



VIA ELECTRONIC MAIL

July 21, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: 24X National Exchange LLC; Notice of Filing of Application for Registration as a National Securities Exchange Under Section 6 of the Securities Exchange Act of 1934 (Release No. 34-95007; File No. 10-239)

Dear Ms. Countryman:

Blue Ocean ATS, LLC ("Blue Ocean") appreciates the opportunity to comment on the application (the "Application")¹ that 24X National Exchange LLC ("24X") filed with the Securities and Exchange Commission ("Commission") for registration as a national securities exchange pursuant to Section 6 of the Securities Exchange Act of 1934 ("Act").² Blue Ocean is a FINRA member and an SEC registered broker-dealer offering afterhours trading of US NMS stocks from 8:00pm to 4:00am ET from Sunday through Thursday.

Blue Ocean strongly supports full and fair competition because it motivates all market competitors to improve themselves for their own benefit and that of customers and other market participants. Proper competition drives the marketplace to deliver the best, most advanced, innovative, fair, transparent, secure, and reliable equity markets in the world.

As Blue Ocean's President and Chief Executive Officer, I truly appreciate and understand the intense market interest in around-the-clock trading. 24X enters the market with the stated purpose of providing 24 by 7 trading. At this time, however, the traditional extended hours trading currently available raises important issues for investors. They include substantial liquidity and price volatility risks, which the Commission discussed and warned about in its June 6, 2022, Investor Bulletin.³

24X's proposal to further expand the hours and even the days for extended trading, Blue Ocean hopes and expects that 24X will be able to do so without compromising the broader interests of market participants and, ultimately, of investors. Blue Ocean hopes that 24X will be required to make the investments in technology and other resources, and to implement the safeguards that are

¹ See, 24X National Exchange LLC, Application for Registration as a National Security Exchange on Form 1, dated May 31, 2022.

² 15 U.S.C. 78f.

³ <https://www.sec.gov/oiea/investor-alerts-and-bulletins/extended-hours-trading-investor-bulletin>.

needed to regulate and surveil its market rigorously. For example, it must be able to discipline its members fairly and firmly, to meet the same exacting standards that the current market and securities laws demand, and which investors have come to expect, and which Blue Ocean satisfies each and every day. Our expectation is that the Commission will hold 24X to the same regulatory standard to which it holds other SROs - which is to act for the benefit of all market participants and investors - rather than for the primary or exclusive benefit of its own members.

Viewing 24X's application through that lens, we are concerned that 24X's proposed rules lack clarity and specificity and that they do not sufficiently address important issues and risks that investors and other market participants are likely to face if the new proposed trading hours are authorized. Approval of 24X's application under these circumstances may result in a situation in which it becomes an unfair exchange.

I. BACKGROUND

Exchanges play an important role in the national market system. The Securities and Exchange Act of 1934, as amended ("Exchange Act") and the Regulation National Market System ("Regulation NMS") impose high standards and obligations on registered exchanges that are critical to the functioning of the national market system. In addition, unlike broker-dealers, exchanges are self-regulatory organizations ("SROs") with the obligation to enforce compliance with the Exchange Act, the rules promulgated under the Exchange Act by the Commission, and the exchange's own rules.⁴ The exchanges all operate trading venues that publicly display quotations. These quotations are fundamental to the functioning of the securities markets. Without publicly displayed quotations, price discovery would be severely impaired, and investors would be unable to assess the quality of the executions they receive.

The Commission also relies on SROs to operate the national market system plans, which form the backbone of industry-wide coordinated activities such as the dissemination of consolidated quotation and trade information and the volatility controls found in the limit up limit down bands and trading pauses. The Commission has also directed the SROs to develop the consolidated audit trail. For these reasons, the Commission holds SROs to high standards that differ from the obligations of a broker-dealer operating a registered alternative trading system ("ATS").

As discussed below, we believe that 24X's application falls short of the standards required of an exchange under the Exchange Act in several material respects.

II. DISCUSSION.

A. The Instinet Routing Relationship is Insufficiently Described and Unclear.

⁴ 15 U.S.C. 78f(b)(1).

Proposed Rule 2.11 specifies that Instinet is the exchange's outbound router. Rule 2.11(a)(1) provides that 24X "will regulate the Outbound Router function of Instinet," and Rule 2.11(a)(5) states that 24X "shall establish and maintain procedures and internal controls reasonably designed to restrict the flow of confidential and proprietary information between the Exchange and its facilities (including Instinet)."

These proposed rules do not describe how Instinet will actually connect to 24X's trading systems. Because 24X proposes to operate overnight, on Saturdays and Sundays, and on several federal holidays-including Christmas, Thanksgiving, Fourth of July, and Martin Luther King, Jr. Day⁵, it is critical for the Commission and other market participants to be able to know, understand, and evaluate exactly how the routing of orders to Instinet will be administered when all other exchanges are closed. This includes how administration will be managed by 24X and by Instinet, and the explanation should be in some reasonable level of details.

This need for additional information is especially true in light of the fact that 24X is not and has not been an operating an ATS.

B. Handling of Fractional Share Transactions Are Not Sufficiently Explained

The proposed rules do not address its minimum trade size. It is unclear how exactly fractional share trades will be permitted. The New York Stock Exchange and NASDAQ do not currently accept fractional share orders. Rule 11.7 does address maximum trade size (one million shares or \$30 million in trade value), but the issue of a minimum trade size is left unaddressed. Blue Ocean believes that the single vague reference in Addendum E-1 (User Manual) that "the unit of trading in stocks is one thousandth (.001) of a share is not helpful to the market or clear to potential exchange customers or investors as to how such trades will be regulated and executed.

C. Protected Quote Violations Are Not Sufficiently Addressed

Rule 11.7(a)(7) specifies that Market Orders shall not trade through a Protected Quotation, and it provides further that "Any portion of a Market Order that would execute at a price more than \$0.50 or 5% worse than the NBBO at the time the order initially reaches the Exchange, whichever is greater, will be cancelled."

The proposed rules do not appear to address certain critical issues surrounding this limitation particularly administration and enforcement. This is particularly important to market confidence and integrity given the anticipated liquidity and volatility issues inherent in extended hours markets generally, and on the scale proposed by 24X in particular.

⁵ Rule 1.5(b) states that the term "24X Market Session" shall mean (i) the time between 8:00 p.m. and 4:00 a.m. Eastern Time, (ii) any time that falls on a Saturday or a Sunday Eastern Time, (iii) any time that falls on one of the following U.S. holidays: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Juneteenth National Independence Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day Eastern Time, or such other U.S. holiday(s) as published by the Exchange from time to time, and (iv) any other days or times as published by the Exchange from time to time.

D. Lack of Clarity Regarding Price Band Order Collars

Addendum E-1 (User Manual) “The first Reference Price for the 24X Market Session is either the last sale prior to 8 p.m. or the primary market's closing price or the primary market's previous day's closing price/last sale when opening on a quote. The specified price bands are set at a percentage level above and below the average reference price of a security over the preceding five-minute period. If no eligible trades have occurred in the prior five minutes, the previous Reference Price remains in effect. The Reference Price is updated every 30 seconds.”

Further, that same section of the User Manual for Price Band Order Collars lists a specific methodology the address “In the event an issue has news creating value outside of the bands, and no execution has taken place to recalculate the Price Bands upwards/downwards, the exchange.”

It is not clear how well these price bands will work especially during periods of extreme market volatility and significant newsworthy events.

E. Lack of Clarity Regarding Clearance and Settlement

Rule 11.2 governs the clearance and settlement of trades and requires a continuous net settlement system.

24X has not addressed the daily settlement of trades with the NSCC on days where settlement is required and the NSCC and its constituent members are traditionally or regularly closed for business, such Saturdays, Sundays, and major holidays such as Thanksgiving and Christmas.

One particular example that comes to mind is Labor Day 2022, which is a Monday. Under 24X's proposed rules, trades on its exchange could be executed on the preceding Saturday, Sunday, and then Labor Day itself. Clearing those trades on a continuous net settlement basis through the NSCC would not occur because the NSCC is not open for business on weekends.

F. Lack of Clarity Regarding Trading Halts, and Trades, Clearance, and Settlement During Trading Halts

Rule 11.15 governs the starting and stopping of trading halts.

24X's rules are silent on the actual mechanics for beginning, administering, and ending a trading halt when traditional and extended hours exchanges are not open for business or trading on them is halted for any reason.

There is also no information contained in the Rules regarding the clearance and settlement of trades made before or during a trading halt on 24X, or during a time when 24X is open for business on Saturday, Sunday, or holiday when other exchanges, clearing houses, and other market participants are closed for business.

This information is especially important given the number of days and hours 24X proposes to conduct business during which other exchanges and their attendant sources of information are closed or unavailable. Further, there is no explanation of how corporate actions will be treated.

G. Lack of Clarity Regarding Order Priority

Rule 11.8 requires compliance with Rule 602 during normal or traditional exchange hours of operation. A footnote at Rule 11.8(b)(1) states that “TBD whether the Rule 602 obligation continues to apply even when a SIP is closed/not able to receive such information, during the 24X Market Session.” It also requires that executed orders must comply with both Regulation SHO and Regulation NMS, and that in some circumstances the price for a security must exceed the available NBBO quotation.

Unfortunately, 24X’s rules are silent on the actual mechanics for obtaining and ensuring compliance with these rules and regulations when traditional and extended hours exchanges are not open for business or trading on them is halted for any reason. This information is especially important given the number of days and hours 24X proposed to conduct business during which other exchanges and their attendant sources of information are closed or unavailable.

In addition, Blue Ocean believes that the Commission should not approve 24X’s application unless and until such time as it determines whether and under what circumstances Rule 602 compliance is or can be waived or that 24X’s proposed rules are in compliance with Rule 602. Contingent or conditional approvals for an exchange are not in the best interest of investors and market participants because of their inherent unreliability and uncertainties.

H. Lack of Clarity Regarding Regulation SHO and Regulation NMS Compliance

Rule 11.9 requires that executed orders must comply with both Regulation SHO and Regulation NMS, and that in some circumstances the price for a security must exceed the available NBBO quotation.

Unfortunately, 24X’s rules are silent on the actual mechanics for obtaining and ensuring compliance with these rules and regulations when traditional and extended hours exchanges are not open for business or trading on them is halted for any reason. This information is especially important given the number of days and hours 24X proposed to conduct business during which other exchanges and their attendant sources of information are closed or unavailable.

I. Lack of Clarity Regarding Market-wide Surveillance Especially the 24X Market Session

There are no specific provisions in 24X’s rules for market wide surveillance. Although there are some references to establishing surveillance procedures generally (Rule 13.4 (data feeds generally)), compliance and investigation generally (Rule 8.2(g)), and the surveillance of unlisted trading products (Rule 14(b)(4)), generally (Rule 8.2(g)), there is no identified information regarding the operations and procedures to be used in connection with the required market surveillance.

Ms. Vanessa A. Countryman

July 21, 2022

Page 6 of 6

In addition, the rules are silent on the details for conducting market surveillance during the time periods in which the data sources of market surveillance information are closed for business or trading is halted on them for any reason. This information is especially important given the number of days and hours 24X proposed to conduct business during which other exchanges and their attendant sources of information are closed or unavailable.

For all of these reasons, Blue Ocean believes that 24X's application to register as an exchange does not meet the legal and administrative requirements imposed by the Exchange Act and its implementing rules and regulations. The application omits critical details regarding key aspects of how the 24X's exchange would operate, and this has created unacceptable uncertainty and makes full and fair public comment unreasonably difficult if not impossible in some respects.

Respectfully submitted,

Brian Hyndman

President and Chief Executive Officer

cc: The Honorable Gary Gensler, Chairman, SEC
The Honorable Caroline A. Crenshaw, Commissioner, SEC
The Honorable Mark T. Uyeda, Commissioner, SEC
The Honorable Hester M. Peirce, Commissioner, SEC
The Honorable Jaime Lizárraga
Director Haoxiang Zhu, Division of Trading and Markets