



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82537; File No. SR-MRX-2018-01)

January 19, 2018

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Schedule of Fees to Introduce a New Pricing Model

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 January 4, 2018, 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 amend the Schedule of Fees to introduce a new pricing model on MRX that is designed to reward members that bring order flow to the Exchange and thereby increase liquidity and trading opportunities for all members.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqmrx.cchwallstreet.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 amend the Schedule of Fees to introduce a new pricing model on MRX that is designed to reward members that bring order flow to the Exchange and thereby increase liquidity and trading opportunities for all members. The Exchange believes that the proposed pricing model will encourage additional order flow to be sent to the Exchange, and contribute to a more active and quality market in MRX-listed options to the benefit of all market participants that trade on the Exchange.

I. Member Volume Program

Currently, the Exchange operates using a pricing schedule that rewards members that execute a higher average daily volume ("ADV") of order flow on the Exchange by providing tiered rebates and fee discounts to market participants. Specifically, under the Member Volume Program ("MVP"), members can qualify for higher tiers based on Total Affiliated³ and/or

³ The Total Affiliated Priority Customer ADV category includes all Priority Customer volume executed on the Exchange in all symbols and order types, including volume executed in the PIM, Facilitation, and QCC mechanisms. All eligible volume from affiliated Members will be aggregated in determining applicable tiers, provided there is at least 75% common ownership between the Members as reflected on the Member's Form BD, Schedule A.

Appointed⁴ Priority Customer⁵ ADV as follows: 0 to 19,999 contracts (Tier 1), 20,000 to 39,999 contracts (Tier 2), 40,000 to 59,999 contracts (Tier 3), 60,000 to 79,999 contracts (Tier 4), and 80,000 or more contracts (Tier 5).⁶

Based on the tier achieved, the Exchange provides tiered rebates to Priority Customer orders and tiered fee discounts to Market Maker⁷ orders. In particular, in both Penny Symbols and Non-Penny Symbols, Priority Customer orders are provided a rebate that is \$0.05 per contract (Tier 1), \$0.10 per contract (Tier 2), \$0.15 per contract (Tier 3), \$0.21 per contract (Tier 4), and \$0.24 per contract (Tier 5); and Market Maker orders are charged a fee that is \$0.25 per contract (Tier 1), \$0.22 per contract (Tier 2), \$0.18 per contract (Tier 3), \$0.15 per contract (Tier

⁴ A Nasdaq MRX Appointed Market Maker is eligible to receive and aggregate volume credit from both their affiliated Members and their Nasdaq MRX Appointed Order Flow Provider. A Nasdaq MRX Appointed Order Flow Provider will not receive volume credit from its Nasdaq MRX Appointed Market Maker or the Nasdaq MRX Appointed Market Maker's affiliates in determining its applicable tiers. Designating a Nasdaq MRX Appointed Market Maker / Appointed Order Flow Provider: An Nasdaq MRX Market Maker appoints an Electronic Access Member as its Appointed Order Flow Provider and an Electronic Access Member appoints an Nasdaq MRX Market Maker as its Appointed Market Maker, for the purposes of the Fee Schedule, by each sending an email to bizdev@ise.com. These corresponding emails will be viewed as acceptance of the appointment. The Exchange will recognize one such designation for each party. A party may make a designation not more than once every 6 months, which designation shall remain in effect until the Exchange receives an email from either party indicating that the appointment has been terminated.

⁵ A "Priority Customer" is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in Nasdaq MRX Rule 100(a)(37A).

⁶ The highest tier threshold attained applies retroactively in a given month to all eligible traded contracts and applies to all eligible market participants. Any day that the market is not open for the entire trading day or the Exchange instructs Members in writing to route their orders to other markets may be excluded from the ADV calculation; provided that the Exchange will only remove the day for members that would have a lower ADV with the day included.

⁷ The term Market Makers refers to "Competitive Market Makers" and "Primary Market Makers" collectively.

4), and \$0.10 per contract (Tier 5).⁸ Regardless of the tier achieved, Non-Nasdaq MRX Market Makers,⁹ Firm Proprietary,¹⁰ Broker-Dealer,¹¹ and Professional Customer¹² orders pay a flat fee that is \$0.47 per contract in Penny Symbols and \$0.90 per contract in Non-Penny Symbols.

The Exchange now proposes to eliminate the MVP structure¹³ and introduce a new pricing model that the Exchange believes will encourage members to bring more order flow to the Exchange. Specifically, the Exchange proposes to adopt a maker/taker fee model where all market participants are charged a fee (or are eligible for free executions) with potentially discounted fees based on ADV, whether the market participant is adding or removing liquidity, and whether both sides of the transaction belong to a member and its affiliated or appointed members.

With the proposed changes to the pricing model, the Exchange proposes to replace the current MVP tiers with a simple two tier structure based on Total Affiliated and/or Appointed Member ADV. Specifically, members would be able to qualify for higher tiers based on Total Affiliated and/or Appointed Member ADV as follows: 0 to 49,999 contracts (Tier 1), and 50,000

⁸ This fee also applies to Nasdaq MRX Market Maker orders sent to the Exchange by Electronic Access Members. Market Makers will receive a \$0.05 per contract discount when trading against a non-Priority Customer.

⁹ A “Non-Nasdaq MRX Market Maker” is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended, registered in the same options class on another options exchange.

¹⁰ A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

¹¹ A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

¹² A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

¹³ Although the Exchange proposes to adopt a new structure it will keep the footnotes in the Qualifying Tier Threshold section as these will still apply to the calculation of ADV under the proposed structure.

or more contracts (Tier 2). In order to attract order flow from all market participants, the Total Affiliated Member ADV category includes all volume executed on the Exchange in all symbols and order types, rather than only Priority Customer volume.¹⁴ The Exchange will also continue to permit members to designate Nasdaq MRX Appointed Market Makers and Nasdaq MRX Appointed Order Flow Providers, and will aggregate order flow based on that designation in determining the member's tier. The Exchange already has language in its Schedule of Fees about designating Nasdaq MRX Appointed Market Makers and Nasdaq MRX Appointed Order Flow Providers and this language will remain a part of the Schedule of Fees.¹⁵

With respect to pricing, Market Maker orders would be charged a maker fee that is \$0.20 per contract for Tier 1 and \$0.00 per contract for Tier 2 in both Penny and Non-Penny Symbols, and a taker fee that is \$0.50 per contract for Penny Symbols and \$0.90 per contract for Non-Penny Symbols, regardless of the tier achieved.¹⁶ In addition, as an incentive for bringing order flow to the Exchange, Market Maker orders that take liquidity would also be eligible for ADV-based fee discounts in both Penny and Non-Penny Symbols when trading with Priority Customer orders entered by an affiliated or appointed member. The discounted fee would be \$0.05 per contract if the member has a Total Affiliated and/or Appointed Priority Customer ADV of 5,000

¹⁴ The Exchange proposes to add a definition of Total Affiliated Member ADV to the Schedule of Fees to describe how this is calculated. The other footnotes to the Qualifying Tier Threshold language will remain as discussed above, and will be in addition to this proposed footnote.

¹⁵ Currently, the footnotes describing the process for designating a Nasdaq MRX Appointed Market Maker or Appointed Order Flow Provider indicate that members should email bizdev@ise.com. The Exchange proposes to change this to the appropriate Nasdaq email address, which is sales@nasdaq.com. The language describing the aggregation of eligible volume also contains an outdated reference to the Exchange's previous name, which the Exchange proposes to update to reflect its current name – i.e., Nasdaq MRX.

¹⁶ The fees charged to Market Makers will apply to Nasdaq MRX Market Maker orders sent to the Exchange by Electronic Access Members.

contracts or more, or \$0.00 per contract if the member has a Total Affiliated and/or Appointed Priority Customer ADV of 50,000 contracts or more. Regardless of the member's tier, Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders would pay a fee in Penny Symbols that is \$0.47 per contract for maker transactions and \$0.50 per contract for taker transactions, and both a maker and taker fee of \$0.90 per contract in Non-Penny Symbols. Priority Customer orders would not be charged a fee for regular executions in either Penny or Non-Penny Symbols.

II. Marketing Fees

Currently, Market Makers are charged a marketing fee of \$0.25 per contract in Penny Symbols and \$0.70 per contract in Non-Penny Symbols for each regular Priority Customer contract executed.¹⁷ This marketing fee is waived for Flash Order Responses. In connection with the fee changes described in Section I above, the Exchange also proposes to waive marketing fees for Market Maker orders that take liquidity from the order book. The Exchange believes that this change will ensure that Market Makers can benefit from the proposed fee incentives described above for taking liquidity, without the benefits provided thereunder being eroded by charging a marketing fee, which may or may not go into the marketing fee pool administered by the executing Market Maker. Furthermore, in connection with the changes to Crossing Order fees described in Section IV below, the Exchange proposes to waive marketing fees for Crossing Orders and Responses to Crossing Orders, which will ensure that the total fee paid by Market

¹⁷ The marketing fee will be rebated proportionately to the members that paid the fee such that on a monthly basis the marketing fee fund balance administered by a Primary Market Maker for a Group of options established under Rule 802(b) does not exceed \$100,000 and the marketing fee fund balance administered by a preferenced Competitive Market Maker for such a Group does not exceed \$100,000. A preferenced Competitive Market Maker that elects not to administer a fund will not be charged the marketing fee. The Exchange assesses an administrative fee of .45% on the total amount of the funds collected each month.

Makers that trade with this order flow will remain at a level the Exchange believes is appropriate.

III. Flash Orders

With the introduction of a maker/taker fee structure, the Exchange also proposes to introduce language clarifying how Flash Orders will be charged. A “Flash Order” is an order that is exposed at the National Best Bid or Offer by the Exchange to all members for execution, as provided under Supplementary Material .02 to Nasdaq MRX Rule 1901. Because a Flash Order being exposed to the market is entered prior to Responses to that order, the Exchange proposes to charge the applicable maker fee to all Flash Orders, which is similar to how pricing would be determined had the order rested on the order book. Similarly, because Responses that trade with a Flash Order are benefiting from the execution of a prior order, the Exchange proposes to charge the applicable taker fee for all Responses that trade against a Flash Order.

IV. Crossing Orders

Currently, the Exchange charges a fee for Crossing Orders (except PIM orders of 500 or fewer contracts)¹⁸ in Penny and Non-Penny Symbols that is \$0.20 per contract for Market Maker,¹⁹ Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders, and \$0.00 per contract for Priority Customer Orders.²⁰ The Exchange also charges a fee in all symbols for PIM orders of 500 or fewer contracts that is \$0.05 per contract for Market Maker, Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders. Priority Customers receive a rebate for PIM orders of 500 or

¹⁸ PIM orders of more than 500 contracts will pay the Fee for Crossing Orders.

¹⁹ Market Maker fees discussed in this section also apply to Market Maker orders sent to the Exchange by Electronic Access Members.

²⁰ Except as otherwise noted herein, the fees described in this paragraph apply to the originating and contra orders.

fewer contracts that is tiered based on the MVP tiers described above. Specifically, Priority Customer orders receive a rebate of \$0.11 per contract for Tiers 1-2 and \$0.13 per contract for Tiers 3-5. Priority Customer orders on the contra-side of a PIM auction for 500 or fewer contracts pay no fee and receive no rebate. The Exchange now proposes to eliminate the special fees described above for PIM orders of 500 contracts or fewer and apply the fee for Crossing Orders described above to all Crossing Orders, including PIM orders of 500 contracts or fewer.

In addition, the Exchange charges a fee for Responses to Crossing Orders that is \$0.50 per contract for Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, Professional Customer, and Priority Customer orders in Penny Symbols, and \$0.95 per contract for the above market participant types in Non-Penny Symbols. Market Makers are charged a fee for Responses to Crossing Orders in Penny and Non-Penny Symbols that is \$0.25 per contract, subject to a discount whereby Market Makers that achieve Tier 2 or higher under the MVP are charged the discounted fee charged to regular executions for the tier reached – i.e., from \$0.22 per contract for Tier 2 to \$0.10 per contract for Tier 5, as discussed in more detail in the MVP section above. The Exchange now proposes to charge Market Makers the same fee for Responses to Crossing Orders as is currently charged to other market participants. As such, Market Maker orders will be charged a fee for Responses to Crossing Orders that is \$0.50 per contract in Penny Symbols and \$0.95 per contract in Non-Penny Symbols, similar to the other market participants described above. Market Makers would not be eligible for any fee discounts based on the MVP tiers that are being discontinued.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,²¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,²² in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange is adopting a new pricing model for MRX and believes that the proposed changes will be attractive to market participants, and will encourage additional liquidity and trading opportunities on the Exchange to the benefit of all members.

I. Member Volume Program

The Exchange believes that the proposed fee change is reasonable, equitable, and not unfairly discriminatory as it is designed to increase liquidity and opportunities for all members to trade on the Exchange. The proposed fee structure being adopted represents a substantial change in the fee model for MRX that the Exchange believes will be attractive to market participants, and will assist the Exchange in competing in today's competitive environment. Generally, the proposed fee change would eliminate the current MVP structure and adopt a new maker/taker fee structure where market participants other than Priority Customers are charged a fee based on whether the market participant adds or removes liquidity. Priority Customer orders, meanwhile, would be eligible for free executions, and Market Makers would be eligible to qualify for substantially lower or no fees based on their contribution to the market. Qualifying tier thresholds for members would be based on Total Affiliated and/or Appointed Member ADV in two tiers that are designed to encourage members to bring order flow to the Exchange to qualify

²¹ 15 U.S.C. 78f(b).

²² 15 U.S.C. 78f(b)(4) and (5).

for higher tiers. For the reasons described in the following paragraphs, the Exchange believes that the proposed fee structure will be beneficial to market participants and will encourage an active and liquid market on MRX.

With respect to the proposed qualifying tier thresholds, the Exchange believes that the proposed ADV requirements are reasonable and equitable because they are set at levels that the Exchange believes will encourage market participants, and, in particular, Market Makers to execute more volume on the Exchange. As proposed, the qualifying tier thresholds would also reference Total Affiliated and/or Appointed Member ADV instead of Total Affiliated and/or Appointed Priority Customer ADV, which the Exchange believes will benefit firms that bring a wider range of order flow to the Exchange. The Exchange is also proposing to introduce new fee incentives (described in the paragraphs below) that specifically target Priority Customer order flow, thereby retaining the ability to attract those orders to the Exchange. The Exchange believes that the proposed changes will be attractive to market participants that trade on MRX. Furthermore, the Exchange believes that the qualifying tier thresholds are equitable and not unfairly discriminatory as all market participants can qualify for a higher tier by executing the required volume of contracts, either through the member, its affiliates, or an appointed member, as is the case today.

Under the proposed pricing structure, Priority Customer orders would be eligible for free executions. Although the Exchange will no longer provide rebates to Priority Customer orders, the Exchange believes that increased Market Maker participation would increase the opportunities for these orders to trade and therefore encourage members to bring this order flow to the Exchange. In addition, by receiving free executions Priority Customer orders would continue to be provided the most favorable rates on the Exchange. Only one other market

participant type (i.e., Market Makers) would be eligible to trade for free and only in specified circumstances. The Exchange believes that it is appropriate and not unfairly discriminatory to provide free executions to Priority Customer orders as the Exchange is seeking to attract this order flow. The Exchange believes that attracting more volume from Priority Customers will benefit all market participants that trade on MRX. In addition, the Exchange believes that it is equitable and not unfairly discriminatory to charge a lower fee for Priority Customer orders as a Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). This limitation does not apply to market participants whose behavior is substantially similar to that of market professionals, and who will generally submit a higher number of orders than Priority Customers.

Market Makers would also benefit from a strong mix of incentives that are designed to create an active and liquid market for MRX-listed options. First, Market Makers would pay a base fee that is equal to or lower than that charged to all market participants other than Priority Customers, with the potential to further lower those fees by qualifying for additional pricing incentives. The Exchange believes that charging lower fees to Market Maker orders is reasonable and equitable as doing so increases Market Maker activity and thereby creates additional opportunities for other market participants to trade. Furthermore, the Exchange believes that it is equitable and not unfairly discriminatory to charge lower fees to Market Makers because Market Makers have different requirements and obligations to the Exchange that other market participants do not (such as quoting requirements). For this reason, the Exchange also believes that the other incentives described below, which may further decrease execution costs for Market Makers, are also equitable and not unfairly discriminatory. These incentives are designed to

increase Market Maker participation and reward Market Makers for the unique role that they play in ensuring a robust market.

Second, Market Makers would be rewarded for providing liquidity with a lower base rate for adding liquidity as opposed to taking liquidity, and the possibility for free executions if the Market Maker achieves a higher tier based on Total Affiliated and/or Appointed Member ADV. The Exchange believes that it is reasonable and equitable to charge a lower base rate for Market Maker orders that add liquidity because Market Makers provide an important function to the market when they provide liquidity to other market participants through their displayed quotes. The Exchange believes that incentivizing Market Makers to provide liquidity through lower maker fees will create additional displayed liquidity and opportunities for market participants to trade. Furthermore, providing an additional discount when the Market Maker meets the qualifying tier threshold for a higher ADV tier will encourage the member to transact additional business on the Exchange, and thereby create a more active market. The Exchange also believes that tying execution fees to whether the Market Maker is adding or removing liquidity, and based on ADV, is equitable and not unfairly discriminatory as all Market Makers will be treated uniformly based on these factors.

Third, although Market Makers would pay the same base rate for removing liquidity as other market participants, Market Makers would be eligible for a discounted taker fee when trading with Priority Customer orders entered by an affiliated or appointed member. Market Makers would qualify for this discounted taker fee if the member has reached a threshold level of Total Affiliated and/or Appointed Priority Customer ADV, and would be eligible for free executions if the member executes a higher volume of contracts. The Exchange believes that it is reasonable and equitable to charge a lower fee to Market Makers when trading against Priority

Customer orders that originate from affiliated or appointed members as this incentive is designed to encourage firms to bring additional Priority Customer order flow to the Exchange. For the same reason, the proposed ADV requirements are also based on ADV in Priority Customer contracts executed by affiliated or appointed members.

This discounted fee structure is similar to one in place on the Exchange's affiliate, the Nasdaq Options Market ("NOM"), where participants that meet specified volume requirements can qualify for discounted fees if the participant is: (i) both the buyer and the seller or (ii) the participant removes liquidity from another participant under common ownership.²³ Similar to NOM, the Exchange believes that this structure will encourage additional order flow both from Market Makers and their affiliated and/or appointed members. This will benefit those members through reduced fees, and will also benefit other market participants that will have an opportunity to trade with the order flow that these firms bring to the market. When a Priority Customer order is entered on the Exchange, a Market Maker that wishes to interact with that order flow does not typically know whether that order originated from one of its affiliated or appointed members. The Exchange therefore believes that Market Makers would continue to aggressively pursue order flow in order to receive the benefit of the fee discount. Discounting fees in this manner will reward firms that bring more order flow to the Exchange. This is the case both because sending additional order flow would increase the chances of a firm qualifying for a reduced fee (i.e., because it increases the chances that a contra-side order is entered by an affiliated or appointed member), and because a higher ADV is required to qualify for free executions under the proposed pricing structure.

²³ See NOM Rules, Chapter XV Options Pricing, Sec. 2 Nasdaq Options Market—Fees and Rebates, (1) Fees for Execution of Contracts on The Nasdaq Options Market.

The Exchange also believes that the proposed fee discount described above is equitable and not unfairly discriminatory. As mentioned before, Market Makers have special obligations to the market that other market participants do not. The Exchange therefore believes that it is appropriate to reward those members with potentially lower fees. Furthermore, providing an incentive specifically to Market Makers whose affiliated and/or appointed members bring Priority Customer order flow to the Exchange encourages firms to bring more of this order flow to the Exchange. All Market Makers can benefit from this incentive either by interacting with order flow sent to the Exchange by its affiliates or by designating a Nasdaq MRX Appointed Order Flow Provider, who would be treated similar to an affiliate. Moreover, rewarding members that bring a more substantial investment of order flow is beneficial to all market participants, who are free to interact with such order flow.

Finally, Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders would be subject to maker/taker fees at rates that are similar to those currently charged on the Exchange. In Penny Symbols, these market participants would pay a maker fee that is the same as the fee charged today, and a taker fee that is modestly higher. For the reasons discussed above with respect to Market Maker orders, the Exchange believes that it is appropriate to charge higher fees for executions that remove liquidity than those that provide liquidity to other market participants – i.e., because this encourages more displayed liquidity and opportunities for market participants to trade on the Exchange. In Non-Penny Symbols, these market participants will be charged the same fee as today, regardless of whether the order is executed as maker or taker. Although these market participants would continue to be charged fees that are higher than the fees charged to Priority Customer and Market Maker orders, the Exchange believes that this is equitable and not unfairly discriminatory for the reasons discussed

in the paragraphs above on Priority Customer and Market Maker fees. Furthermore, although these market participants would be charged a modestly increased fee in the one instance described above, the Exchange believes that the effect of this fee increase is justified by the potential for the new fee structure to encourage additional liquidity and opportunities for trading due to the incentives being provided to Market Maker and Priority Customer orders.

II. Marketing Fees

The Exchange believes that it is reasonable and equitable to eliminate the marketing fees charged to Market Maker orders that take liquidity from the order book as charging a marketing fee in these instances would frustrate the Exchange's incentives for firms that bring Priority Customer orders to the Exchange and receive a fee discount (including potentially free executions) when trading with that order flow. Furthermore, the marketing fee is designed to assist Market Makers in establishing marketing fee arrangements with Electronic Access Members in exchange for those members routing some or all of their order flow to such Market Makers. This purpose is not advanced when the Priority Customer order on the other side of the transaction is providing liquidity and is not routed to access displayed liquidity being provided by a Market Maker quoting on the Exchange. Furthermore, the Exchange has proposed changes to its Crossing Order fees that would result in Market Makers paying a higher Response fee that is the same as the fee charged to other market participants. The Exchange believes that it is reasonable and equitable to eliminate the marketing fee charged for Crossing Orders and Responses to Crossing Orders as this change will keep total execution costs down when Market Makers trade with Crossing Order flow. The Exchange also believes that both of the proposed changes to the marketing fee described above are not unfairly discriminatory as no Market

Makers would be charged a marketing fee when removing liquidity or when executing Crossing Orders or Responses to Crossing Orders.

III. Flash Orders

The Exchange believes that the proposed pricing for Flash Orders is reasonable and equitable as the proposed changes clarify how the Exchange will charge members for Flash Orders with the introduction of maker/taker pricing. Without this change members would not be aware of how Flash Orders are charged because Flash Orders do not rest on the book and therefore could be treated as either maker or taker for purposes of pricing. The Exchange is proposing to charge the applicable maker fee for Flash Orders, and the applicable taker rebate for Responses that trade against a Flash Order. The Exchange believes that it is reasonable and equitable to charge the applicable maker fee to a Flash Order as the order being exposed is entered first, and maker pricing would therefore apply the same as it would had that order rested on the order book. Similarly, the Exchange believes that it is reasonable and equitable to charge the applicable taker fee to Responses as these Responses are benefiting from the execution of a prior order. Furthermore, the Exchange believes the proposed Flash Order language is not unfairly discriminatory because Flash Orders entered by all market participants will be treated as maker and all Responses that trade against a Flash Order will be treated as taker.

IV. Crossing Order Fees

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to eliminate the special incentive for PIM orders of 500 or fewer contracts as the proposed fees charged would now be consistent for all Crossing Orders. The Exchange currently has in place a fee structure that was implemented to encourage PIM orders for 500 or fewer contracts by charging lower fees to the originating and contra-side of those orders. The Exchange no longer

believes that this incentive is necessary and is therefore removing it. With this change, members will be charged the same fees for all Crossing Orders, regardless of whether the order is executed in the PIM or another crossing mechanism, and regardless of the size of the order. The Exchange also believes that it is reasonable and equitable to increase the fees charged to Market Maker Responses to Crossing Orders as with this change Market Makers would be charged the same fees as other market participants.

The Exchange also believes that the Crossing Order changes are equitable and not unfairly discriminatory as the proposed fees would be more standardized across the various Crossing Order mechanisms, and across market participant types, with the exception that Priority Customer orders would continue to not be charged a fee for Crossing Orders.²⁴ As explained earlier in this proposed rule change, a Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). This limitation does not apply to participants whose behavior is substantially similar to that of market professionals who will generally submit a higher number of orders than Priority Customers. The Exchange therefore believes that it is equitable and not unfairly discriminatory to provide more favorable pricing to Priority Customer orders in the one instance described above.

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. The proposed fee change is an overhaul of the Exchange's pricing model that is designed to incentivize members to bring additional order flow to the Exchange, and create a more active and quality

²⁴ Priority Customer orders would continue to pay a fee for Responses to Crossing Orders that is the same as the fee charged to other market participants.

market in MRX-listed options. The Exchange therefore believes that the proposed rule change is a product of the competitive environment in the options industry. The Exchange operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

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)(ii) of the Act,²⁵ and Rule 19b-4(f)(2)²⁶ 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: (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.

²⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁶ 17 CFR 240.19b-4(f)(2).

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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2018-01 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-2018-01. 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 website (<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.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MRX-2018-01 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.²⁷

Eduardo A. Aleman
Assistant Secretary

²⁷ 17 CFR 200.30-3(a)(12).

