



8011-01
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81312; File No. SR-MRX-2017-13)

August 3, 2017

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish Ports That Members Use to Connect to the Exchange

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 20, 2017, Nasdaq MRX, LLC (“MRX” 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 (1) establish ports that members use to connect to the Exchange with the migration of the Exchange’s trading system to the Nasdaq INET architecture, and (2) amend the Schedule of Fees to adopt fees for those ports.

The text of the proposed rule change is available on the Exchange’s Website at www.ise.com, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The purpose of the proposed rule change is to: (1) establish ports that members use to connect to the Exchange with the migration of the Exchange's trading system to the Nasdaq INET architecture,³ and (2) amend the Schedule of Fees to adopt fees for those ports. In particular, the Exchange proposes to establish and adopt fees for the following connectivity options that are available in connection with the re-platform of the Exchange's trading system: Specialized Quote Feed ("SQF"), SQF Purge, Ouch to Trade Options ("OTTO"), Clearing Trade Interface ("CTI"), Financial Information eXchange ("FIX"), FIX Drop, and Disaster Recovery. These port options, which are described in more detail below, are the same as those currently used to connect to the Exchange's affiliates, including Nasdaq GEMX, LLC ("GEMX"), Nasdaq Phlx ("Phlx"), Nasdaq Options Market ("NOM"), and Nasdaq BX ("BX").⁴

1. Specialized Quote Feed Port

SQF is an interface that allows market makers to connect and send quotes, sweeps and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., opening imbalance, Flash, PIM, Solicitation and Facilitation or other

³ See Securities Exchange Act Release No. 80815 (May 30, 2017), 82 FR 25827 (June 5, 2017) (SR-MRX-2017-02).

⁴ See GEMX Schedule of Fees, IV. Access Services, Port Fees, 4. Ports; Phlx Pricing Schedule, VII. Other Member Fees, B. Port Fees; NOM Rules, Chapter XV Options Pricing, Sec. 3 NOM - Ports and other Services; BX Rules, Chapter XV Options Pricing, Sec. 3 BX - Ports and other Services.

information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (4) Option Trading Action Messages (e.g., halts, resumes); (5) Execution Messages; (6) Quote Messages (quote/sweep messages, risk protection triggers or purge notifications).

2. SQF Purge Port

SQF Purge is a specific port for the SQF interface that only receives and notifies of purge requests from the market maker. Dedicated SQF Purge Ports enable market makers to seamlessly manage their ability to remove their quotes in a swift manner.

3. Ouch to Trade Options Port

OTTO is an interface that allows market participants to connect and send orders, auction orders and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (5) Option Trading Action Messages (e.g., halts, resumes); (6) Execution Messages; (7) Order Messages (order messages, risk protection triggers or purge notifications).

4. Clearing Trade Interface Port

CTI is a real-time clearing trade update message that is sent to a member after an execution has occurred and contains trade details. The message containing the trade details is also simultaneously sent to The Options Clearing Corporation. 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; and (iv) an indicator which will distinguish electronic and non-

electronically delivered orders; (v) liquidity indicators and transaction type for billing purposes; (vi) capacity.

5. Financial Information eXchange Port

FIX is an interface that allows market participants to connect and send orders and auction orders into the Exchange. Data includes the following: (1) Options Symbol Directory Messages; (2) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (3) Option Trading Action Messages (e.g., halts, resumes); (4) Execution Messages; (5) Order Messages (order messages, risk protection triggers or purge notifications).

6. FIX Drop Port

FIX Drop is a real-time order and execution update message that is sent to a member after an order been received/modified or an execution has occurred and contains trade details. The information includes, among other things, the following: (1) Executions; (2) cancellations; (3) modifications to an existing order (4) busts or post-trade corrections.

7. Disaster Recovery Port

Disaster Recovery ports provide connectivity to the exchange's disaster recovery systems to be utilized in the event the exchange has to fail over during the trading day. DR Ports are available for SQF, SQF Purge, CTI, OTTO, FIX and FIX Drop.

8. Fees

Currently, the Exchange does not charge any port fees. With the re-platform of the Exchange's trading system, the Exchange will now be offering a new set of ports for connecting to the Exchange as described in more detail above. The Exchange therefore proposes to adopt fees for these connectivity options, which will initially be \$0 per port per month.⁵ The Exchange

⁵ Fees apply only to connectivity to the MRX INET trading system.

believes that it is appropriate to provide these connectivity options without charge during this initial migration period until the Exchange has enough experience with these ports to begin charging. In addition, adding these fees to the Schedule of Fees now will alert members to the fact that they will not be charged for access through these new connectivity options at this time.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁷ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. In addition, the Exchange believes that the proposed fees being adopted for INET ports are consistent with the provisions of Section 6 of the Act,⁸ in general, and Section 6(b)(4) of the Act,⁹ in particular, in that they are designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it establishes ports used to connect to the MRX INET trading system. The Exchange’s offerings are changing with the re-platform as the ports used by INET differ from those used to connect to the T7 trading system. Market participants that connect to the INET trading system may use the following connectivity options mentioned above: SQF, SQF Purge, OTTO, CTI, FIX, FIX Drop, and Disaster Recovery. These connectivity options are

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(4).

the same as those currently used by the Exchange's affiliates, and therefore offer a familiar experience for market participants. The ports described in this filing provide a range of important features to market participants, including the ability to submit orders and quotes and perform other functions necessary to manage trading on the Exchange. The Exchange believes that filing to establish these port options will increase transparency to market participants regarding connectivity options provided by the Exchange.

Finally, the Exchange believes that it is reasonable and equitable to adopt fees for the various ports used to connect to the Exchange's new INET trading system. As explained above, the ports that will be used to connect to the INET trading system are generally the same as those currently used by the Exchange's affiliates. The Exchange has determined to offer these connectivity options free of cost for the time being in order to aid in the migration of the Exchange's trading system to INET technology. Adding these fees to the Schedule of Fees will clarify to members that they will not have to pay for access to both T7 and INET trading systems. The Exchange also does not believe that the proposed fee change is unfairly discriminatory as each of the proposed port fees are initially proposed to be free of charge for all members.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,¹⁰ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As explained above, the Exchange is establishing the ports used to connect to the MRX INET trading system. In addition, the Exchange is adopting fees for access to these connectivity options, which will be offered

¹⁰ 15 U.S.C. 78f(b)(8).

initially free of cost to aid in the migration of the Exchange's trading system to Nasdaq INET technology. The Exchange does not believe that establishing these ports, or providing them to members free of charge, will have any competitive impact.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹¹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹²

A proposed rule change filed under Rule 19b-4(f)(6)¹³ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁴ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay. The Exchange notes that its members have received numerous communications regarding the availability of the new ports. The Exchange also explains that the proposed port options are the same as those currently used to connect to the Exchange's

¹¹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹² 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 17 CFR 240.19b-4(f)(6)(iii).

affiliates, and that members will use the new ports as the Exchange migrates its trading system to INET. The Exchange represents that it anticipates the migration will happen on or around August 14, 2017. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest as it will allow the Exchange to establish the proposed ports ahead of the system migration and thereby avoid potential disruptions to members' connectivity to the Exchange. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁵

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 (<http://www.sec.gov/rules/sro.shtml>); or

¹⁵ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2017-13 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-MRX-2017-13. This file number should be included on the subject line if e-mail 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 Web site (<http://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 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-MRX-2017-13 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

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Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).

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