

should be submitted on or before August 15, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁹

Jill M. Peterson,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86416; File No. SR–NASDAQ–2019–044]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Order Approving a Proposed Rule Change To Allow an Odd Lot-Sized Order To Be Eligible for the Midpoint Extended Life Order

July 19, 2019.

I. Introduction

On May 20, 2019, The Nasdaq Stock Market LLC (“Exchange” or “Nasdaq”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder, ² a proposed rule change to allow an odd lot-sized order to be eligible for the Midpoint Extended Life Order (“MELO”). The proposed rule change was published for comment in the **Federal Register** on June 4, 2019. ³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to allow an odd lot-sized order ⁴ to be eligible for MELO. ⁵ MELO is an order type with a non-display order attribute that is priced at the midpoint between the National Best Bid and National Best Offer (“NBBO”) and that will not be eligible to execute until a holding period of one-half second has passed after acceptance of the order by the system. Once a MELO becomes eligible

to execute, the order may only execute against other eligible MELOs.

Currently, a MELO must be entered with a size of at least one round lot and any shares of a MELO remaining after an execution that are less than a round lot will be cancelled by the system. ⁶ According to the Exchange, the number of high-priced securities has increased over the last several years and there is a notably large percentage of odd lot trades in relatively high-priced securities. ⁷ The Exchange proposes to allow odd lot-sized MELOs in order to provide additional trading opportunities for the order type, particularly in high-priced securities.

The Exchange notes that any participants using MELOs that do not wish to execute in odd lots may elect to use the minimum quantity order attribute with their MELOs to avoid such transactions, as they may currently do for other executions on the Nasdaq book. ⁸ The Exchange further notes that, because use of the minimum quantity order attribute is limited to orders of at least one round lot upon entry, ⁹ members entering odd lot-sized MELOs would not be able to use this order attribute to limit their interaction with other odd lot-sized MELOs based on size. ¹⁰ Moreover, the Exchange notes that most of the other order types under Nasdaq Rule 4702 allow the entry of odd lot-sized orders. ¹¹

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. ¹² In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, ¹³ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the

mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

In its original order approving MELO on the Exchange, the Commission noted its belief that the MELO order type could create additional and more efficient trading opportunities on the Exchange for investors with longer investment time horizons, including institutional investors, and could provide these investors with an ability to limit the information leakage and the market impact that could result from their orders. ¹⁴ While MELO use on the Exchange is currently limited to orders entered with a size of at least one round lot and any shares of a MELO remaining after an execution that are less than a round lot are cancelled by the system, the Commission believes the Exchange’s proposal to allow odd lot-sized orders to be eligible for MELO could create additional opportunities for investors to utilize the order type consistent with the intended purpose of the order type and could create greater opportunities for interactions in MELOs, particularly in high-priced securities. The Commission also believes that the ability to use the minimum quantity order attribute would provide Nasdaq members entering round lot-sized MELOs with additional control over the execution of their MELOs, including allowing members to avoid trading with odd lot-sized MELOs. ¹⁵

Based on the foregoing, the Commission finds that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, ¹⁶ that the proposed rule change (SR–NASDAQ–2019–044) be, and hereby is, approved.

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

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²⁹ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 85954 (May 29, 2019), 84 FR 25844 (“Notice”).

⁴ The terms “normal unit of trading” or “round lot” mean the size generally employed by traders when trading a particular security, which is 100 shares in most instances. The term “odd lot” means a size of less than one normal unit of trading. See Nasdaq Rule 4703(b).

⁵ See Nasdaq Rule 4702(b)(14).

⁶ See Nasdaq Rule 4702(b)(14)(B).

⁷ See Notice, *supra* note 3, at 25845–46. See also *id.* at 25845–47, for more specific data provided by the Exchange to support its assertions.

⁸ See *id.* at 25847.

⁹ See Nasdaq Rule 4703(e).

¹⁰ See Notice, *supra* note 3, at 25847.

¹¹ See *id.*

¹² In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ See Securities Exchange Act Release No. 82825 (March 7, 2018), 83 FR 10937, 10938–39 (March 13, 2018) (order approving SR–NASDAQ–2017–074).

¹⁵ As noted above, members who choose to enter odd lot-sized MELOs would be unable to use the minimum quantity order attribute with such orders because the minimum quantity order attribute is limited to orders with a size of at least one round lot upon entry. See *supra* notes 9–10 and accompanying text.

¹⁶ 15 U.S.C. 78s(b)(2).

¹⁷ 17 CFR 200.30–3(a)(12).