

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-94031)

January 24, 2022

Order Granting Application by The Nasdaq Stock Market LLC for an Exemption Pursuant to Section 36(a) of the Exchange Act from the Rule Filing Requirements of Section 19(b) of the Exchange Act with Respect to Certain Rules Incorporated by Reference

The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) has filed with the Securities and Exchange Commission (“Commission”) an application for an exemption under Section 36(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)¹ from the rule filing requirements of Section 19(b) of the Exchange Act² with respect to certain rules of the Financial Industry Regulatory Authority, Inc. (“FINRA”), Cboe Exchange, Inc. (“Cboe”), and New York Stock Exchange LLC (“NYSE”), that the Exchange seeks to incorporate by reference.³ Section 36 of the Exchange Act, subject to certain limitations, authorizes the Commission to conditionally or unconditionally exempt any person, security, or transaction, or any class thereof, from any provision of the Exchange Act or rule thereunder, if necessary or appropriate in the public interest and consistent with the protection of investors.

The Exchange has requested, pursuant to Rule 0-12 under the Exchange Act,⁴ that the Commission grant the Exchange an exemption from the rule filing requirements of Section 19(b) of the Exchange Act for changes to the Exchange’s rules that are effected solely by virtue of a change to a cross-referenced FINRA, Cboe, or NYSE rule. Specifically, the Exchange requests

¹ 15 U.S.C. 78mm(a)(1).

² 15 U.S.C. 78s(b).

³ See Letter from Angela S. Dunn, Principal Associate General Counsel, Nasdaq, to J. Matthew DeLesDernier, Assistant Secretary, Commission, dated January 20, 2022 (“Exemptive Request”).

⁴ 17 CFR 240.0-12.

that it be permitted to incorporate by reference changes made to the FINRA, Cboe, and NYSE rules that are cross-referenced in the Exchange's rules identified below, without the need for the Exchange to file separately similar proposed rule changes pursuant to Section 19(b) of the Exchange Act:⁵

- General 9, Section 1(b) (Prohibition Against Trading Ahead of Customer Orders) cross-references FINRA Rule 5320 (except for FINRA Rule 5320.02(b) and the reference to FINRA Rule 6420 in FINRA Rule 5320).
- General 9, Section 1(c) (Front Running Policy) cross-references FINRA Rule 5270.
- General 9, Section 1(f) (Confirmation of Callable Common Stock) cross-references FINRA Rule 2232.
- General 9, Section 1(h) (Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes) cross-references FINRA Rule 2140.
- General 9, Section 2 (Customers' Securities or Funds) cross-references FINRA Rule 2150.
- General 9, Section 3 (Communications with the Public) cross-references FINRA Rule 2210 (except for FINRA Rule 2210(c)).
- General 9, Section 5 (Telemarketing) cross-references FINRA Rule 3230.
- General 9, Section 6 (Forwarding of Proxy and Other Issuer-Related Materials) cross-references FINRA Rule 2251.

⁵ See Exemptive Request, supra note 3, at 5.

- General 9, Section 7 (Disclosure of Financial Condition, Control Relationship with Issuer and Participation or Interest in Primary or Secondary Distribution) cross-references FINRA Rules 2261, 2262, and 2269.
- General 9, Section 8 (SIPC Information) cross-references FINRA Rule 2266.
- General 9, Section 9 (Fairness Opinions) cross-references FINRA Rule 5150.
- General 9, Section 10(a) (Recommendations to Customers (Suitability)) cross-references FINRA Rule 2111 (except for the references to FINRA Rule 2214 in FINRA Rule 2111).
- General 9, Section 10(c) (Know Your Customer) cross-references FINRA Rule 2090.
- General 9, Section 11 (Best Execution and Interpositioning) cross-references FINRA Rule 5310 (except for the references to FINRA Rule 2121 and its supplementary material in FINRA Rule 5310).
- General 9, Section 12 (Customer Account Statements) cross-references FINRA Rule 2231.
- General 9, Section 13 (Margin Disclosure Statement) cross-references FINRA Rule 2264.
- General 9, Section 14 (Approval Procedures for Day-Trading Accounts) cross-references FINRA Rules 2130 and 2270.
- General 9, Section 15 (Borrowing From or Lending to Customers) cross-references FINRA Rule 3240.
- General 9, Section 16 (Charges for Services Performed) cross-references FINRA Rule 2122.
- General 9, Section 17 (Net Transactions with Customers) cross-references FINRA Rule 2124.
- General 9, Section 19 (Discretionary Accounts) cross-references FINRA Rule 3260.

- General 9, Section 20 (Supervision) cross-references FINRA Rules 3110 and 3170.
- General 9, Section 21 (Supervisory Control System, Annual Certification of Compliance and Supervisory Processes) cross-references FINRA Rules 3120 and 3130 (except for the references to MSRB rules in FINRA Rule 3130).
- General 9, Section 23 (Outside Business Activities of an Associated Person) cross-references FINRA Rule 3270.
- General 9, Section 24 (Private Securities Transactions of an Associated Person) cross-references FINRA Rule 3280.
- General 9, Section 25 (Transactions for or by Associated Persons) cross-references FINRA Rule 3210.
- General 9, Section 26 (Influencing or Rewarding Employees of Others) cross-references FINRA Rule 3220.
- General 9, Section 27 (Reporting Requirements) cross-references FINRA Rule 4530 (except for FINRA Rule 4530(h)).
- General 9, Section 28 (Disclosure to Associated Persons When Signing Form U4) cross-references FINRA Rule 2263 (except for subsection (2) of FINRA Rule 2263).
- General 9, Section 30 (Books and Records) cross-references FINRA Rule 4511.
- General 9, Section 31 (Use of Information Obtained in Fiduciary Capacity) cross-references FINRA Rule 2060.
- General 9, Section 33 (Reporting Requirements for Clearing Firms) cross-references FINRA Rule 4540.
- General 9, Section 34 (Extensions of Time Under Regulation T and SEC Rule 15c3-3) cross-references FINRA Rule 4230.

- General 9, Section 37 (Anti-Money Laundering Compliance Program) cross-references FINRA Rule 3310.
- General 9, Section 38(b) (Margin Requirements) cross-references FINRA Rule 4210.
- General 9, Section 39(b) (Fidelity Bonds) cross-references FINRA Rule 4360.
- General 9, Section 40 (Capital Compliance) cross-references FINRA Rule 4110.
- General 9, Section 41 (Regulatory Notification and Business Curtailment) cross-references FINRA Rule 4120.
- General 9, Section 42 (Audit) cross-references FINRA Rule 4140.
- General 9, Section 43 (General Requirements) cross-references FINRA Rule 4511.
- General 9, Section 44 (Records of Written Customer Complaints) cross-references FINRA Rule 4513.
- General 9, Section 45 (Customer Account Information) cross-references FINRA Rule 4512.
- General 9, Section 46 (Authorization Records for Negotiable Instruments Drawn From a Customer's Account) cross-references FINRA Rule 4514.
- General 9, Section 47 (Approval and Documentation of Changes in Account Name or Designation) cross-references FINRA Rule 4515.
- General 9, Section 48 (Notifications, Questionnaires and Reports) cross-references FINRA Rule 4521.
- Equity 10, Section 1 (Direct Participation Programs) cross-references FINRA Rules 2310 and 5110.
- Equity 10, Section 2 (Investment Company Securities) cross-references FINRA Rule 2341 (except for the reference to FINRA Rule 2320 in FINRA Rule 2341).

- Equity 11, Rule 11860 (Acceptance and Settlement of COD Orders) cross-references FINRA Rule 11860.
- Equity 11, Rule 11870 (Customer Account Transfer Contracts) cross-references FINRA Rule 11870.
- Options 6C, Section 3 (Margin Requirements) cross-references the initial and maintenance margin requirements of Cboe and NYSE.
- Options 10, Section 20 (Communications with Public Customers) cross-references FINRA’s Communications with Public Customers rule.

The Exchange represents that the FINRA, Cboe, and NYSE rules listed above are regulatory rules and not trading rules.⁶ The Exchange represents that, as a condition to the requested exemption from Section 19(b) of the Exchange Act, the Exchange will provide written notice to its members whenever FINRA, Cboe, or NYSE proposes a change to a cross-referenced rule.⁷ The Exchange states that such notice will alert its members and persons associated with a member to the proposed FINRA, Cboe, or NYSE rule change and give them an opportunity to comment on the proposal.⁸ The Exchange further represents that it will inform members in writing when the Commission approves any such proposed rule changes.⁹

According to the Exchange, this exemption is appropriate because it would result in the

⁶ See id. at 6, n.12. The Exchange also states that it is not “cherry picking” because the Exchange would be incorporating categories of rules. See id.

⁷ See id. at 6. The Exchange represents that it will provide such notice via a posting on the same website location where the Exchange posts its own rule filings pursuant to Rule 19b-4(1) within the time frame required by such rule. See id. at 6, n.13. The website posting will include a link to the location on FINRA’s, Cboe’s, or NYSE’s website where the applicable proposed rule change is posted. See id.

⁸ See id. at 6.

⁹ See id.

Exchange's rulebook being consistent with the relevant cross-referenced FINRA, Cboe, and NYSE rules at all times, thus ensuring consistent regulation of joint members of Nasdaq, FINRA, Cboe, and NYSE.¹⁰ The Exchange further states that, even if members are not joint members of Nasdaq, FINRA, Cboe, and NYSE, the exemption is appropriate because it will permit its rules to remain consistent with FINRA's, Cboe's, and NYSE's rules and ensure consistent treatment of industry members with respect to the aforementioned rules.¹¹

The Commission has issued exemptions similar to the Exchange's request.¹² In granting similar exemptions, the Commission stated that it would consider similar future exemption requests, provided that:

- An SRO wishing to incorporate rules of another SRO by reference has submitted a written request for an order exempting it from the requirement in Section 19(b) of the Exchange Act to file proposed rule changes relating to the rules incorporated by reference, has identified the applicable originating SRO(s), together with the rules it wants to incorporate by reference,

¹⁰ See id. at 5.

¹¹ See id. at 5-6.

¹² See, e.g., Securities Exchange Act Release Nos. 83296 (May 21, 2018), 83 FR 24362 (May 25, 2018) (order granting NYSE National, Inc.'s exemptive request relating to rules of FINRA incorporated by reference); 83040 (April 12, 2018), 83 FR 17198 (April 18, 2018) (order granting MIAX PEARL, LLC's exemptive request relating to rules of the Miami International Securities Exchange, LLC incorporated by reference); 76998 (January 29, 2016), 81 FR 6066, 6083-84 (February 4, 2016) (order granting application for registration as a national securities exchange of ISE Mercury, LLC and exemptive request relating to rules of certain self-regulatory organizations ("SROs") (including FINRA) incorporated by reference); 61534 (February 18, 2010), 75 FR 8760 (February 25, 2010) (order granting BATS Exchange, Inc.'s exemptive request relating to rules incorporated by reference by the BATS Exchange Options Market rules) ("BATS Options Market Order"); 61152 (December 10, 2009), 74 FR 66699, 66709-10 (December 16, 2009) (order granting application for registration as a national securities exchange of C2 Options Exchange, Incorporated and exemptive request relating to rules of the Chicago Board Options Exchange, Incorporated, incorporated by reference).

and otherwise has complied with the procedural requirements set forth in the Commission's release governing procedures for requesting exemptive orders pursuant to Rule 0-12 under the Exchange Act;¹³

- The incorporating SRO has requested incorporation of categories of rules (rather than individual rules within a category) that are not trading rules (e.g., the SRO has requested incorporation of rules such as margin, suitability, or arbitration); and
- The incorporating SRO has reasonable procedures in place to provide written notice to its members each time a change is proposed to the incorporated rules of another SRO.¹⁴

The Commission believes that the Exchange has satisfied each of these conditions. The Commission also believes that granting the Exchange an exemption from the rule filing requirements under Section 19(b) of the Exchange Act will promote efficient use of the Commission's and the Exchange's resources by avoiding duplicative rule filings based on simultaneous changes to identical rule text sought by more than one SRO.¹⁵ The Commission therefore finds it appropriate in the public interest and consistent with the protection of investors to exempt the Exchange from the rule filing requirements under Section 19(b) of the Exchange Act with respect to the above-described FINRA, Cboe, and NYSE rules it has incorporated by reference. This exemption is conditioned upon the Exchange promptly providing written notice

¹³ See 17 CFR 240.0-12 and Securities Exchange Act Release No. 39624 (February 5, 1998), 63 FR 8101 (February 18, 1998) (Commission Procedures for Filing Applications for Orders for Exemptive Relief Pursuant to Section 36 of the Exchange Act; Final Rule).

¹⁴ See BATS Options Market Order, supra note 12 (citing Securities Exchange Act Release No. 49260 (February 17, 2004), 69 FR 8500 (February 24, 2004) (order granting exemptive request relating to rules incorporated by reference by several SROs) ("2004 Order")).

¹⁵ See BATS Options Market Order, supra note 12, 75 FR at 8761; see also 2004 Order, supra note 14, 69 FR at 8502.

to its members whenever FINRA, Cboe, or NYSE changes a rule that the Exchange has incorporated by reference.

Accordingly, IT IS ORDERED, pursuant to Section 36 of the Exchange Act,¹⁶ that the Exchange is exempt from the rule filing requirements of Section 19(b) of the Exchange Act solely with respect to changes to the rules identified in the Exemptive Request, provided that the Exchange promptly provides written notice to its members whenever FINRA, Cboe, or NYSE proposes to change a rule that the Exchange has incorporated by reference.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

J. Matthew DeLesDernier
Assistant Secretary

¹⁶ 15 U.S.C. 78mm.

¹⁷ 17 CFR 200.30-3(a)(76).