in an automated format.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

*of the NASDAQ Manual in the CCH Securities Compliance Library. Any advice or commentary given in the CCH Securities Compliance Library about the Nasdaq Manual is the sole responsibility of Wolters Kluwer Financial Services and does not reflect the views of Nasdaq OMX. Nasdaq OMX reserves the right to amend the Nasdaq Manual at its discretion.*

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Regulatory Cooperation

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(a) Nasdaq Regulation may enter into agreements that provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes, with domestic and foreign self-regulatory organizations, as well as associations and contract markets and the regulators of such markets.

(b) No Options Participant, partner, officer, director or other person associated with a Participant or other person or entity subject to the jurisdiction of the Exchange or Nasdaq Regulation shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange or Nasdaq Regulation requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange or Nasdaq Regulation pursuant to paragraph (a) of this Section, including but not limited to Participants and affiliates of the Intermarket Surveillance Group. The requirements of this paragraph (b) shall apply regardless whether the Exchange or Nasdaq Regulation has itself initiated a form investigation or disciplinary proceeding.

(c) Whenever information is requested by Nasdaq Regulation pursuant to this Section, the Options Participant or person associated with a Participant from whom the information is requested shall have the same rights and procedural protections in responding to such request as such Participant or person would have in the case of any other request for information initiated by Nasdaq Regulation pursuant to Nasdaq Regulation's investigative powers.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Risk Analysis of Market Maker Accounts

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(a) Each Clearing Participant that clears or guarantees the transactions of Market Makers pursuant to Chapter VII, Section 8 of these Rules (Letters of Guarantee), shall establish and maintain written procedures for assessing and monitoring the potential risks to the Participant's capital over a specified range of possible market movements of positions maintained in such Market Maker accounts and such related accounts as Nasdaq Regulation shall from time to time direct.

i. Current procedures shall be maintained as current and filed with Nasdaq Regulation.

ii. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk management.

(b) Each affected Participant shall at a minimum assess and monitor its potential risk of loss from options Market Maker accounts each business day as of the close of business the prior day through use of a Nasdaq Regulation-approved computerized risk analysis program, which shall comply with at least the minimum standards specified below and such other standards as from time to time may be prescribed by Nasdaq Regulation:

i. The estimated loss to the Clearing Participant for each Market Maker account (potential account deficit) shall be determined given the impact of broad market movements in reasonable intervals over a range from negative fifteen percent (15%) to positive fifteen percent (15%).

ii. The Participant shall calculate volatility using a method approved by Nasdaq Regulation, with volatility updated at least weekly. The program must have the capability of expanding volatility when projecting losses throughout the range of broad market movements.

iii. Options prices shall be estimated through use of recognized options pricing models such as, but not limited to, Black-Scholes and Cox- Reubenstein.

iv. At a minimum, written reports shall be generated which describe for each market scenario:

1) projected loss per options class by account;

2) projected total loss per options class for all accounts; and

3) projected deficits per account and in aggregate.

Upon direction by Nasdaq Regulation, each affected Participant shall provide to Nasdaq Regulation such information as it may reasonably require with respect to the Participant's risk analysis for any or all of its Market Maker accounts.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Anti-Money Laundering Compliance Program

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Each Options Participant shall comply with Nasdaq Rule 3011.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Imposition of Suspension

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(a) An Options Participant or person associated with an Options Participant that has been expelled or suspended from any SRO or barred or suspended from being associated with a Participant of any SRO, or an Options Participant that is in such financial or operating difficulty that Nasdaq Regulation determines that the Options Participant cannot be permitted to continue to do business as a Participant with safety to investors, creditors, other Options Participants, or NOM, may be summarily suspended.

(b) Nasdaq Regulation may limit or prohibit any person with respect to access to services offered by NOM if any of the criteria of the foregoing sentence is applicable to such person or, in the case of a person who is an Options Participant, if the Exchange determines that such person does not meet the qualification requirements or other prerequisites for such access with safety to investors, creditors, Options Participants or the Exchange.

(c) In the event a determination is made to take summary action pursuant to this Section, notice thereof will be sent to the SEC.

(d) Any person aggrieved by any summary action taken under this Section shall be promptly afforded an opportunity for a hearing by Nasdaq Regulation in accordance with the provisions of the 9500 Rules of the Exchange.

(e) A summary suspension or other action taken pursuant to this Chapter IX shall not be deemed to be disciplinary action under the 9500 Rules of the Exchange. The provisions of such 9500 Rules shall be applicable regardless of any action taken pursuant to this Chapter X.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Investigation Following Suspension Violations

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(a) Every Options Participant or person associated with a Participant against which action has been taken in accordance with the Summary Suspension procedures of these Rules shall immediately afford every facility required by Nasdaq Regulation for the investigation of his or its affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short position in NOM options contracts maintained by the Options Participant and each of his or its Customers.

(b) Paragraph (a) includes, without limitation, the furnishing of such books and records of the Options Participant or person associated with an Options Participant and the giving of such sworn testimony as may be requested by Nasdaq Regulation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Reinstatement Following Suspension

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(a) *General*.

i. An Options Participant, person associated with an Options Participant or other person suspended or limited or prohibited with respect to access to services offered by NOM under the Summary Suspension procedures of these Rules may apply for reinstatement within the time period set forth below.

ii. Notice of an application for reinstatement shall be given to the Secretary by the Participant and shall be posted by Nasdaq Regulation at least five (5) business days prior to the consideration by Nasdaq Regulation of said application.

iii. Nasdaq Regulation may approve an application for reinstatement if it finds that the applicant is operationally and financially able to conduct his business with safety to investors, creditors, Participants, and NOM.

(b) *Suspension Due to Operating Difficulty*.

i. An applicant that, by reason of operating difficulty, has been suspended or limited or prohibited with respect to NOM services, must file any application for reinstatement within six (6) months from the date of such action. Such application must include a statement of all actions taken by the applicant to remedy the operational difficulty in question.

ii. If the applicant fails to receive reinstatement, or if the application is not acted upon ninety (90) days of its submission, the applicant shall be afforded an opportunity for a hearing in accordance with the provisions of the 9000 Rules of the Exchange

(c) *Suspension Due to Financial Difficulty.*

i. An applicant who, by reason of financial difficulty, has been suspended or limited or prohibited with respect to NOM services, must file any application for reinstatement within thirty (30) days of such action.

ii. Such application must include a list of all creditors of the applicant a statement of the amount originally owing and the nature of the settlement in each case, and such other information as may be requested by Nasdaq Regulation.

iii. The Participant status of an Options Participant summarily suspended by reason of financial difficulty may not be disposed of by Nasdaq Regulation until that Participant has been afforded an opportunity for a hearing respecting such summary suspension pursuant to the provisions of the 9000 Rules of the Exchange

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Failure to Obtain Reinstatement

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If an Options Participant suspended under the provisions of this Chapter X fails or is unable to apply for reinstatement in accordance with Section 3 of this Chapter X or fails to obtain reinstatement as therein provided, his or its Participant status shall be disposed of by Nasdaq Regulation in accordance with the 9500 Rules of the Exchange

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Termination of Rights by Suspension

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An Options Participant suspended under the provisions of this Chapter X shall be deprived during the term of his or its suspension of all rights and privileges of Participation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Contracts of Suspended Participants

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(a) When an Options Participant, other than a Clearing Participant, is suspended pursuant to Chapter X of these Rules (Summary Suspension), all open short positions of the suspended Options Participant in options contracts and all open positions resulting from exercise of options contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all Participants carrying such positions for the account of the suspended Participant; provided that Nasdaq Regulation may cause the foregoing requirement to be temporarily waived for such period as it may determine if it shall deem such temporary waiver to be in the interest of the public or the other Participants of NOM.

(b) No temporary waiver hereunder by Nasdaq Regulation shall relieve the suspended Options Participant of its obligations or of damages, nor shall it waive the close out requirements of any other Rules.

(c) When a Clearing Participant is suspended pursuant to Chapter X (Summary Suspension) of these Rules, the positions of such Clearing Participant shall be closed out in accordance with the Rules of the Clearing Corporation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Penalty for Minor Rule Violations

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The following NOM rule and policy violations may be determined by Nasdaq Regulation to be minor in nature. If so, Nasdaq Regulation may, with respect to any such violation, proceed under the 9200 Series Rules of the Exchange and impose the fine set forth below. Nasdaq Regulation is not required to proceed under said Sections as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under the 9200 Series Rules of the Exchange as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period ( "Period").

(a) *Position Limit Violations*. Violations of Chapter III, Section 7 of these Rules (Position Limit) are subject to fines as follows:

| Number of Cumulative Violations Within Any Twenty four Month Rolling Period* | Sanction (Imposed on Exchange Members or violations occurring in all other accounts) |
|---|---|
| First Offense | $500 |
| Second Offense | $1,000 |
| Third Offense | $2,500 |
| Fourth and Each Subsequent Offense | $5,000 |

*A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(b) *Order Entry*. Violations of Chapter VII, Section 6(a) - (c) of these Rules, (Market Maker Quotations) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of such sections subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

**Number of Violations Fine Amount Within One Period**

| | |
|---|---|
| 1 to 5 | Letter of Caution |
| 6 to 10 | $500 |
| 11 to 15 | $1000 |
| 16 to 20 | $2000 |

(c) *Quotes*. Violations of Chapter VII, Section 6(d) of these Rules regarding Market Maker intra-day quoting shall be subject to the fines listed below. Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of the Market Makers registered series are to be added together.

**Number of Cumulative Fine Amount Violations Within One Period**

| | |
|---|---|
| 1 | Letter of Caution |
| 2 or more | $300 per day |

(d) *LOPR Reporting and Position Limit Violations*. Violations of Chapter III, Section 7-10 of these Rules regarding position limits and maintaining and furnishing reports related to applicable position limits for Options contracts.

| FINE SCHEDULE | LOPR Reporting | Position Limits |
|---|---|---|
| First Offense | $1,000 | $500 |
| Second Offense | $2,500 | $1,000 |
| Subsequent Offense | $5,000 | $2,500 |

(e) *Expiring Exercise Declaration Rules*. Violations of Options 5, Section 100 of these Rules regarding exercise of Options Contracts, allocation of exercise notices and delivery and payment of the underlying security.

| FINE SCHEDULE | Individual | Firm |
|---|---|---|
| First Offense | $500 | $1,000 |
| Second Offense | $1,000 | $2,500 |
| Subsequent Offense | $2,500 | $5,000 |

(f) *Audit Trail Submissions and Record Keeping Requirements*. Chapter V, Sections 7, regarding the submission of audit trail information; and Chapter IX, Sections 1-3 of these Rules regarding information to be recorded, retained and provided upon request by Nasdaq Regulation or other applicable regulatory entity.

| FINE SCHEDULE | Audit Trail Information | Records Provisions |
|---|---|---|
| First Offense | $1,500 | $2,000 |
| Second Offense | $3,000 | $4,000 |
| Subsequent Offense | $5,000 | $5,000 |

(g) *Representation of Orders*. Chapter VII, Section 12 of these Rules regarding Options Participants' restriction on execution of principal orders they represent as agent unless proper exposure parameters are applied.

| FINE SCHEDULE | |
|---|---|
| First Offense | $1,000 |
| Second Offense | $2,500 |
| Subsequent Offense | $5,000 |

(h) *Trade Reporting*. Chapter VI, Sections 14 and 15 of these Rules regarding all transactions effected on NOM shall be submitted for clearance to the Clearing Corporation, the Options Participants' obligation to give up the name of the Clearing Participants and the prompt reporting of any change in this identity to NOM.

| FINE SCHEDULE | |
|---|---|
| First Offense | $1,500 |
| Second Offense | $3,000 |
| Subsequent Offense | $5,000 |

(i) *Locked and Cross Market Violations*. Chapter XII, Section 3 of these Rules (Locked and Crossed Markets) regarding procedures to be followed in the instance of a Locked or a Crossed Market.

| FINE SCHEDULE | |
|---|---|
| First Offense | $500 |
| Second Offense | $1,000 |
| Subsequent Offense | $2,500 |

(j) *Trade-Through Violations*. Chapter XII, Section 2(a) of these Rules (Order Protection) regarding trade-throughs.

| FINE SCHEDULE | |
|---|---|
| First Offense | $500 |
| Second Offense | $1,000 |
| Subsequent Offense | $2,500 |

(k) *Failure to Timely File Amendments to Form U4, Form U5 and Form BD*. Any member and/or participant organization that is required to file Form U4, Form U5 or Form BD pursuant to Section 1031 of The Nasdaq Stock Market Rules and the Securities and Exchange Act of 1934, and the rules promulgated thereunder, is required to amend the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Members and/or participant organizations shall amend Form U4, Form U5 and Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

| FINE SCHEDULE (Implemented on a running 12 month period) | |
|---|---|
| First Offense | $500 |

| | |
|---|---|
| Second Offense | $1,000 |
| Subsequent Offense | $2,000 |

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Feb. 18, 2011 (SR-NASDAQ-2011-029), operative Mar. 20, 2011; amended Feb. 16, 2017 (SR-NASDAQ-2017-021); amended Oct. 18, 2017 (SR-NASDAQ-2017-111); amended July 2, 2018 (SR-NASDAQ-2018-052); amended Nov. 14, 2018 (SR-NASDAQ-2018-094).

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Eligibility

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An OEF may only transact business with Public Customers if such Participant also is a member of another registered national securities exchange or association with which the Exchange has entered into an agreement under Rule 17d-2 under the Exchange Act pursuant to which such other exchange or association shall be the designated options examining authority for the OEF. Eligibility to transact business with the public shall be based upon an OEF's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Exchange Act Rule 15c3-1 (Net Capital Requirements). Such approval may be withdrawn if any such requirements cease to be met.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Registration of Options Principals

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No OEF shall be approved to transact options business with the public until those associated persons who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the management and supervision of the OEF's business pertaining to options contracts shall be designated as Options Principals and shall have responsibility for the overall oversight of the OEF's options related activities on the Exchange.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Sept. 27, 2018 (SR-NASDAQ-2018-078), operative Oct. 1, 2018.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Registration of Representatives

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(a) No OEF shall be approved to transact business with the public until those persons associated with it who are designated representatives have been approved by and registered with the Exchange.

(b) Persons who perform duties for the OEF which are customarily performed by sales representatives or branch office managers shall be designated as representatives of the OEF. A person accepting orders from non-member customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Registered Representative Examination (Series 7).

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Sept. 27, 2018 (SR-NASDAQ-2018-078), operative Oct. 1, 2018.

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Other Affiliations of Registered Persons

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Except with the express written permission of Nasdaq Regulation, every registered person shall devote his entire time during business hours to the business of the OEF employing him, or to the business of its affiliates that are engaged in the transaction of business as a broker or dealer in securities or commodities or in such other businesses as have been approved by the OEF's designated examining authority.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Discipline, Suspension, Expulsion of Registered Persons

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The Exchange or Nasdaq Regulation may discipline, suspend or terminate the registration of any registered person for violation of the Rules of the Exchange or the Rules of the Clearing Corporation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Branch Offices

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(a) Every OEF approved to do options business with the public under this Chapter shall file with Nasdaq Regulation and keep current a list of each of its branch offices showing the location of each such office and the name of the manager of each such office.

(b) No branch office of an OEF shall transact options business with the public unless the manager of such branch office has been qualified as a Registered Options and Security Futures Principal; provided, that this requirement shall not apply to branch offices in which not more than three (3) representatives are located so long as the OEF can demonstrate to the satisfaction of Nasdaq Regulation that the options activities of such branch offices are appropriately supervised by a Registered Options and Security Futures Principal.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008. Amended by SR-NASDAQ-2008-081 eff. October 10, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Opening of Accounts

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(a) *Approval Required*. No OEF shall accept an order from a Public Customer to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with the provisions of this Section.

(b) *Diligence in Opening Account*. In approving a Public Customer's account for options transactions, an OEF shall exercise due diligence to learn the essential facts as to the Public Customer and his investment objectives and financial situation, and shall make a record of such information, which shall be retained in accordance with SEC Rule 17a-4 under the Exchange Act. Based upon such information, the branch office manager or other Options Principal shall approve in writing the Public Customer's account for options transactions; provided, that if the branch office manager is not an Options Principal, his approval shall within a reasonable time be confirmed by an Options Principal.

i. In fulfilling its obligations under this paragraph (b) with respect to options Public Customers that are natural persons, an OEF shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

1) investment objectives (e.g., safety of principal, income, growth, trading profits, speculation);

2) employment status (name of employer, self-employed or retired);

3) estimated annual income from all sources;

4) estimated net worth (exclusive of primary residence);

5) estimated liquid net worth (cash, securities, other);

6) marital status;

7) number of dependents;

8) age; and

9) investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

ii. In addition to the information required in subparagraph (b)(i) above, the Public Customer's account records shall contain the following information, if applicable:

1) the source or sources of background and financial information (including estimates) concerning the Public Customer;

2) discretionary trading authorization, including agreement on file, name, relationship to Public Customer and experience of person holding trading authority;

3) date(s) options disclosure document(s) furnished to Public Customer;

4) nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions);

5) name of representative;

6) name of the Options Principal approving account;

7) date of approval; and

8) dates of verification of currency of account information.

iii. Refusal of a Public Customer to provide any of the information called for in this paragraph (b) shall be so noted on the Public Customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

(c) *Verification of Public Customer Background and Financial Information*. The background and financial information upon which the account of every new Public Customer that is a natural person has been approved for options trading, including all of the information required in paragraph (b)(ii) of this Section, unless the information is included in the Public Customer's account agreement, shall be sent to the Public Customer for verification or correction within fifteen (15) days after the Public Customer's account has been approved for options transactions. A copy of the background and financial information on file with the OEF shall also be sent to the Public Customer for verification within fifteen (15) days after the OEF becomes aware of any material change in the Public Customer's financial situation. Absent advice from the Public Customer to the contrary, the information will be deemed to be verified.

(d) *Agreements to Be Obtained*. Within fifteen (15) days after a Public Customer's account has been approved for options transactions, an OEF shall obtain from the Public Customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such Public Customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Chapter III, Section 7 and 9 of these Rules.

(e) *Options Disclosure Documents to Be Furnished*. At or prior to the time a Public Customer's account is approved for options transactions, an OEF shall furnish the Public Customer with one (1) or more current options disclosure documents issued by the OCC in accordance with the requirements of Section 15 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

(f) Every OEF transacting business with the public in uncovered options contracts shall develop, implement and maintain specific written procedures governing the conduct of such business that shall at least include the following:

i. specific criteria and standards to be used in evaluating the suitability of a Public Customer for uncovered short options transactions;

ii. specific procedures for approval of accounts engaged in writing uncovered short options contracts (which for the purposes of this Section shall include combinations and any transactions that involve naked writing), including written approval of such accounts by an Options Principal;

iii. designation of a specific Registered Options and Security Futures Principal(s) as responsible for approving accounts that do not meet the specific criteria and standards for writing uncovered short options transactions and for maintaining written records of the reasons for every account so approved;

iv. establishment of specific minimum net equity requirements for initial approval and maintenance of Public Customer uncovered options accounts; and

v. requirements that Public Customers approved for writing uncovered\ short options transactions be provided with a special written description of the risks inherent in writing uncovered short options transactions, at or prior to the initial uncovered short options transaction pursuant to Section 15 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008. Amended by SR-NASDAQ-2008-081 eff. October 10, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Supervision of Accounts

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(a) *Duty to Supervise - General*. Each member that conducts a public customer options business shall ensure that its written supervisory system policies and procedures pursuant to FINRA Rules 3110, 3120, 3130 and 3170 adequately address the member's public customer options business.

(b) *Duty to Supervise — Non-Participant Accounts*. Every OEF shall develop and implement a written program for the review of the its non-Participant Public Customer accounts and all orders in such accounts, insofar as such accounts and orders relate to options contracts.

(c) *Duty to Supervise — Uncovered Short Options*. Every OEF shall develop and implement specific written procedures concerning the manner of supervision of Public Customer accounts maintaining uncovered short (written) options positions (which for the purposes of this Section shall include combinations and any transactions that involve naked writing) and specifically providing for frequent supervisory review of such accounts.

(d) Reserved.

(e) *Maintenance of Public Customer Records*. Background and financial information of Public Customers who have been approved for options transactions shall be maintained at the principal supervisory office having jurisdiction over the office servicing a Public Customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each Public Customer's options account on a timely basis to determine:

i. the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;

ii. the size and frequency of options transactions;

iii. commission activity in the account;

iv. profit or loss in the account;

v. undue concentration in any options class or classes; and

vi. compliance with the provisions of Regulation T of the Federal Reserve Board.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended Oct. 10, 2008 (SR-NASDAQ-2008-081); amended Mar. 14. 2014 (SR-NASDAQ-2016-038), operative Apr. 13, 2016.

# Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, Suitability of Recommendations

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(a) Every OEF, Options Principal or representative who recommends to a Public Customer the purchase or sale (writing) of any options contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such Public Customer on the basis of the information furnished by such Public Customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such OEF, Options Principal or representative.

(b) No OEF, Options Principal or representative shall recommend to a Public Customer an opening transaction in any options contract unless the person making the\ recommendation has a reasonable basis for believing at the time of making the recommendation that the Public Customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the options contract.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 10, Nasdaq, Discretionary Accounts

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(a) *Authorization and Approval Required*. No OEF shall exercise any discretionary power with respect to trading in options contracts in a Public Customer's account unless such Public Customer has given prior written authorization and the account has been accepted in writing by a Registered Options and Security Futures Principal.

i. Each participant shall designate specific Registered Options and Security Futures Principals to review discretionary accounts. A Registered Options and Security Futures Principal other than the Registered Options and Security Futures Principal who accepted the account shall review the acceptance of each discretionary account to determine that the Registered Options and Security Futures Principal accepting the account had a reasonable basis for believing that the Public Customer was able to understand and bear the risks of the strategies or transactions proposed, and the reviewing Registered Options and Security Futures Principal shall maintain a record of the basis for his determination.

ii. Every discretionary order shall be identified as discretionary on the order at the time of its entry into NOM market.

iii. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options and Security Futures Principal who is not exercising the discretionary authority.

(b) *Record of Transactions*. A record shall be made of every options transaction for an account with respect to which an OEF is vested with any discretionary power, such record to include the name of the Public Customer, options class and series, number of contracts, premium, and date and time when such transaction took place.

(c) *Excessive Transactions Prohibited*. No OEF shall effect with or for any Public Customer's account with respect to which such Participant is vested with any discretionary power any transactions of purchase or sale of options contracts that are excessive in size or frequency in view of the financial resources and character of such account.

(d) *Options Programs*. Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the Public Customer shall be furnished with a written explanation of the nature and risks of such programs.

(e) *Discretion as to Price or Time Excepted.* This rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined in Rule 3110(c)(4), pursuant to valid Good-Till-Cancelled instructions issued on a “not held” basis. Any exercise of time and price discretion must be reflected on the order ticket.

(f) Any participant that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options and Security Futures Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Oct. 10, 2008 (SR-NASDAQ-2008-081).

*of the NASDAQ Manual in the CCH Securities Compliance Library. Any advice or commentary given in the CCH Securities Compliance Library about the Nasdaq Manual is the sole responsibility of Wolters Kluwer Financial Services and does not reflect the views of Nasdaq OMX. Nasdaq OMX reserves the right to amend the Nasdaq Manual at its discretion.*

# Nasdaq Stock Market Rules, Regulation, Sec. 11, Nasdaq, Confirmation to Public Customers

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(a) Every OEF shall promptly furnish to each Public Customer a written confirmation of each transaction in options contracts that shows the underlying security, type of options, expiration month, exercise price, number of options contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale and whether a principal or agency transaction.

(b) The confirmation shall, by appropriate symbols, distinguish between Exchange options transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 26, 2009 (SR-NASDAQ-2009-064).

# Nasdaq Stock Market Rules, Regulation, Sec. 12, Nasdaq, Statement of Accounts to Public Customers

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(a) Every OEF shall send to its Public Customers a statement of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations.

(b) With respect to options Public Customers having a general (margin) account, the Public Customer statement shall also provide the mark-to-market price and market value of each options position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. For purposes of this paragraph (b), general (margin) account equity shall be computed by subtracting the total of the short security values and any debit balance from the total of the long security values and any credit balance.

(c) The Public Customer statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed options transactions has been included in confirmations of such transactions previously furnished to the Public Customer, and that such information will be made available to the Public Customer promptly upon request.

(d) Public Customer statements shall bear a legend requesting that the Public Customer promptly advise the Participant of any material change in the Public Customer's investment objectives or financial situation.

(e) Public Customer statements shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 13, Nasdaq, Statements of Financial Condition to Public Customers

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Every OEF shall send to each of its Public Customers statements of the Participant's financial condition as required by SEC Rule 17a-5 under the Exchange Act.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004).

# Nasdaq Stock Market Rules, Regulation, Sec. 14, Nasdaq, Addressing of Communications to Public Customers

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No OEF shall address any communications to a Public Customer in care of any other person unless either: (1) the Public Customer, within the preceding twelve (12) months, has instructed the OEF in writing to send communications in care of such other persons, or (2) duplicate copies are sent to the Public Customer at some other address designated in writing by him.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 15, Nasdaq, Delivery of Current Options Disclosure Documents and Prospectus

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(a) *Options Disclosure Documents*. Every OEF shall deliver a current options disclosure document issued by the OCC to each Public Customer at or prior to the time such Public Customer's account is approved for options transactions. Where a Public Customer is a broker or dealer, the OEF shall take reasonable steps to assure that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by the broker or dealer, to enable it to comply with the requirements of this Section 15.

i. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Exchange Act.

ii. A copy of each amendment to an options disclosure document shall be furnished to each Public Customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such Public Customer. Nasdaq Regulation will advise OEFs when an options disclosure document is amended.

(b) The written description of risks required by this Section 15 shall be in a format prescribed by the Exchange or in a format developed by the Participant, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(c) Below is a sample risk description for use by OEFs to satisfy the requirements of paragraph (b) of this Section 15:

***Special Statement for Uncovered Options Writers.***

*There are special risks associated with uncovered options writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all Public Customers approved for options transactions.*

*1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.*

*2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.*

*3. Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.*

*4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.*

*5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.*

*6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period. NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular, your* *attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.*

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 16, Nasdaq, Restrictions on Pledge and Lending of Public Customers' Securities

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(a) No OEF shall lend, either to itself or to others, securities carried for the account of any Public Customer, unless such OEF shall first have obtained a separate written authorization from such Public Customer permitting the lending of the securities.

(b) Regardless of any agreement between an OEF and a Public Customer authorizing the OEF to lend or pledge such securities, no OEF shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the Public Customer to such OEF, except such lending as may be specifically authorized under paragraph (c) of this Section 16.

(c) No OEF shall lend securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be loaned in view of the indebtedness of the Public Customer, unless such OEF first obtains from such Public Customer a separate written authorization designating the particular securities to be loaned.

(d) No OEF shall hold securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be pledged in view of the indebtedness of the Public Customer, unless such securities are segregated and identified by a method that clearly indicates the interest of such Public Customer in those securities.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 17, Nasdaq, Transactions of Certain Public Customers

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(a) No OEF shall execute any transaction in securities or carry a position in any security in which:

i. an officer or employee of the Exchange, Nasdaq Regulation, NOM or any national securities exchange that is a participant of the Clearing Corporation, or an officer or employee of a corporation in which the Exchange, or such other exchange owns the majority of the capital stock, is directly or indirectly interested, without the prior written consent of the Exchange; or

ii. a partner, officer, director, principal shareholder or employee of another OEF is directly or indirectly interested, without the consent of such other OEF.

(b) Where the required consent has been granted, duplicate reports of the transaction and position shall promptly be sent to the Exchange or OEF, as the case may be.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 18, Nasdaq, Guarantees

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No OEF shall guarantee a Public Customer against loss in his account or in any transaction effected with or for such Public Customer.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 19, Nasdaq, Profit Sharing

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(a) No OEF, person associated with an OEF or Options Principal shall share directly or indirectly in the profits or losses in any Public Customer's account, whether carried by such OEF, or any other OEF, without the prior written consent of the OEF carrying the account.

(b) Where such consent is obtained, the OEF, person associated with an OEF or Options Principal shall share in the profits or losses in such account only in direct proportion to the financial contribution made to the account by such person.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 20, Nasdaq, Assuming Losses

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No OEF shall assume for its own account any position established for a Public Customer in a security traded on the Exchange after a loss to the Public Customer has been established or ascertained, unless the position was created by the OEF's mistake or unless approval of Nasdaq Regulation has first been obtained.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 21, Nasdaq, Transfer of Accounts

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Every Options Participant shall expedite the transfer of a customer's account pursuant to Nasdaq Rules IM-2110-7 and 11870.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 22, Nasdaq, Communications with Public Customers

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Options Participants and associated persons of Options Participants shall be bound to comply with the Communications with Public Customers rule of the FINRA, as applicable, as though said rules were part of these Rules

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 23, Nasdaq, Fidelity Bond

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Options Participants approved to transact business with the public under these Rules and every Clearing Participant shall comply with all applicable provisions of Nasdaq Rule 3020.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008; amended Oct. 18, 2017 (SR-NASDAQ-2017-111).

# Nasdaq Stock Market Rules, Regulation, Sec. 24, Nasdaq, Public Customer Complaints

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(a) Every OEF conducting a non-Participant Public Customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved.

(b) The term "options-related complaint" shall mean any written statement by a Public Customer or person acting on behalf of a Public Customer alleging a grievance arising out of or in connection with listed options.

(c) The central file shall be located at the principal place of business of the Participant or such other principal office as shall be designated by the OEF.

i. Each options-related complaint received by a branch office of an OEF shall be forwarded to the office in which the separate, central file is located not later than thirty (30) days after receipt by the branch office.

ii. A copy of every options-related complaint shall be maintained at the branch office that is the subject of a complaint.

(d) At a minimum, the central file shall include:

i. identification of complainant;

ii. date complaint was received;

iii. identification of the representative servicing the account, if applicable;

iv. a general description of the subject of the complaint; and

v. a record of what action, if any, has been taken by the Participant with respect to the complaint.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 25, Nasdaq, Telephone Solicitation

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Options Participants and associated persons shall comply with all applicable provisions of Nasdaq Rule 2212.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008; amended Oct. 18, 2017 (SR-NASDAQ-2017-111).

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Definitions

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The following terms shall have the meaning specified in this Rule solely for the purpose of this Chapter XII:

(1) "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer.
(2) "Bid" or "Offer" means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.
(3) "Broker/Dealer" means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.
(4) "Complex Trade" means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.
(5) "Crossed Market" means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.
(6) "Customer" means an individual or organization that is not a Broker/Dealer.
(7) "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange chooses not to become a party to this Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.
(8) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
(9) "Intermarket Sweep Order (ISO)" means a limit order for an options series that meets the following requirements:

    (a) When routed to an Eligible Exchange, the order is identified as an ISO;
    (b) Simultaneously with the routing of the order, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO, with such additional orders also marked as ISOs.

(10) "Locked Market" means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.
(11) "NBBO" means the national best bid and offer in an option series as calculated by an Eligible Exchange.
(12) "Non-Firm" means, with respect to quotations, that Members of an Eligible Exchange are relieved of their obligation to be firm for their quotations pursuant to Rule 602 under the Exchange Act.
(13) "OCC" means The Options Clearing Corporation.
(14) "OPRA" means the Options Price Reporting Authority.

(15) "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.
(16) "Participant" means an Eligible Exchange whose participation in the Plan has become effective pursuant to Section 3(c) of the Plan.
(17) "Plan" means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.
(18) "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that:

(a) Is disseminated pursuant to the OPRA Plan; and
(b) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

(19) "Protected Quotation" means a Protected Bid or Protected Offer.
(20) "Quotation" means a Bid or Offer.
(21) "SEC" means the United States Securities and Exchange Commission.
(22) "Trade-Through" means a transaction in an options series at a price that is lower than a Protected Bid or higher than a Protected Offer.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Aug. 18, 2009 (SR-NASDAQ-2009-056); amended Apr. 20, 2010 (SR-NASDAQ-2010-051).

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Order Protection

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(a) *Avoidance of Trade-Throughs.* Except as provided in paragraphs (b) and (c) below, Members shall not effect Trade-Throughs.

(b) *Exceptions to Trade-Through Liability.* The provisions of paragraph (a) pertaining to the satisfaction of Trade-Throughs shall not apply under the following circumstances:

(1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:

- (i) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and
- (ii) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass Protected Quotations of an Eligible Exchange is made pursuant to this sub-paragraph, the Exchange must promptly document the reasons supporting such determination.

(2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO;

(5) The transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;

(6) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

(7) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;

(8) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;

(9) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Member had guaranteed an execution at no worse than a specified price (a "stopped order"), where:

- (i) the stopped order was for the account of a Customer;
- (ii) the Customer agreed to the specified price on an order-by-order basis; and
- (iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(10) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or

(11) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Aug. 18, 2009 (SR-NASDAQ-2009-056).

*Services and does not reflect the views of Nasdaq OMX. Nasdaq OMX reserves the right to amend the Nasdaq Manual at its discretion.*

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Locked and Crossed Markets

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(a) *Prohibition.* Except for quotations that fall within the provisions of paragraph (b) of this Rule, Members shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;

(2) The locking or crossing quotation was displayed at a time when there is a Crossed Market; or

(3) The Member simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Aug. 18, 2009 (SR-NASDAQ-2009-056); amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012.

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Deleted

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Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended Aug. 18, 2009 (SR-NASDAQ-2009-056); deleted Apr. 20, 2010 (SR-NASDAQ-2010-051).

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, General Rule

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No Participant or associated person may effect a transaction or carry an account for a Customer, whether a Participant or non-Participant of NOM, without proper and adequate margin in accordance with this Chapter XIII and Regulation T.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Time Margin Must be Obtained

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The amount of margin required by this Chapter XIII shall be obtained as promptly as possible and in any event within a reasonable time.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Margin Requirements

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(a) A Participant or associated person must be bound by the initial and maintenance margin requirements of either the Chicago Board Options Exchange ( "CBOE") or the New York Stock Exchange ( "NYSE") as the same may be in effect from time to time.

(b) Such election shall be made in writing by a notice filed with Nasdaq Regulation.

(c) Upon the filing of such election, a Participant or associated person shall be bound to comply with the margin rules of the CBOE or the NYSE, as applicable, as though said rules were part of these Rules.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Margin Required is Minimum

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(a) The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby: but nothing in these Rules shall be construed to prevent a Participant or associated person from requiring margin in an amount greater than that specified.

(b) NOM may at any time impose higher margin requirements with respect to such positions when it deems such higher margin requirements to be advisable.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Joint Back Office Participants

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(a) *Requirements for Joint Back Office Participants*. Every Participant or associated person that maintains a joint back office ( "JBO") arrangement with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System that is not an NYSE member and that has elected instead to be bound by CBOE margin requirements shall comply with the requirements prescribed below:

i. Each JBO participant must be registered as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 and subject to the capital requirements prescribed by Rule 15c3-1 therein; and shall not be eligible to operate under the provisions of SEC Rule 15c3-1(b)(i).

ii. Each JBO participant must meet and maintain a minimum account equity requirement of $1,000,000 with each clearing broker-dealer where a JBO account is carried. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.

iii. Each JBO participant must meet and maintain the ownership standards established by the clearing broker-dealer; and

iv. Each JBO participant must employ (or have access to) a qualified Series 27 principal.

(b) *Requirements for Clearing Participants Carrying the Accounts of JBO Participants*. Every Clearing Participant carrying JBO accounts in accordance with Regulation T, Section 220.7 of the Federal Reserve Board is subject to the requirements outlined below:

i. Each Participant which carries JBO accounts shall not allow its (a) tentative net capital to fall below $25 million; or in the alternative its (b) net capital to fall below $7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker and JBO participant accounts, without regard to related account equity or clearing firm net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (b) must include the gross deductions calculated for all JBO participant accounts in the clearing firm's ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1.

ii. Each Participant which maintains JBO accounts shall require and maintain equity of $1,000,000 for each participant, over all related accounts. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.

iii. Each Participant which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO Participant's account equity and the proprietary haircut calculated pursuant to SEC Rule 15c3- 1 for the positions maintained in such account.

iv. Each Participant which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.

v. The Participant must develop risk analysis standards which are acceptable to the Nasdaq Regulation. At minimum these standards must comply with the requirements of Chapter IX, Section 6 of these Rules.

vi. Each Participant which maintains JBO accounts must notify its Designated Examining Authority ( "DEA"), in writing, of its intention to carry such accounts.

vii. If at any time a Clearing Participant operating pursuant to paragraphs i(a) or (b) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such clearing member shall immediately notify Nasdaq Regulation of such deficiency by telegraphic or facsimile notice; and be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in paragraph (b)(1) of SEC Rule 15c3-1d, as if such broker or dealer's net capital were below the minimum standards specified by each of these paragraphs.

***Supplementary Material:***…

.01 JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Chapter XIII of these Rules.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 1, Nasdaq, Application of Index Rules

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The Sections in this Chapter are applicable only to index options (options on indices of securities as defined below). The Sections in Chapters I through XIII are also applicable to the options provided for in this Chapter, unless such Sections are specifically replaced or are supplemented by Sections in this Chapter. Where the Sections in this Chapter indicate that particular indices or requirements with respect to particular indices will be "Specified," NOM shall file a proposed rule change with the Commission to specify such indices or requirements.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 2, Nasdaq, Definitions

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(a) The term "aggregate exercise price" means the exercise price of the options contract times the index multiplier.

(b) The term "American-style index option" means an option on an industry or market index that can be exercised on any business day prior to expiration.

(c) The term "A.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 11(a)(5) of this Chapter

(d) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the current index value times the index multiplier.

(e) The term "current index value" with respect to a particular index options contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by NOM. The current index value with respect to a reduced-value long term options contract is one-tenth of the current index value of the related index option. The "closing index value" shall be the last index value reported on a business day.

(f) The term "exercise price" means the specified price per unit at which the current index value may be purchased or sold upon the exercise of the option.

(g) Unless separately defined elsewhere in these Rules, the term “expiration date” means (i) in the case of such an option expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such option contract; and (ii) in the case of such an option expiring on or after February 1, 2015, the third Friday of the expiration month of such option contract, or if such Friday is a day on which the Exchange on which such option is listed is not open for business, the preceding day on which such Exchange is open for business. Notwithstanding the foregoing, in the case of certain options expiring on or after February 1, 2015 that the Clearing Corporation has designated as grandfathered, the term “expiration date” shall mean the Saturday immediately following the third Friday of the expiration month.

(h) The term "European-style index option" means an option on an industry or market index that can be exercised only on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day prior to the day it expires.

(i) The term "index multiplier" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(j) The term "industry index" and "narrow-based index" mean an index designed to be representative of a particular industry or a group of related industries.

(k) The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(l) The term "P.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 11(a)(6) of this Chapter.

(m) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current index value times the index multiplier.

(n) The term "Quarterly Option Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

(o) The term "reporting authority" with respect to a particular index means the institution or reporting service designated by Nasdaq as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on NOM shall be Specified (as provided in Section 1 of this Chapter) in the Supplementary Material to this Section 2.

(p) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

(q) The term "underlying security" or "underlying securities" with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

**Supplementary Material to Section 2**

01. The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided below.

***Index Reporting Authority***

*Nasdaq 100 Index - The Nasdaq Stock Market*

*Mini Nasdaq 100 Index - The Nasdaq Stock Market*

*PHLX Oil Service Sector SM – The Nasdaq Stock Market*

*PHLX Semiconductor Sector SM – The Nasdaq Stock Market*

*PHLX Housing Sector TM – The Nasdaq Stock Market*

*MSCI EM Index - MSCI Inc.*

*MSCI EAFE Index -MSCI Inc.*

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 14, 2010 (SR-NASDAQ-2010-073); amended May 24, 2012 (SR-NASDAQ-2012-065); amended July 24, 2012 (SR-NASDAQ-2012-092); amended Aug. 21, 2013 (SR-NASDAQ-2013-112), operative Sep. 20, 2013; amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013.

# Nasdaq Stock Market Rules, Regulation, Sec. 3, Nasdaq, Designation of a Broad-Based Index

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(a) The component securities of an index underlying a broad-based index option contract need not meet the requirements of Section 3 of Chapter IV of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraph (b) below, the listing of a class of index options on a broad-based index requires the filing of a proposed rule change to be approved by the SEC under Section 19(b) of the Exchange Act.

(b) NOM may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Section 2(j) of this Chapter;

(2) Options on the index are designated as A.M.-settled;

(3) The index is capitalization-weighted, modified capitalization weighted, price-weighted, or equal dollar-weighted;

(4) The index consists of 50 or more component securities;

(5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least $75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least $100 million;

(6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Section 3 of Chapter IV applicable to individual underlying securities;

(7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;

(8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;

(9) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act;

(10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

(11) The current index value is widely disseminated at least once every fifteen (15) seconds by OPRA, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on NOM;

(12) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of NOM's current Independent System Capacity Advisor allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(c) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (b) above:

(1) The requirements set forth in subparagraphs (b)(1) - (b)(3) and (b)(9) - (b)(15) must continue to be satisfied. The requirements set forth in subparagraphs (b)(5) - (b)(8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing. In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the SEC under Section 19(b) (2) of the Exchange Act.

(d) MSCI EM Index

(i) NOM may trade options on the MSCI EM Index if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Chapter XIV, Section 2(j);
(2) Options on the index are designated as P.M.-settled index options;
(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;
(4) The index consists of 500 or more component securities;
(5) All of the component securities of the index will have a market capitalization of greater than $100 million;
(6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EM Index;
(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty-two and a half percent (22.5%) of the weight of the index;
(8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on NOM;
(9) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of NOM's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and
(10) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(ii) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d).

(1) The conditions set forth in subparagraphs (d)(i) (1), (2), (3), (4), (7) (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (d)(i) (5) and (6) must be satisfied only as of the first day of January and July in each year;
(2) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(e) MSCI EAFE Index

(i) NOM may trade options on the MSCI EAFE Index if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Chapter XIV, Section 2(j);
(2) Options on the index are designated as P.M.-settled index options;
(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;
(4) The index consists of 500 or more component securities;
(5) All of the component securities of the index will have a market capitalization of greater than $100 million;
(6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the MSCI EAFE Index;
(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;
(8) The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on NOM;
(9) NOM reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the NOM's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and
(10) NOM has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(ii) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (e).

(1) The conditions set forth in subparagraphs (e)(i) (1), (2), (3), (4), (7) (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs (e)(i) (5) and (6) must be satisfied only as of the first day of January and July in each year;
(2) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008; amended June 26, 2012 (SR-NASDAQ-2012-077), operative July 26, 2012; amended July 24, 2012 (SR-NASDAQ-2012-092).

# Nasdaq Stock Market Rules, Regulation, Sec. 4, Nasdaq, Dissemination of Information

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(a) NOM shall disseminate, or shall assure that the current index value is disseminated, after the close of business and from timeto-time on days on which transactions in index options are made on NOM.

(b) NOM shall maintain, or shall assure that the current index value is maintained in files available to the public, information identifying the stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 5, Nasdaq, Position Limits for Broad-Based Index Options

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(a) Options Participants shall comply with the following applicable rules:

(1) rules of the Chicago Board Options Exchange Incorporated ("CBOE") with respect to position limits for broad-based index options if the broad-based index options are traded on CBOE and NOM;

(2) rules of Nasdaq PHLX LLC ("PHLX") with respect to position limits for the following broad-based index options: MSCI EM and MSCI EAFE or any PHLX proprietary product;

(3) rules of NOM for broad-based index options with respect to position limits for broad-based index options if the broad-based index options are traded only on NOM and not traded on CBOE and are not listed in (2) above.

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended July 24, 2012 (SR-NASDAQ-2012-092); amended Oct. 18, 2012 (SR-NASDAQ-2012-121); amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; amended Oct. 18, 2017 (SR-NASDAQ-2017-111).

# Nasdaq Stock Market Rules, Regulation, Sec. 6, Nasdaq, Designation of Narrow-Base and Micro-Narrow-Based Index Options

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(a) The component securities of an index underlying a narrow-based index option contract need not meet the requirements of Section 3 of Chapter IV of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraph (b) below, the listing of a class of index options on a narrow-based index requires the filing of a proposed rule change to be approved by the SEC under Section 19(b) of the Exchange Act.

(b) *Narrow-Based Index*. NOM may trade options on a narrow-based index pursuant to Rule 19b-4(e) of the 1934 Act, if each of the following conditions is satisfied:

(1) The options are designated as A.M.-settled index options;

(2) The index is capitalization-weighted, price-weighted, equal dollar-weighted, or modified capitalization-weighted, and consists of ten or more component securities;

(3) Each component security has a market capitalization of at least $75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least $50 million;

(4) Trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months;

(5) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months;

(6) No single component security represents more than 30% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% (65% for an index consisting of fewer than 25 component securities) of the weight of the index;

(7) Component securities that account for at least 90% of the weight of the index and at least 80% of the total number of component securities in the index satisfy the requirements of Chapter IV, Section 3 applicable to individual underlying securities;

(8) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS of the Securities Exchange Act of 1934.

(9) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the index;

(10) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on the Exchange;

(11) An equal dollar-weighted index will be rebalanced at least once every calendar quarter; and

(12) If an underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a brokerdealer, and the broker-dealer has erected a "Chinese Wall" around its personnel who have access to information concerning changes in and adjustments to the index.

(c) *Maintenance Criteria.* The following maintenance listing standards shall apply to each class of index options originally listed pursuant to subsection (b) above:

(1) The requirements stated in subsections (b)(1), (3), (6), (7), (8), (9), (10), (11) and (12) must continue to be satisfied, provided that the requirements stated in subparagraph (b)(6) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing, and in no event may be less than nine component securities;

(3) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months;

(4) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months.

In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless such failure is determined by NOM not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(d) Notwithstanding paragraph (a) above, NOM may trade options on a Micro Narrow-Based security index pursuant to Rule 19b-4(e) of the 1934 Act, if each of the following condition is satisfied:

(1) The Index is a security index:

(i) that has 9 or fewer component securities; or

(ii) in which a component security comprises more than 30 percent of the index's weighting; or

(iii) in which the 5 highest weighted component securities in the aggregate comprise more than 60 percent of the index's weighting; or

(iv) in which the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting have an aggregate dollar value of average daily trading volume of less than $50,000,000 (or in the case of an index with 15 or more component securities, $30,000,000) except that if there are two or more securities with equal weighting that could be included in the calculation of the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting, such securities shall be ranked from lowest to highest dollar value of average daily trading volume and shall be included in the calculation based on their ranking starting with the lowest ranked security;

(2) The index is capitalization-weighted, modified capitalization-weighted, price-weighted, share weighted, equal dollarweighted, approximate equal-dollar weighted, or modified equal-dollar weighted;

(i) For the purposes of this paragraph (d), an approximate equal-dollar weighted index is composed of one or more securities in which each component security will be weighted equally based on its market price on the index's selection date and the index must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for fifty percent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the "notional value" is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of components in the index is greater than five at the time of rebalancing. NOM reserves the right to rebalance quarterly at its discretion.

(ii) For the purposes of this paragraph (d), a modified equal-dollar weighted index is an index in which each underlying component represents a pre-determined weighting percentage of the entire index. Each component is assigned a weight that takes into account the relative market capitalization of the securities comprising the index. A modified equal-dollar weighted index will be balanced quarterly.

(iii) For the purposes of this paragraph (d), a share-weighted index is calculated by multiplying the price of the component security by an adjustment factor. Adjustment factors are chosen to reflect the investment objective deemed appropriate by the designer of the index and will be published by the Exchange as part of the contract specifications. The value of the index is calculated by adding the weight of each component security and dividing the total by an index divisor, calculated to yield a benchmark index level as of a particular date. A share-weighted index is not adjusted to reflect changes in the number of outstanding shares of its components. A share-weighted Micro Narrow-Based index will not be rebalanced. If a share-weighted Micro Narrow-Based Index fails to meet the maintenance listing standards under Subsection (e) of this rule, NOM will restrict trading in existing option series to closing transactions and will not issue additional series for that index.

(iv) NOM may rebalance any Micro Narrow-Based index on an interim basis if warranted as a result of extraordinary changes in the relative values of the component securities. To the extent investors with open positions must rely upon the continuity of the options contract on the index, outstanding contracts are unaffected by rebalancings.

(3) Each component security in the index has a minimum market capitalization of at least $75 million, except that each of the lowest weighted securities in the index that in the aggregate account for no more than 10% of the weight of the index may have a minimum market capitalization of only $50 million;

(4) The average daily trading volume in each of the preceding six months for each component security in the index is at least 45,500 shares, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of only 22,750 shares for each of the last six months;

(5) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 90,000 shares over the past six months; or (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average daily trading volume of at least 90,000 shares over the past six months;

(6) Subject to subparagraphs (4) and (5) above, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements applicable to individual underlying securities;

(7)

(i) Each component security in the index is a "reported security" as defined in Rule 600 of Regulation NMS under the Exchange Act; and

(ii) Foreign securities or ADRs that are not subject to comprehensive surveillance sharing agreements do not represent more than 20% of the weight of the index;

(8) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on NOM;

(9) An equal dollar-weighted index will be rebalanced at least once every quarter;

(10) If the underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a brokerdealer, and the broker-dealer has in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index;

(11) Each component security in the index is registered pursuant to Section 12 of the Exchange Act; and

(12) Cash settled index options are designated as A.M.-settled options.

(e) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d) above:

(1) The index meets the criteria of paragraph (d)(1) of this Rule;

(2) Subject to subparagraphs (9) and (10) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements of Section 3 of Chapter IV.

(3) Each component security in the index has a market capitalization of at least $75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10% of the weight of the index may have a market capitalization of only $50 million;

(4) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and

(5) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements do not represent more than 20% of the weight of the index;

(6) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on NOM;

(7) If the underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a brokerdealer, and the broker-dealer has in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index;

(8) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing;

(9) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months;

(10) In a capitalization-weighted index and a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months;

(11) Each component security in the index is registered pursuant to Section 12 of the Exchange Act;

(12) In an approximate equal-dollar weighted index, the index must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for fifty percent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the "notional value" is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of components in the index is greater than five at the time of rebalancing. NOM reserves the right to rebalance quarterly at its discretion;

(13) In a modified equal-dollar weighted index NOM will rebalance the index quarterly;

(14) In a share-weighted index, if a share-weighted Micro Narrow-Based Index fails to meet the maintenance listing standards under paragraph (e) of this Section NOM will not re-balance the index, will restrict trading in existing option series to closing transactions, and will not issue additional series for that index; and

(15) In the event a class of index options listed on NOM fails to satisfy the maintenance listing standards set forth herein, NOM shall not open for trading any additional series of options of that class unless such failure is determined by NOM not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the 1934 Act.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 7, Nasdaq, Position Limits for Industry and Micro-Narrow Based Index Options

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(a) Options Participants shall comply with the following applicable rules:

(1) rules of the Chicago Board Options Exchange Incorporated ("CBOE") with respect to position limits for Industry and Micro-Narrow Based Index Options if the Industry and Micro-Narrow Based Index Options are traded on CBOE and NOM;

(2) rules of Nasdaq PHLX LLC ("PHLX") with respect to position limits for Phlx proprietary products shall be the Phlx position limits;

(3) rules of NOM with respect to position limits for Industry and Micro-Narrow Based Index Options if the Industry and Micro-Narrow Based Index Options are traded only on NOM and not traded on CBOE and are not listed in (2) above.

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one (1) full-value contract.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended May 24, 2012 (SR-NASDAQ-2012-065); amended Oct. 18, 2012 (SR-NASDAQ-2012-121); amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014; amended Oct. 18, 2017 (SR-NASDAQ-2017-111).

# Nasdaq Stock Market Rules, Regulation, Sec. 8, Nasdaq, Exemptions from Position Limits

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An options Participant may rely upon any available exemptions from applicable position limits granted from time to time by an Options Exchange for any options contract traded on NOM provided that such Options Participant (1) provides Nasdaq Regulation with a copy of any written exemption issued by another Options Exchange or a written, description of any exemption issued by another Options Exchange other than in writing containing sufficient detail for Nasdaq Regulation to verify the validity of that exemption with the issuing Exchange, and (2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemptions with respect to their trading on NOM.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

## Nasdaq Stock Market Rules, Regulation, Sec. 9, Nasdaq, Exercise Limits

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(a) In determining compliance with Section 9 of Chapter III of these Rules (Exercise Limits), exercise limits for index options contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Section 5 or Section 7 of this Chapter.

(b) For a market-maker granted an exemption to position limits pursuant to Section 8(c) of Chapter III of these Rules (Exemptions from Position Limits), the number of contracts that can be exercised over a five business day period shall equal the market-maker's exempted position.

(c) In determining compliance with exercise limits applicable to stock index options, options contracts on a stock index group shall not be aggregated with options contracts on an underlying stock or stocks included in such group, options contracts on one stock index group shall not be aggregated with options contracts on any other stock index group.

(d) With respect to index options contracts for which an exemption has been granted in accordance with the provisions of Section 8(a) of this Chapter, the exercise limit shall be equal to the amount of the exemption.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 10, Nasdaq, Trading Sessions

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(a) Days and Hours of Business. Except as otherwise provided in this Rule or under unusual conditions as may be determined by Nasdaq Regulation, transactions in index options may be effected on NOM between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, Nasdaq Regulation shall determine the days and hours of business, except that transactions in options on the MSCI EAFE Index and MSCI EM Index may be effected on NOM between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to the MSCI EAFE Index, transactions may be effected on NOM until 11:00 a.m. Eastern Time on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date.

(b) To begin trading at 9:30 am, an opening shall be held in each class of index options as provided in Section 8 of Chapter VI of these Rules (Opening the Market).

(c) Instituting Halts and Suspensions. Trading on NOM in any index option shall be halted or suspended whenever trading in underlying securities whose weighted value represents more than twenty percent (20%), in the case of a broad based index, and ten percent (10%) for all other indices, of the index value is halted or suspended. Nasdaq Regulation also may halt trading in an index option when, in his or her judgment, such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the facts that may be considered are the following:

(1) whether all trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;

(2) whether the current calculation of the index derived from the current market prices of the stocks is not available;

(3) the extent to which the opening has been completed or other factors regarding the status of the opening; and

(4) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, including, but not limited to, the activation of price limits on futures exchanges.

(d) Resumption of Trading Following a Halt or Suspension. Trading in options of a class or series that has been the subject of a halt or suspension by Nasdaq Regulation may resume if Nasdaq Regulation determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions that led to the halt or suspension are no longer present, and the extent to which trading is occurring in stocks underlying the index. At the end of a halt, trading in each class of index options shall resume as provided in Section 4 of Chapter V of these Rules (Resumption of Trading After A Halt).

(e) Circuit Breakers. Section 5 of Chapter V of these Rules (Trading Halts Due to Extraordinary Market Volatility) applies to index options trading with respect to the initiation of a marketwide trading halt commonly known as a "circuit breaker."

(f) Special Provisions for Foreign Indices. When the hours of trading of the underlying primary securities market for an index option do not overlap or coincide with those of NOM, all of the provisions as described in paragraphs (c), (d) and (e) above shall not apply except for (c)(4).

(g) Pricing When Primary Market Does Not Open. When the primary market for a security underlying the current index value of an index option does not open for trading on a given day, which is an expiration day, for purposes of calculating the settlement price at expiration, the last reported sale price of the security from the previous trading day shall be used. This procedure shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended by SR-NASDAQ-2008-057 eff. June 24, 2008; amended July 24, 2012 (SR-NASDAQ-2012-092); amended Aug. 21, 2013 (SR-NASDAQ-2013-112), operative Sep. 20, 2013; amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013; amended Oct. 23, 2018 (SR-NASDAQ-2018-081).

# Nasdaq Stock Market Rules, Regulation, Sec. 11, Nasdaq, Terms of Index Options Contracts

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(a) General.

(1) Meaning of Premium Bids and Offers. Bids and offers shall be expressed in terms of dollars and cents per unit of the index.

(2) Exercise Prices. NOM shall determine fixed-point intervals of exercise prices for call and put options.

(3) Expiration Months. Index options contracts may expire at three (3) month intervals or in consecutive months. NOM may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out.

(4) "European-Style Exercise." The following European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5) or P.M.-settled as provided in paragraph (a)(6), are approved for trading on NOM:

(i) Nasdaq 100 Index.

(ii) Mini Nasdaq 100 Index.

(iii) PHLX Oil Service Sector SM.

(iv) PHLX Housing Sector TM.

(v) MSCI EM Index.

(vi) MSCI EAFE Index.

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the second business day preceding the expiration date. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(i) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Section 10(g) of this Chapter, unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation; and

(ii) In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on NOM:

(A) Nasdaq 100 Index.

(B) Mini Nasdaq 100 Index.

(C) PHLX Oil Service Sector SM.

(D) PHLX Semiconductor Sector SM.

(E) PHLX Housing Sector TM.

(6) P.M. – Settled Index Options. The last day of trading for P.M.-settled index options shall be the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date. The current index value at expiration of the index is determined by the last reported sale price of each component security. In the event that the primary market for an underlying security does not open for trading on the expiration date, the price of that security shall be the last reported sale price prior to the expiration date. The following P.M.-settled index options are approved for trading on NOM:

(A) MSCI EM Index.

(B) MSCI EAFE Index.

(b) Long-Term Index Options Series.

(1) Notwithstanding the provisions of Paragraph (a)(3), above, NOM may list long-term index options series that expire from nine (9) to sixty (60) months from the date of issuance.

(i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(ii) When a new Index long term options series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

(2) Reduced-Value Long Term Options Series.

(i) Reduced-value long term options series may be approved for trading on Specified (as provided in Section 1 of this Chapter) indices.

(ii) Expiration Months. Reduced-value long term options series may expire at six-month intervals. When a new expiration month is listed, series may be near or bracketing the current index value. Additional series may be added when the value of the underlying index increases or decreases by ten (10) to fifteen (15) percent.

(c) Procedures for Adding and Deleting Strike Prices. The procedures for adding and deleting strike prices for index options are provided in Section 6 of Chapter IV of these Rules (Series of Options Contracts Open for Trading), as amended by the following:

(1) The interval between strike prices will be no less than $5.00; provided, that in the case of the following classes of index options, the interval between strike prices will be no less than $2.50:

(i) Nasdaq 100 Index, if the strike price is less than $200.

(ii) Mini Nasdaq 100 Index, if the strike price is less than $200.

(iii) PHLX Oil Service Sector SM, if the strike price is less than $200.

(iv) PHLX Semiconductor Sector SM, if the strike price is less than $200.

(v) PHLX Housing Sector TM, if the strike price is less than $200.

(vi) MSCI EM Index, if the strike price is less than $200.

(vii) MSCI EAFE Index, if the strike price is less than $200.

(2) New series of index options contracts may be added up to the fourth business day prior to the business day of expiration, or, in the case of an index option contract expiring on a day that is not a business day, up to the fifth business day prior to expiration.

(3) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the

exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Paragraph (c)(4) below.

(4) Notwithstanding any other provision of this paragraph (c), NOM may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on NOM. The exercise price of each series of index options opened for trading on NOM shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on NOM. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. NOM may also open for trading additional series of index options that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

(d) Index Level. The reported level of the underlying index that is calculated by the reporting authority for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and that reflects trading activity subsequent to the opening of trading in any of the underlying securities.

(e) Index Values for Settlement. The Rules of the Clearing Corporation specify that, unless the NOM Rules provide otherwise, the current index value used to settle the exercise of an index options contract shall be the closing index for the day on which the index options contract is exercised in accordance with the Rules of the Clearing Corporation or, if such day is not a business day, for the most recent business day.

(f) Index Level at Expiration . With respect to any securities index on which options are traded on NOM, the source of the prices of component securities used to calculate the current index level at expiration is determined by the reporting authority for that index.

(g)

(1) Quarterly Options Series Program

The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ( "Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds ( "ETF"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(i) The Exchange will not list a Short Term Option Series on an options class the expiration of which coincides with that of a Quarterly Options Series on that same options class.
(ii) Quarterly Options Series shall be P.M. settled.
(iii) The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but not more than five, strike prices above and two, but not more than five, strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange may open for trading additional Quarterly Options Series of the same class if the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the current index value of the underlying index moves substantially from the exercise price of those Quarterly Options Series that already have been opened for trading on the Exchange. The exercise price of each Quarterly Options Series opened for trading on the Exchange shall be reasonably related to the current index value of the underlying index to which such series relates at or

about the time such series of options is first opened for trading on the Exchange. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. The Exchange may also open for trading additional Quarterly Options Series that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision. The Exchange may open additional strike prices of a Quarterly Options Series that are above the value of the underlying index provided that the total number of strike prices above the value of the underlying index is no greater than five. The Exchange may open additional strike prices of a Quarterly Options Series that are below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five. The opening of any new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(iv) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

Except as otherwise provided, all Exchange rules applicable to stock index options will also be applicable to quarterly expiring index options listed pursuant to this section.

(h)

(1) Short Term Option Series Program

After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(i) The Exchange may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the thirty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series on index options for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(ii) No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same index class.

(iii)The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security or calculated index value). Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.

(iv) If the Exchange has opened less than twenty (20) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(v) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same index option class that expire in accordance with the normal monthly expiration cycle.

(i) Notwithstanding any provisions in this Section 11, the interval between strike prices of series of options on the PHLX Oil Service SectorSM, PHLX Semiconductor SectorSM, and PHLX Housing SectorTM (individually the "$1 Index" and together the "$1 Indexes"), which may also be known as industry indexes, will be $1 or greater, subject to following conditions:

(1) Initial Series. The Exchange may list series at $1 or greater strike price intervals for each $1 Index, and will list at least two strike prices above and two strike prices below the current value of each $1 Index at about the time a series is opened for trading on the Exchange. The Exchange shall list strike prices for each $1 Index that are within 5 points from the closing value of each $1 Index on the preceding day.

(2) Additional Series. Additional series of the same class of each $1 Index may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when each underlying $1 Index moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing value of each $1 Index. The Exchange may also open additional strike prices that are more than 30% above or below each current $1 Index value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each series in $1 Indexes.

(3) The Exchange shall not list LEAPS on $1 Indexes at intervals less than $2.50.

(4) (i) Delisting Policy. With respect to each $1 Index added pursuant to the above paragraphs, the Exchange will regularly review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of each $1 Index, and in each $1 Index may delist series with no open interest in both the put and the call series having a: (A) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (B) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

    (ii) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in $1 Index options eligible for delisting may be granted.

Adopted Mar. 12, 2008 (SR-NASDAQ-2007-004); amended June 26, 2009 (SR-NASDAQ-2009-063); amended June 14, 2010 (SR-NASDAQ-2010-073); amended June 29, 2011 (SR-NASDAQ-2011-090); amended Nov. 17, 2011 (SR-NASDAQ-2011-138); amended May 24, 2012 (SR-NASDAQ-2012-065); amended July 24, 2012 (SR-NASDAQ-2012-092); amended Aug. 21, 2013 (SR-NASDAQ-2013-112), operative Sep. 20, 2013; amended Oct. 11, 2013 (SR-NASDAQ-2013-133), operative Nov. 10, 2013; amended Apr. 10, 2014 (SR-NASDAQ-2014-039), operative May 10, 2014.

*Services and does not reflect the views of Nasdaq OMX. Nasdaq OMX reserves the right to amend the Nasdaq Manual at its discretion.*

# Nasdaq Stock Market Rules, Regulation, Sec. 12, Nasdaq, Debit Put Spread Cash Account Transactions

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Debit put spread positions in European-style, broad-based index options traded on NOM (hereinafter "debit put spreads") may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a Public Customer, provided that the following procedures and criteria are met:

(a) The customer has received Nasdaq Regulation approval to maintain debit put spreads in a cash account carried by an Options Participant. A customer so approved is hereinafter referred to as a "spread exemption customer."

(b) The spread exemption customer has provided all information required on NOM approved forms and has kept such information current.

(c) The customer holds a net long position in each of the stocks of a portfolio that has been previously established or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio. The debit put spread position must be carried in an account with a member of a self regulatory organization participating in the Intermarket Surveillance Group.

(d) The stock portfolio or its equivalent is composed of net long positions in common stocks in at least four industry groups and contains at least twenty (20) stocks, none of which accounts for more than fifteen percent (15%) of the value of the portfolio (hereinafter "qualified portfolio"). To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity in the stocks.

(e) The exemption applies to European-style broad-based index options dealt in on NOM to the extent the underlying value of such options position does not exceed the unhedged value of the qualified portfolio. The unhedged value would be determined as follows: (1) the values of the net long or short positions of all qualifying products in the portfolio are totaled; (2) for positions in excess of the standard limit, the underlying market value (A) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (B) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows- -the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(f) A debit put spread in NOM-traded broad-based index options with European-style exercises is defined as a long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s). A debit put spread will be permitted in the cash account as long as it is continuously associated with a qualified portfolio of securities with a current market value at least equal to the underlying aggregate index value of the long side of the debit put spread.

(g) The qualified portfolio must be maintained with either an Options Participant, another broker-dealer, a bank, or securities depository.

(h) The spread exemption customer shall agree promptly to provide Nasdaq Regulation any information requested concerning the dollar value and composition of the customer's stock portfolio, and the current debit put spread positions.

(1) The spread exemption customer shall agree to and any Options Participant carrying an account for the customer shall:

(i) comply with all NOM Rules and regulations;

(ii) liquidate any debit put spreads prior to or contemporaneously with a decrease in the market value of the qualified portfolio, which debit put spreads would thereby be rendered excessive; and

(iii) promptly notify Nasdaq Regulation of any change in the qualified portfolio or the debit put spread position which causes the debit put spreads maintained in the cash account to be rendered excessive.

(i) If any Options Participant carrying a cash account for a spread exemption customer with a debit put spread position dealt in on NOM has a reason to believe that as a result of an opening options transaction the customer would violate this spread exemption, and such opening transaction occurs, then the Options Participant has violated this Section 11.

(j) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the spread exemption and may form the basis for subsequent denial of an application for a spread exemption hereunder.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.

# Nasdaq Stock Market Rules, Regulation, Sec. 13, Nasdaq, Disclaimers

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(a) Applicability of Disclaimers. The disclaimers in paragraph (b) below shall apply to the reporting authorities identified in the Supplemental Material to Section 2 of this Chapter.

(b) Disclaimer. No reporting authority, and no affiliate of a reporting authority (each such reporting authority, its affiliates, and any other entity identified in this Rule are referred to collectively as a "Reporting Authority"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of an index it publishes, any opening, intraday or closing value therefore, or any data included therein or relating thereto, in connection with the trading of any options contract based thereon or for any other purpose. The Reporting Authority shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the Reporting Authority does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefore, or any date included therein or related thereto. The Reporting Authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefore, any data included therein or relating thereto, or any options contract based thereon. The Reporting Authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index, any opening, intra-day or closing value therefore, any data included therein or relating thereto, or any options contract based thereon, or arising out of any errors or delays in calculating or disseminating such index.

(c) MSCI Disclaimers

(i) With respect to the MSCI EM Index, the contracts are not sponsored, endorsed, sold or promoted by MSCI Inc., any affiliate of MSCI or any other party involved in, or related to, making or compiling any Indexes. The contracts have not been passed on by MSCI, any of its affiliates or any other party involved in, or related to, making or compiling any Indexes as to their legality or suitability with respect to any person or entity. MSCI, its affiliates and any other party involved in, or related to, making or compiling the MSCI EM Index do not guarantee the originality, accuracy and/or completeness of the MSCI EM Index or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index makes any express or implied warranties, and expressly disclaims all warranties of merchantability and fitness for a particular purpose or use with respect to the contract, the MSCI EM Index or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in, or related to, making or compiling the MSCI EM Index have any liability for any direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages, claims, losses or expenses relating to any futures or options contracts or caused by any errors or delays in calculating or disseminating the MSCI EM Index. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index has any obligation to take the needs of the issuers of the contracts, the owners of the contracts or NOM into consideration in determining, composing or calculating the Indexes. Neither MSCI, its affiliates nor any other party involved in, or related to, making or compiling the MSCI EM Index is responsible for or have participated in the determination of the timing of, prices at, or quantities of the contracts to be issued or in the determination or calculation of the equation by which the contracts are redeemable.

(ii) With respect to the MSCI EAFE Index, the contracts are not sponsored, endorsed, sold or promoted by MSCI Inc. ("MSCI"), any affiliate of MSCI or any other party involved in, or related to, making or compiling any Indexes. The contracts have not been passed on by MSCI, any of its affiliates or any other party involved in, or related to, making or compiling any Indexes as to their legality or suitability with respect to any person or entity. MSCI, its affiliates and any other party involved in, or related to, making or compiling the MSCI EAFE Index do not guarantee the originality, accuracy and/or completeness of the MSCI EAFE Index or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EAFE Index makes any express or implied warranties, and expressly disclaims all warranties of merchantability and fitness for a particular purpose or use with respect to the contract, the MSCI EAFE Index or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in, or related to, making or compiling the MSCI EAFE Index have any liability for any direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages, claims, losses or expenses relating to any futures or options contracts or caused by any errors or delays in calculating or disseminating the MSCI EAFE Index. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI EAFE Index has any obligation to take the needs of the issuers of the contracts, the owners of the contracts or NOM into consideration in determining, composing or calculating the Indexes. Neither MSCI, its affiliates nor any other party involved in, or related to, making or compiling the MSCI EAFE Index is responsible for or have participated in the determination of the timing of, prices at, or quantities of the contracts to be issued or in the determination or calculation of the equation by which the contracts are redeemable.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008; amended July 24, 2012 (SR-NASDAQ-2012-092).

# Nasdaq Stock Market Rules, Regulation, Sec. 14, Nasdaq, Exercise of American-style Index Options

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No Options Participant may prepare, time stamp or submit an exercise instruction for an American-style index options series if the Options Participant knows or has reason to know that the exercise instruction calls for the exercise of more contracts than the then "net long position" of the account for which the exercise instruction is to be tendered. For purposes of this Rule: (i) the term "net long position" shall mean the net position of the account in such option at the opening of business of the day of such exercise instruction, plus the total number of such options purchased that day in opening purchase transactions up to the time of exercise, less the total number of such options sold that day in closing sale transactions up to the time of exercise; (ii) the "account" shall be the individual account of the particular customer, market-maker or "non-customer" (as that term is defined in the By-Laws of the Clearing Corporation) who wishes to exercise; and (iii) every transaction in an options series effected by a market-maker in a market-maker's account shall be deemed to be a closing transaction in respect of the market-maker's then positions in such options series. No Options Participant may adjust the designation of an "opening transaction" in any such option to a "closing transaction" except to remedy mistakes or errors made in good faith.

Adopted by SR-NASDAQ-2007-004 eff. Mar. 12, 2008.