



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103005; File No. SR-NASDAQ-2025-035]

**Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Decrease the Options Regulatory Fee (ORF) and Discontinue the ORF Model Scheduled to be Implemented in June 2025**  
May 8, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 30, 2025, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to decrease The Nasdaq Options Market LLC (“NOM”) Options Regulatory Fee or “ORF.” Also, the Exchange proposes to discontinue the ORF model scheduled to be implemented in June 2025.<sup>3</sup>

While the changes proposed herein are effective upon filing, the Exchange has designated the amendments become operative on May 1, 2025.

The text of the proposed rule change is available on the Exchange’s Website at

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 101892 (December 12, 2024), 89 FR 102994 (December 18, 2024) (SR-NASDAQ-2024-078) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Lower the Options Regulatory Fee (ORF) and Adopt a New Approach to ORF in 2025). See also See Securities Exchange Act Release No. 102371 (February 6, 2025), 90 FR 9450 (February 12, 2025) (SR-NASDAQ-2025-009) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delay the Implementation of the New Options Regulatory Fee (ORF) and ORF Methodology Proposed in SR-NASDAQ-2024-078).

<https://listingcenter.nasdaq.com/rulebook/nadaq/rulefilings>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NOM proposes to decrease its ORF from \$0.0016 to \$0.0014 per contract side effective May 1, 2025. Additionally, the Exchange proposes to discontinue the ORF model scheduled to be implemented in June 2025.<sup>4</sup>

**Background on Current ORF**

Today, NOM assesses its ORF for each Customer<sup>5</sup> option transaction that is either: (1) executed by a Participant<sup>6</sup> on NOM; or (2) cleared by a NOM Participant at OCC in the Customer range,<sup>7</sup> even if the transaction was executed by a non-member of NOM, regardless of the exchange on which the transaction occurs.<sup>8</sup> If the OCC clearing member is a NOM Participant, ORF is assessed and collected on all ultimately cleared Customer contracts (after

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<sup>4</sup> Id.

<sup>5</sup> Today, ORF is collected from Customers, Professionals and broker-dealers that are not affiliated with a clearing member that clear in the “C” range at OCC.

<sup>6</sup> The term “Options Participant” or “Participant” mean a firm, or organization that is registered with the Exchange pursuant to Options 2A of these Rules for purposes of participating in options trading on NOM as a “Nasdaq Options Order Entry Firm” or “Nasdaq Options Market Maker”. See Options 1, Section 1(a)(39).

<sup>7</sup> Participants must record the appropriate account origin code on all orders at the time of entry of the order. The Exchange represents that it has surveillances in place to verify that Participants mark orders with the correct account origin code.

<sup>8</sup> The Exchange uses reports from OCC when assessing and collecting the ORF.

adjustment for CMTA<sup>9</sup>); and (2) if the OCC clearing member is not a NOM Participant, ORF is collected only on the cleared Customer contracts executed at NOM, taking into account any CMTA instructions which may result in collecting the ORF from a non-member.<sup>10</sup>

Today, in the case where a Participant both executes a transaction and clears the transaction, the ORF will be assessed to and collected from that Participant. Today, in the case where a Participant executes a transaction and a different Participant clears the transaction, the ORF will be assessed to and collected from the Participant who clears the transaction and not the Participant who executes the transaction. Today, in the case where a non-member executes a transaction at an away market and a Participant clears the transaction, the ORF will be assessed to and collected from the Participant who clears the transaction. Today, in the case where a Participant executes a transaction on NOM and a non-member clears the transaction, the ORF will be assessed to the Participant that executed the transaction on NOM and collected from the non-member who cleared the transaction. Today, in the case where a Participant executes a transaction at an away market and a non-member ultimately clears the transaction, the ORF will not be assessed to the Participant who executed the transaction or collected from the non-member who cleared the transaction because the Exchange does not have access to the data to make absolutely certain that ORF should apply. Further, the data does not allow the Exchange to identify the Participant executing the trade at an away market.

#### *ORF Revenue and Monitoring of ORF*

Today, the Exchange monitors the amount of revenue collected from the ORF (“ORF Regulatory Revenue”) to ensure that it, in combination with other regulatory fees and fines, does

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<sup>9</sup> CMTA or Clearing Member Trade Assignment is a form of “give-up” whereby the position will be assigned to a specific clearing firm at OCC.

<sup>10</sup> By way of example, if Broker A, a NOM Participant, routes a Customer order to CBOE and the transaction executes on CBOE and clears in Broker A’s OCC Clearing account, ORF will be collected by NOM from Broker A’s clearing account at OCC via direct debit. While this transaction was executed on a market other than NOM, it was cleared by a NOM Participant in the member’s OCC clearing account in the Customer range, therefore there is a regulatory nexus between NOM and the transaction. If Broker A was not a NOM Participant, then no ORF should be assessed and collected because there is no nexus; the transaction did not execute on NOM nor was it cleared by a NOM Participant.

not exceed a Options Regulatory Costs.<sup>11</sup> In determining whether an expense is considered an Options Regulatory Cost, the Exchange reviews all costs and makes determinations if there is a nexus between the expense and a regulatory function. The Exchange notes that fines collected by the Exchange in connection with a disciplinary matter offset Options Regulatory Cost.

ORF Regulatory Revenue, when combined with all of the Exchange's other regulatory fees and fines, is designed to recover the Options Regulatory Costs to the Exchange of the supervision and regulation of member Customer options business including performing routine surveillances, investigations, examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities. Options Regulatory Costs include direct regulatory expenses and certain indirect expenses in support of the regulatory function. The direct expenses include in-house and third-party service provider costs to support the day-to-day regulatory work such as surveillances, investigations and examinations. The indirect expenses are only those expenses that are in support of the regulatory functions, such areas include Office of the General Counsel, technology, finance, and internal audit. Indirect expenses will not exceed 35% of the total Options Regulatory Costs, in which case direct expenses could be 65% or more of total Options Regulatory Costs.<sup>12</sup>

### **Proposal for May 1, 2025**

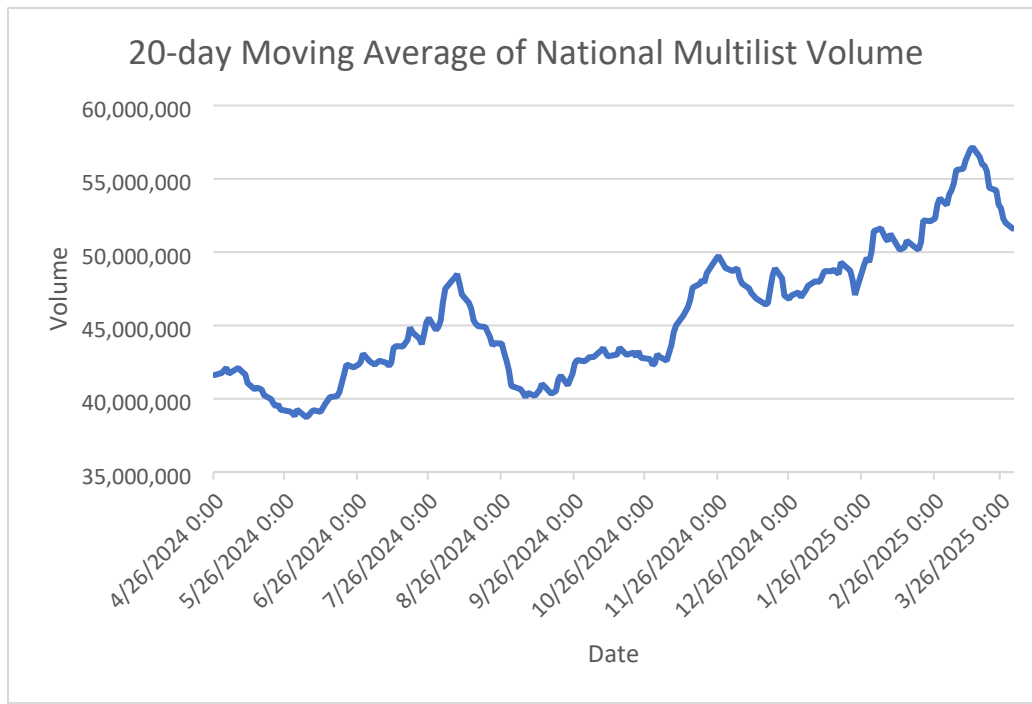
At this time, the Exchange proposes to decrease NOM's ORF from \$0.0016 to \$0.0014 per contract side, effective May 1, 2025, due to an increase in options volume in the industry.<sup>13</sup> The Exchange notes that options volume has risen substantially in Q1 2025, particularly in March 2025.

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<sup>11</sup> The regulatory costs for options comprise a subset of the Exchange's regulatory budget that is specifically related to options regulatory expenses and encompasses the cost to regulate all Participants' options activity ("Options Regulatory Cost").

<sup>12</sup> Direct and indirect expenses are based on the Exchange's 2025 Regulatory Budget.

<sup>13</sup> The Exchange proposes to remove the current rule text that provides that as of November 1, 2024, the ORF is \$0.0014 per contract side.



NOM notes that there can be no assurance that the Options Regulatory Costs for the remainder of 2025 will not differ materially from these expectations and prior practice, nor can the Exchange predict with certainty whether options volume will remain at the current level going forward. The Exchange notes however, that when combined with regulatory fees and fines, the ORF Regulatory Revenue that may be generated utilizing an ORF rate of \$0.0016 per contract side may result in ORF Regulatory Revenue which exceeds the Exchange’s estimated Options Regulatory Costs for 2025 as a result of options volume. The Exchange therefore proposes to reduce its ORF to \$0.0014 per contract side to ensure that ORF Regulatory Revenue does not exceed the Exchange’s estimated Options Regulatory Costs in 2025. Particularly, the Exchange believes that reducing the ORF when combined with all of the Exchange’s other regulatory fees and fines, would allow the Exchange to continue covering its Options Regulatory Costs, while lessening the potential for generating excess revenue that may otherwise occur

using the rate of \$0.0016 per contract side.<sup>14</sup> The Exchange notified Participants of the proposed decrease to the ORF through an Options Trader Alert.<sup>15</sup>

The Exchange will continue to monitor the amount of ORF Regulatory Revenue collected from the ORF to ensure that ORF Regulatory Revenue, in combination with its other regulatory fees and fines, does not exceed Options Regulatory Costs. If the Exchange determines that to be the case, the Exchange will adjust the ORF by submitting a fee change filing to the Commission and notifying<sup>16</sup> its Participants via an Options Trader Alert.<sup>17</sup>

### **Future Proposals**

NOM previously filed a proposed amendment to its ORF, effective as of January 1, 2025,<sup>18</sup> to amend its methodology of collection to: (1) exclude options transactions in proprietary products; and (2) assess ORF in all clearing ranges except market makers who clear as “M” at The Options Clearing Corporation (“OCC”). Additionally, NOM will assess a different rate for trades executed on NOM (“Local ORF Rate”) and trades executed on non-NOM exchanges (“Away ORF Rate”).<sup>19</sup> The Exchange also filed to delay the implementation of SR-NASDAQ-2024-078, with respect to the new ORF and methodology therein which was effective on January 1, 2025, so that it would now be implemented on June 1, 2025.<sup>20</sup> At this time, the Exchange

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<sup>14</sup> The Exchange notes that its regulatory responsibilities with respect to Participant compliance with options sales practice rules have largely been allocated to FINRA under a 17d-2 agreement. The ORF is not designed to cover the cost of that options sales practice regulation.

<sup>15</sup> See Options Trader Alert #2025 - 19.

<sup>16</sup> The Exchange will provide Participants with such notice at least 30 calendar days prior to the effective date of the change.

<sup>17</sup> The Exchange notes that in connection with this proposal, it provided the Commission confidential details regarding the Exchange’s projected regulatory revenue, including projected revenue from ORF, along with a projected regulatory expense.

<sup>18</sup> See Securities Exchange Act Release No. 101892 (December 12, 2024), 89 FR 102994 (December 18, 2024) (SR-NASDAQ-2024-078) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Lower the Options Regulatory Fee (ORF) and Adopt a New Approach to ORF in 2025). See also Securities Exchange Act Release No. 102371 (February 6, 2025), 90 FR 9450 (February 12, 2025) (SR-NASDAQ-2025-009) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delay the Implementation of the New Options Regulatory Fee (ORF) and ORF Methodology Proposed in SR-NASDAQ-2024-078) (collectively “June 2025 ORF”).

<sup>19</sup> Id.

<sup>20</sup> See Securities Exchange Act Release No. 102371 (February 6, 2025), 90 FR 9450 (February 12, 2025)

proposes to discontinue its June 2025 ORF.<sup>21</sup> The Exchange received feedback from the Participants<sup>22</sup> and SIFMA<sup>23</sup> related to the implementation of its June 2025 ORF. In particular, two fields necessary for information sharing of executing exchange information among Participants and Clearing Members will not be available after an upcoming technology migration at OCC.<sup>24</sup> In light of this information, the Exchange has been re-evaluating its ORF model and plans to revamp the current process of assessing and collecting ORF, which would be subject to, and described further in, a future rule filing. Particularly, the Exchange is exploring proposing a modified ORF model in which ORF would only be assessed to on-exchange transactions and would continue to be assessed only to customers. At this this time, the Exchange expects to continue assessing ORF as it does today and will continue to ensure that ORF Regulatory Revenue, in combination with its other regulatory fees and fines, does not exceed Options Regulatory Cost.

To create real ORF reform, moving to a new ORF model that only assesses a fee to transactions that occur on the Exchange would remove any duplicative ORF billing. The Exchange believes that each exchange should likewise adopt a similar model to ensure consistent industry billing of ORF to the benefit of market participants. A consistent methodology of assessing and collecting ORF will also remove confusion and complexity in the billing of ORF. The Exchange has been engaged in remodeling its current ORF over the last year and has held many conversations with market participants to establish a framework that is practical and fair. The Exchange remains committed to ORF reform and will continue to evaluate its ORF model and seek feedback from market participants.

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(SR-NASDAQ-2025-009) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delay the Implementation of the New Options Regulatory Fee (ORF) and ORF Methodology Proposed in SR-NASDAQ-2024-078).

<sup>21</sup> See supra note 17.

<sup>22</sup> The Exchange has discussed the implementation of its June 2025 ORF with various Clearing Members.

<sup>23</sup> See SIFMA comment letter at <https://www.sec.gov/comments/sr-nasdaq-2024-078/srnasdaq2024078-550079-1574622.pdf>.

<sup>24</sup> See <https://www.theocc.com/company-information/occ-transformation>.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>25</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act<sup>26</sup>, which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its members, and other persons using its facilities. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>27</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposed reduction of ORF is reasonable because it would help ensure that ORF Regulatory Revenue does not exceed a material portion of the Exchange’s ORF Regulatory Costs. As noted above, the ORF is designed to recover a material portion, but not all, of the Exchange’s ORF Regulatory Costs. Further, the Exchange believes the proposed fee change is reasonable because Customer transactions will be subject to a lower ORF than the rate that would otherwise be in effect on May 1, 2025.

The Exchange had designed the ORF to generate ORF Regulatory Revenue that would be less than the amount of the Exchange’s ORF Regulatory Costs to ensure that it, in combination with its other regulatory fees and fines, does not exceed ORF Regulatory Costs, which is consistent with the view of the Commission that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. As discussed above, however, after review of its ORF Regulatory Costs and ORF Regulatory Revenue, which includes revenues from ORF and other regulatory fees and fines, the Exchange determined that absent a reduction

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<sup>25</sup> 15 U.S.C. 78f(b).

<sup>26</sup> 15 U.S.C. 78f(b)(4).

<sup>27</sup> 15 U.S.C. 78f(b)(5).

in ORF it may collect ORF Regulatory Revenue which would exceed its ORF Regulatory Costs. Indeed, the Exchange notes that when taking into account the potential that recent options volume persists, it estimates the ORF may generate ORF Regulatory Revenue that would cover more than the approximated Exchange's projected ORF Regulatory Costs due to fines. As such, the Exchange believes it's reasonable and appropriate to reduce the ORF amount from \$0.0016 to \$0.0014 per contract side.

The Exchange also believes the proposed fee change is equitable and not unfairly discriminatory in that it is charged to all Participants on all their transactions that clear in the Customer range at OCC.<sup>28</sup> The Exchange believes the ORF ensures fairness by assessing higher fees to those Participants that require more Exchange regulatory services based on the amount of Customer options business they conduct. Regulating Customer trading activity is much more labor intensive and requires greater expenditure of human and technical resources than regulating non-Customer trading activity, which tends to be more automated and less labor-intensive. For example, there are costs associated with main office and branch office examinations (e.g., staff expenses), as well as investigations into Customer complaints and the terminations of registered persons. As a result, the costs associated with administering the Customer component of the Exchange's overall regulatory program are materially higher than the costs associated with administering the non-Customer component of its regulatory program. Moreover, the Exchange notes that it has broad regulatory responsibilities with respect to activities of its Participants, a small portion of which takes place on away exchanges. Indeed, the Exchange cannot effectively review for such conduct without looking at and evaluating activity regardless of where it transpires. In addition to its own surveillance programs, the Exchange also works with other SROs and exchanges on intermarket surveillance related issues. Through its participation in the

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<sup>28</sup> If the OCC clearing member is a NOM Participant, ORF will be assessed and collected on all cleared Customer contracts (after adjustment for CMTA); and (2) if the OCC clearing member is not a NOM Participant, ORF will be collected only on the cleared Customer contracts executed at NOM, taking into account any CMTA instructions which may result in collecting the ORF from a non-member.

Intermarket Surveillance Group (“ISG”)<sup>29</sup> the Exchange shares information and coordinates inquiries and investigations with other exchanges designed to address potential intermarket manipulation and trading abuses. Accordingly, there is a strong nexus between the ORF and the Exchange’s regulatory activities with respect to Customer trading activity of its Participants.

The Exchange’s proposal to discontinue its June 2025 ORF is reasonable because it has come to light that certain information necessary for billing of ORF would not be available later in 2025. In light of this information, the Exchange has been re-evaluating its ORF model and plans to revamp the current process of assessing and collecting ORF, which would be subject to, and described further in, a future rule filing. Particularly, the Exchange anticipates moving to a modified ORF model in which ORF would only be assessed to on-exchange transactions and would continue to be assessed only to customers. At this this time, the Exchange expects to continue assessing ORF as it does today and will continue to ensure that ORF Regulatory Revenue, in combination with its other regulatory fees and fines, does not exceed Options Regulatory Cost. The Exchange’s proposal to discontinue its June 2025 ORF is equitable and not unfairly discriminatory as the proposal would not apply to any Participant.

#### B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. This proposal does not create an unnecessary or inappropriate intra-market burden on competition because ORF applies to all customer activity, thereby raising ORF Regulatory Revenue to offset Options Regulatory Cost. It also supplements the regulatory revenue derived from non-customer activity. The Exchange notes, however, the proposed change is not designed to address any competitive issues. Indeed, this proposal does not create an unnecessary or inappropriate inter-market burden

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<sup>29</sup> ISG is an industry organization formed in 1983 to coordinate intermarket surveillance among the self-regulatory organizations by cooperatively sharing regulatory information pursuant to a written agreement between the parties. The goal of the ISG’s information sharing is to coordinate regulatory efforts to address potential intermarket trading abuses and manipulations.

on competition because it is a regulatory fee that supports regulation in furtherance of the purposes of the Act. The Exchange is obligated to ensure that the amount of ORF Regulatory Revenue collected from the ORF, in combinations with its other regulatory fees and fines, does not exceed Options Regulatory Cost.

Further, no Participant would be subject to the June 2025 ORF as a result of this proposal.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>30</sup> and paragraph (f)(2) of Rule 19b-4<sup>31</sup> thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or

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<sup>30</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>31</sup> 17 CFR 240.19b-4(f)(2).

- Send an email to rule-comments@sec.gov. Please include file number SR-NASDAQ-2025-035 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NASDAQ-2025-035. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NASDAQ-2025-035 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

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<sup>32</sup> 17 CFR 200.30-3(a)(12).

**Sherry R. Haywood,**

*Assistant Secretary.*

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