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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84582; File No. SR-MRX-2018-34)

November 14, 2018

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Market Maker Quoting Obligations

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 November 7, 2018, Nasdaq MRX, LLC ("MRX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III, 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 its rules related to Market Maker (i.e., Primary Market Maker and Competitive Market Maker) quoting obligations.

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 proposed rule change. The text of these statements may be examined at the places specified in

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 Rule 804(e) to provide greater detail regarding the quoting obligations of Market Makers and the manner in which they are calculated, and to restructure the current rules to conform to rule text used on its affiliated options market, Nasdaq Phlx ("Phlx").[3] The Exchange seeks to make conforming changes to Rule 804(e) to promote structural consistency of the Exchange's rules with those of its affiliated options markets, and to allow its members to quickly compare quoting obligations across the Nasdaq, Inc. affiliated options markets.[4] The Exchange notes that it is generally including additional detail in its rules on the existing obligations and process using the same format as Phlx Rule 1081(c). Other than one modification to allow the Exchange to announce in advance a higher percentage of quoting compliance standards as further described below, no changes to the current practice or to the current quoting obligations are being contemplated by this rule change. Accordingly, to the extent there are other differences between the proposed rule text and the current language, the Exchange is in those cases either conforming to Phlx Rule 1081(c) or codifying current practice explicitly within the proposed rule, as further discussed below.

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3 See Phlx Rule 1081(c). See also Securities Exchange Act Release No. 83209 (May 10, 2018), 83 FR 22717 (May 16, 2018) (SR-Phlx-2018-22) (order granting approval of proposed rule change to amend Phlx's quoting requirements, among other changes).

4 Nasdaq ISE, LLC ("ISE") and Nasdaq GEMX, LLC will file similar proposals.

Rule 804(e)

The Exchange first proposes to remove the word "continuous" from the title of Rule 804(e) and retitle the Rule as "Intra-day Quotes." The Exchange is replacing the word "continuous" with "intra-day" because the Exchange notes that Market Makers quote a percentage of the day and therefore the word "continuous" may not accurately reflect the manner in which Market Makers quote on MRX. The Exchange also proposes related changes to replace the word "continuous" with "intra-day" within the Rulebook, specifically in Rules 701(c)(3) and (4), and Rule 702(d)(4).[5]

The Exchange also proposes to amend Rule 804(e) by deleting the introductory sentence: "A market maker must enter continuous quotations for the options classes to which it is appointed pursuant to the following." The Exchange proposes to specifically detail a Market Maker's quoting obligations in new rule text within paragraph (e) and therefore believes that the deleted language is not necessary given that the following sentences will replace this language, as described below.

The Exchange proposes to add new rule text to Rule 804(e). The first new sentence will provide, similar to Phlx Rule 1081(c): "A market maker must enter bids and offers for the options to which it is appointed, except in an assigned options series listed intra-day[6] on the

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5 The Exchange notes that as part of a parallel ISE filing that also proposes to amend the quoting obligations, ISE proposes to replace the word "continuous" with "intra-day" within ISE Rule 1614(b)(10). ISE Chapter 16, including ISE Rule 1614, is incorporated by reference into the Exchange's Rulebook. As such, the proposed amendment to ISE Rule 1614 will also apply to MRX Rule 1614. See SR-ISE-2018-90.

6 An intra-day listing or add of a series means, for purposes of this Rule 804(e), as an option series that is added manually on the same day the series begins trading. The Exchange notes that an intra-day add of a series would be counted the following trading day (next business day after the intra-day add of a series was listed) when the options series would be available for a full trading day.

Exchange." The Exchange believes this sentence is clearer than the current Rule 804(e) because it excepts intra-day quotes. The Exchange notes that this is the case today, where a Market Maker is not held to quote an intra-day add of a series because the options series was not available for trading the entire day. The Exchange is adding this exception to the rule text to make clear that Market Makers would not be responsible for quoting an intra-day addition on the day it was added. The Exchange does not count intra-day adds of a series that were not available for the entire day of trading because the Market Maker would not have the opportunity to trade that particular options series for the entire trading day, and therefore could not have anticipated the impact such intra-day adds would have on the calculation of its quoting obligations.

The Exchange also proposes to note within the new rule text the specific quoting obligations for each type of Market Maker by adding: "On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below." The Exchange proposes to note within the new rule text the specific quoting obligations for each type of Market Maker. The Exchange is also adding rule text to explain the interplay between the quoting obligations for Competitive Market Makers, Primary Market Makers, and Competitive Market Makers that are Preferred Market Makers.[7] Specifically, the Exchange proposes to add, similar to Phlx Rules:[8] "A Member will be required to meet each market making obligation separately. A Competitive Market Maker who is also the Primary Market Maker will be held to the Primary Market Maker obligations in the options series in which the Primary Market Maker is assigned and will be held to Competitive Market Maker obligations in all other options series

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7 Supplementary Material .03 to Rule 713 allows an Electronic Access Member to designate a "Preferred Market Maker" on orders it enters into the System ("Preferenced Orders"). A Preferred Market Maker may be the Primary Market Maker appointed to the options class or any Competitive Market Maker appointed to the options class.

8 See Phlx Rule 1081(c).

where assigned. A Competitive Market Maker who receives a Preferenced Order, as described in Supplementary Material .03 to Rule 713, ("Preferred CMM") shall be held to the standard of a Preferred CMM in the options series of any assigned options class in which it receives the Preferenced Order." This is the case today, even though the current rule text does not explicitly state that each obligation is separate. As such, the Exchange is proposing to make clear that a member who is a Competitive Market Maker, Primary Market Maker, or Preferred CMM will have quoting obligations which may need to be separately met depending on the role.

Rule 804(e)(1)

To align its rule structure with Phlx Rule 1081(c), the Exchange proposes to relocate the quoting obligations of Competitive Market Makers currently in subparagraph (2) of Rule 804(e) to subparagraph (1), and set forth the rule text currently in subparagraphs (2)(i) and (2)(ii) therein, with a non-substantive modification from the current "intraday" to "intra-day" for consistency throughout the Rule. As such, proposed Rule 804(e)(1) will read: "On any given day, a Competitive Market Maker is not required to enter quotations in the options classes to which it is appointed. A Competitive Market Maker may initiate quoting in options classes to which it is appointed intra-day."[9]

The Exchange also proposes to remove the following sentence in Rule 804(e)(2)(iii): "Whenever a Competitive Market Maker enters a quote in an options class to which it is appointed, it must maintain continuous quotations in that class for 60% of the time the class is open for trading on the Exchange; provided, however, that a Competitive Market Maker shall be required to maintain continuous quotations for 90% of the time the class is open for trading on

[9] The quoting obligations of Primary Market Makers currently in subparagraph (1) of Rule 804(e) and Supplementary Material to Rule 804 will be set forth in new subparagraph (2) under the Exchange's proposal, as further discussed below.

the Exchange in any options class in which it receives Preferenced Orders (see Supplementary Material .03 to Rule 713 regarding Preferenced Orders)." The Exchange proposes to replace this language with language in Rule 804(e)(1) that more technically defines a Competitive Market Maker's quoting obligation.[10] The Exchange proposes the following rule text: "If a Competitive Market Maker initiates quoting in an options class, the Competitive Market Maker, associated with the same Member, is collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Member's assigned options class is open for trading." The 60% quoting requirement and the manner in which it is calculated as a percentage of time is not being amended.[11] The only change from current practice is to allow the Exchange to announce in advance a higher percentage than the current 60% quoting requirement, which would bring the Exchange's rule in line with Phlx Rule 1081(c)(ii)(A). The Exchange believes it may be appropriate to apply a higher standard if doing so would be in the interest of a fair and orderly market.[12] Otherwise, the proposed amendments described above are either stylistic in nature or clarifying changes that are intended to more specifically state the current quoting obligations as 60% of the cumulative number of seconds rather than 60% of the time the class is open for trading on the Exchange.[13] While the current rule more generally indicates that the Exchange

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10 The proviso setting forth the 90% quoting obligation for Competitive Market Makers with Preferenced Orders currently in subparagraph (2)(iii) will be replaced with more detailed language in proposed Rule 804(e)(3), as further described below.

11 As further discussed below, the Exchange will go from minutes to seconds as a way to express how it will calculate this percentage of time. See note 16 below, with accompanying text.

12 Any such higher percentage would involve appropriate advance announcement, which would then be available on the Exchange's website.

13 Phlx Rule 1081(c)(ii)(A) similarly sets forth the quoting obligations as a percentage of the cumulative number of seconds.

currently reviews quoting as a percentage of the time the class is open for trading on the Exchange, the two standards are otherwise equivalent. Furthermore, the Exchange adopted the Market Maker quoting requirements as part of its application to be registered as a national securities exchange under its previous name of ISE Mercury, LLC.[14] In approving the Market Maker quoting requirements, the Commission noted that the Exchange's Market Maker requirements were identical to ISE's rules.[15] ISE in its adopting rule filing for the 60% standard stated that it would "calculate the percentage of time a market maker quotes by dividing the number of minutes a Market Maker quotes in series of an options class (numerator) by the total minutes all series of the options class were open for trading on the Exchange (denominator)."[16] As such, the proposed changes for MRX will explicitly state the same standard (expressed in seconds) within the rule text itself. Adding "associated with the same Member" conforms to Phlx Rule 1081(c)(ii)(A) and also makes clear that the obligation is at the firm level and that all associated Competitive Market Makers will be counted in arriving at the calculation for quoting obligations.

The Exchange also proposes to add in Rule 804(e)(1): "Notwithstanding the foregoing, a Competitive Market Maker shall not be required to make two-sided markets pursuant to this Rule 804(e)(1) in any Quarterly Options Series, any adjusted option series, and any option series with an expiration of nine months or greater for options on equities and exchange-traded funds ("ETFs") or with an expiration of twelve months or greater for index options." These exceptions

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14 See Securities Exchange Act Release No. 76998 (January 29, 2016), 81 FR 6066 (February 4, 2016) (File No. 10-221). The Exchange subsequently changed its name to Nasdaq MRX.

15 Id. at 6078.

16 See Securities Exchange Act Release No. 69175 (March 19, 2013), 78 FR 17988 (March 25, 2013) (SR-ISE-2013-17) ("2013 ISE Proposal") at 17989. See also SR-ISE-2018-90.

exist today for MRX and are being carried over into proposed Rule 804(e)(1) from current Supplementary Material .02 to Rule 804 with some modifications to conform to Phlx Rule 1081(c)(ii)(A). The majority of the changes from the current rule text are stylistic in nature to conform to Phlx's language and to define ETFs within the rule text itself. The Exchange also proposes to add Quarterly Options Series, which is defined in Rule 100(a)(55), to the list of exceptions to the quoting obligations for Competitive Market Makers. Quarterly Options Series are excluded from a Competitive Market Maker's quoting obligations today, and the Exchange therefore seeks to codify its current practice within the proposed rule text. The Exchange notes that Quarterly Options Series are similarly excluded from the market maker quoting obligations on Phlx.[17]

The Exchange also proposes to add to Rule 804(e)(1): "Competitive Market Makers may choose to quote such series in addition to regular series in the options class, but such quotations will not be considered when determining whether a Competitive Market Maker has met the obligation contained in this paragraph (e)(1)." This language is being relocated from current Supplementary Material .02 to Rule 804, with a modification to update the cross-reference.

Further, the definition of adjusted options series currently within Supplementary Material .02 to Rule 804 will be relocated to subparagraph (1)(ii) of Rule 804(e), and will be defined as "Adjusted Options Series" throughout Rule 804(e). The Exchange also proposes to use the defined term "Exchange-Traded Fund Shares," which is defined in Rule 502(h), instead of "exchange-traded fund shares" in the proposed definition of Adjusted Options Series for consistency with the rest of the Exchange's Rulebook.

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[17] See Phlx Rule 1081(c)(ii)(A).

Finally, the Exchange proposes to relocate current subparagraph (2)(iv) in Rule 804(e) to proposed subparagraph (1)(ii). The Exchange is not proposing any amendments to the rule text itself other than to replace the word "continuous" with "intra-day" for the reasons discussed above.

Rule 804(e)(2)

As noted above, the Exchange proposes to set forth the quoting obligations of Primary Market Makers in Rule 804(e)(2). Currently as set forth in Rule 804(e)(1), Primary Market Makers must enter continuous quotations in all of the series of the options classes to which they are appointed.[18] Pursuant to Supplementary Material .01 to Rule 804, Primary Market Makers are deemed to have provided continuous quotes if they provide two-sided quotes for 90% of the time that an options class is open for trading on the Exchange. Similar to the quoting obligations for Competitive Market Makers, the Exchange proposes to replace this language with language in Rule 804(e)(2) that more technically defines a Primary Market Maker's quoting obligations. Proposed Rule 804(e)(2) will provide that Primary Market Makers, associated with the same Member, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Member's assigned options class is open for trading.[19] Similar to the proposed changes to the 60% quoting requirement for Competitive Market Makers discussed above, the

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18 This means that the Primary Market Maker quoting requirement includes all series of an appointed options class, including the options series that are currently excluded from the quoting requirements of Competitive Market Makers and Preferred CMMs (i.e., Quarterly Options Series, Adjusted Options Series, and long-term options). As discussed below, the Exchange will explicitly state that a Primary Market Maker's quoting obligations will include these specified options series.

19 Phlx Rule 1081(c)(ii)(B) similarly sets forth the quoting obligations as a percentage of the cumulative number of seconds.

90% quoting requirement for Primary Market Makers and the manner in which it is calculated as a percentage of time is not being amended. The only change from current practice is to allow the Exchange to announce in advance a higher percentage than the current 90% quoting obligation, which would bring the Exchange's rule in line with Phlx Rule 1081(c)(ii)(B). As discussed above for the Competitive Market Maker quoting obligations, the Exchange believes it may be appropriate to apply a higher standard if doing so would be in the interest of a fair and orderly market.[20] Otherwise, the Exchange does not propose to amend the current 90% quoting requirement; rather, the Exchange proposes to more specifically state the current quoting obligations as 90% of the cumulative number of seconds rather than 90% of the time the class is open for trading on the Exchange. While the current rule in Supplementary Material .01 to Rule 804 more generally indicates that the Exchange currently reviews quoting as a percentage of the time the class is open for trading on the Exchange, the two standards are otherwise equivalent.[21] Accordingly, the proposed changes will explicitly state the same standard (expressed in seconds) within the rule text itself. Adding "associated with the same Member" to the first sentence conforms to Phlx Rule 1081(c)(ii)(B) and also makes clear that the obligation is at the firm level and that all associated Primary Market Makers will be counted in arriving at the calculation for quoting obligations.

The Exchange also proposes to more specifically state within Rule 804(e)(2) that Primary Market Makers shall be required to make two-sided markets pursuant to Rule 804(e)(2) in any

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20 See note 12 above.

21 See 2013 ISE Proposal, footnote 16 (providing that to calculate whether a Primary Market Maker has maintained quotations for at least 90% of the time, the Exchange will divide the total number of minutes a Primary Market Maker maintained quotations in options series of a class (numerator) by the total minutes all series of the options class were open for trading on the Exchange (denominator)). As discussed above, MRX's quoting requirements are identical to ISE's requirements.

Quarterly Options Series, any Adjusted Options Series, and any options series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options. The proposed changes do not amend the current quoting obligations of Primary Market Makers with respect to these options series. As discussed above, Supplementary Material .02 to Rule 804 currently excludes adjusted options series and long-term options series from the quoting obligations of Competitive Market Makers and Preferred CMMs. As noted above, while the current rule in paragraph (e)(1) implicitly provides that these exceptions do not apply to Primary Market Makers and that their quoting obligations include such series, the Exchange proposes to explicitly state that Primary Market Makers are required to make two-sided markets in the specified options series. Furthermore, Primary Market Makers are required to make two-sided markets in Quarterly Options Series today. Accordingly, the Exchange seeks to add Quarterly Options Series to the Rule 804(e)(2) to codify its current practice. The Exchange notes that Phlx Specialists are similarly required to make two-sided markets in Quarterly Options Series.[22]

Rule 804(e)(3)

Currently as set forth in Rule 804(e)(2)(iii), a Competitive Market Maker is required to maintain continuous quotations for 90% of the time the class is open for trading on the Exchange in any options class in which it receives the Preferenced Order pursuant to Supplementary Material .03 to Rule 713. The Exchange now proposes to replace this language with language that more technically defines the quoting obligations of the Competitive Market Maker that receives the Preferenced Order (i.e., Preferred CMM) in new Rule 804(e)(3). The Exchange proposes to add in Rule 804(e)(3) that Preferred CMMs, associated with the same Member, are

[22] See Phlx Rule 1081(c)(ii)(B).

collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Member's assigned options class is open for trading. A Member shall be considered preferenced in an assigned options class once the Member receives a Preferenced Order in any option class in which they are assigned and shall be considered a preferenced for that day in all series for that option class in which it received the Preferenced Order. Notwithstanding the foregoing, a Preferred CMM shall not be required to make two-sided markets pursuant to Rule 804(e)(3) in any Quarterly Options Series, any Adjusted Options Series, and any options series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options.

The Exchange notes that similar to the proposed language for the Competitive Market Maker and Primary Market Maker quoting obligations discussed above, the only change from current practice is to allow the Exchange to announce in advance a higher percentage than the current 90% quoting obligation, which would bring the Exchange's rule in line with Phlx Rule 1081(c)(ii)(C). As discussed above for the Competitive Market Maker and Primary Market Maker quoting obligations, the Exchange believes it may be appropriate to apply a higher standard if doing so would be in the interest of a fair and orderly market.[23] Otherwise, the 90% quoting requirement for Preferred CMMs and the manner in which it is calculated as a percentage of time is not being amended; rather, the Exchange proposes to more specifically express the current quoting obligations as 90% of the cumulative number of seconds rather than 90% of the time the class is open for trading on the Exchange.[24] As noted above for Competitive

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23 See note 12 above.

24 Phlx Rule 1081(c)(ii)(C) similarly sets forth the quoting obligations as a percentage of the cumulative number of seconds.

Market Makers and Primary Market Makers, the two standards are equivalent even though the current rule more generally expresses that the Exchange reviews quoting as a percentage of time. As such, the proposed changes will explicitly state the same standard (expressed in seconds) within the rule text itself.

Adding "associated with the same Member" conforms to Phlx Rule 1081(c)(ii)(C) and also makes clear that the obligation is at the firm level and that all associated Preferred CMMs will be counted in arriving at the calculation for quoting obligations. Furthermore, the proposed language is being added to clarify when a Preferred CMM is considered to be preferenced in an assigned options class, and does not amend the Exchange's current practice. The Exchange, similar to today, will exclude any Quarterly Options Series, any Adjusted Options Series, and any options series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options from the quoting obligations of Preferred CMMs.[25] As discussed above, Supplementary Material .02 to Rule 804 currently provides an exception from the quoting obligations in adjusted options series and any long-term options series for Preferred CMMs. As such, proposed Rule 804(e)(3) makes clear that such Members are not required to make two-sided markets in these options series. In addition, Preferred CMMs are not required to make two-sided markets in Quarterly Options Series today. Accordingly, the Exchange seeks to add Quarterly Options Series to the list of exceptions in proposed Rule 804(e)(3) to codify its current practice.[26]

The Exchange will add in proposed Rule 804(e)(3) similar language for Preferred CMMs as proposed for Competitive Market Makers in Rule 804(e)(1) that Preferred CMMs may choose

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25 This exception is currently set forth in Supplementary Material .02 to Rule 804.

26 Directed SQTs and Directed RSQTs on Phlx are similarly excluded from making two-sided markets in Quarterly Options Series. See Phlx Rule 1081(c)(ii)(C).

to quote such series in addition to regular series in the options class, but such quotations will not be considered when determining whether a Preferred CMM has met the obligation contained in this paragraph (e)(3). This language is currently in Supplementary Material .02 to Rule 804, and applies to the quoting obligations for both Competitive Market Makers and Preferred CMMs. Finally, the Exchange proposes to relocate language from Supplementary Material .02 to Rule 804 into new paragraph (e)(3), with some modifications to update a cross-reference and remove redundant language, as follows: "A Preferred CMM may be preferenced in such series and receive enhanced allocations pursuant to Nasdaq MRX Rule 713, Supplementary Material .03, only if it complies with the heightened 90% quoting requirement contained in this paragraph (e)(3)."

Rule 804(e)(4)

The Exchange proposes to add new rule text at Rule 804(e)(4) to provide the method by which the Exchange will calculate the Market Maker quoting obligations contained in proposed subparagraphs (1) – (3) of Rule 804(e). The Exchange proposes to state that the Exchange will (i) take the total number of seconds the Member disseminates quotes in each assigned options series, excluding, for Competitive Market Makers and Preferred CMMs, Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options; and (ii) divide that time by the eligible total number of seconds each assigned option series in the options class is open for trading that day. Similar to Phlx Rule 1081(c)(ii)(D), the Exchange believes that the addition of this language will bring greater transparency to the manner in which the Exchange calculates the quoting obligation. The Exchange is not amending the manner in which the quoting obligation is calculated; rather the

Exchange is simply adding to the current rule the exact manner in which the Exchange determines the quoting percentage. The Exchange also proposes to add the following in Rule 804(e)(4): "Quoting is not required in every assigned options series." This sentence is not currently in the rule. The added language is not amending the Exchange's current practice; rather the Exchange is clearly stating that quoting is not required in every assigned options series to make clear the current obligation (i.e., the Market Maker is not required to quote every single assigned options series in order to meet its quoting obligations). Also, the Exchange proposes to state: "Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Member." This language is similar to language presently in Supplementary Material .01 to Rule 804[27] and clarifies that the quoting obligations apply to all of the Market Maker's assigned options series collectively, which is how the Exchange applies the quoting obligation today. As such, the proposed language simply conforms the text to Phlx Rule 1081(c)(ii)(D).

Rule 804(e)(5)

The Exchange proposes to adopt a new Rule 804(e)(5) to provide that MRX Regulation may consider exceptions to the above-referenced requirement to quote based on demonstrated legal or regulatory requirements or other mitigating circumstances. This language is similar to language presently in Supplementary Material .01 to Rule 804,[28] but specifies that MRX Regulation (i.e., the Exchange's regulatory department) may consider exceptions to the quoting

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27 The current language provides: "Compliance with this Primary Market Marker quoting requirement and the Competitive Market Maker quoting requirements contained in (e)(2)(iii) above will be applied to all option classes quoted collectively on a daily basis."

28 The current language provides: "The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances."

obligation, which is the case today, and aligns the rule text to Phlx Rule 1081(c)(iii). The Exchange further proposes to add the following rule text to new Rule 804(e)(5): "For purposes of the Exchange's surveillance of Member compliance with this rule, the Exchange will determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve a Member of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Member for failing to meet the quoting obligation each trading day." The proposed rule text is similar to language currently in Supplementary Material .01 to Rule 804,[29] and is merely rephrased to conform to Phlx Rule 1081(c)(iii). As such, the Exchange is not amending the manner in which the surveillance functions today, and the proposed amendments to Rule 804(e)(5) are not substantive in nature.

Rule 804(e)(6)

The Exchange proposes to adopt a new Rule 804(e)(6) that provides: "If a technical failure or limitation of a System of the Exchange prevents a Member from maintaining, or prevents a market maker from communicating to the Exchange, timely and accurate quotes, the Member shall promptly notify the Exchange and the duration of such failure or limitation shall not be included in any of the calculations under this subparagraph (e) with respect to the affected quotes." This language is being relocated from Supplementary Material .01 to Rule 804, and modified to specifically refer to the calculations in proposed subparagraph (e), capitalize "System," which is a defined term, and rephrased to conform to Phlx Rule 1081(c)(iv).

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[29] The current language provides: "Overall compliance with market maker quoting obligations will be determined on a monthly basis. However, the ability of the Exchange to determine compliance on a monthly basis does not: (1) relieve market makers from their obligation to meet daily quoting requirements in Rule 804; and (2) prohibit the Exchange from bringing disciplinary action against a market maker for failure to meet its daily quoting requirements set forth in Rule 804."

Clean-up Changes

The Exchange proposes to delete Supplementary Materials .01 and .02 to Rule 804, and all related cross-references throughout the Rulebook. As explained above, this rule text is being relocated within the proposed rule text with some modifications. Finally, the Exchange proposes to update all cross-references to Rule 804(e) in its Rules to reflect the proposed renumbering and expansion of rules described above.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[30] in general, and furthers the objectives of Section 6(b)(5) of the Act,[31] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that its proposed rule change provides further detail as to the quoting obligations of Market Makers. As discussed above, other than one modification to allow the Exchange to announce in advance a higher percentage of quoting compliance standards, the Exchange is not amending current practice or its current quoting obligations. The Exchange believes that it is consistent with the Act to have the ability to announce a higher percentage in the interest of maintaining a fair and orderly market. As noted above, the Exchange would provide appropriate advance announcement for any such higher percentage, which would then be available on the Exchange's website. Otherwise, the Exchange notes that to the extent that there are rule text changes from the current language, these differences are all to harmonize its rules with Phlx Rule 1081(c) to promote consistency among

30 15 U.S.C. 78f(b).

31 15 U.S.C. 78f(b)(5).

similar rules of the Exchange and its affiliates, or to codify its current practice within the proposed rule text to bring transparency to the Exchange's rulebook.

Specifically, the Exchange believes that replacing "continuous" with "intra-day" throughout the rulebook is consistent with the Act because it more accurately reflects the manner in which Market Makers quote on MRX. Also in the introductory sentence to Rule 804(e), the Exchange is codifying its current practice of excluding intra-day additions of assigned options series from a Market Maker's quoting obligations to make clear that Market Makers would not be responsible for such series on the day it was added. As noted above, for purposes of calculating the quoting obligations, the Exchange counts an intra-day add of a series the following trading day when the options series would be available for a full trading day. The Exchange believes that codifying this current exception within the rule text is consistent with the Act as it will bring transparency to the Exchange's rulebook. The Exchange does not count intra-day adds of options series that were not available for the entire day of trading because the Market Maker would not have the opportunity to trade that particular options series for the entire trading day, and therefore could not have anticipated the impact such intra-day additions would have on the calculation of its quoting obligations. The Exchange also believes that codifying its current practice of excluding Quarterly Options Series from the quoting requirements of Competitive Market Makers and Preferred CMMs will bring clarity to the Exchange's rulebook that quotes in such series will not be considered in determining whether a Competitive Market Maker or Preferred CMM complied with their respective quoting obligations. Similar to the Adjusted Options Series and long-term options series that are currently explicitly listed as exceptions in the rule text, it is the Exchange's understanding that quoting obligations on these often less frequently traded options series impact the risk parameters acceptable to the Market

Makers, and therefore the quoting obligation exceptions (including Quarterly Options Series) are to incentivize Market Makers to continue to seek assignments in these options series and thereby promote liquidity in options classes listed on the Exchange to the benefit of investors and the public interest.

The Exchange is also proposing to explicitly state that a member will be required to meet each market making obligation separately in order to make clear that a Competitive Market Maker, Primary Market Maker, or Preferred CMM will have quoting obligations which may need to be met separately, depending on the role. In addition, the Exchange is expressing each of the current quoting obligations as a percentage of the cumulative number of seconds rather than as a percentage of the time the class is open for trading on the Exchange in order to add more transparency as to the standards by which a Market Maker's quoting obligations are measured. In the same vein, the proposed rule text in Rule 804(e)(4) to describe the exact manner in which the Exchange calculates the quoting obligations by specifying the numerator and denominator calculations, as well as clarifying that quoting is not required in every assigned options series, adds transparency to the Exchange's rulebook, and allows members to better monitor whether they are in compliance with their quoting requirements.

Adding "associated with the same Member" throughout the proposed rule text conforms to Phlx Rule 1081(c)(ii) and adds clarity that the quoting obligations are at the firm level, and that all associated Market Makers will be counted in arriving at the applicable calculation for quoting obligations. Specifically stating that Primary Market Makers are required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any long-term options series codifies what was implicit in the current rule text which required Primary Market Makers to enter continuous quotations in all of the series listed on the Exchange in their assigned

options classes, as further described above. Finally, adding that the Member is considered preferenced for that day in all series for that assigned options class in which it received the Preferenced Order is similarly codifying the Exchange's current practice and will bring more transparency to the Rulebook.

Overall, the Exchange believes that its proposal is consistent with the Act because the proposed rule text protects investors and the public interest by providing clear language that will be utilized on all Nasdaq, Inc.-affiliated options markets for easy comparison by common members that are engaged in market making activities on both the Exchange and its affiliates. As discussed above, the proposed changes will restructure MRX's current rules on Market Maker quoting obligations to conform to rule text used on its affiliate, Phlx. The Exchange further believes that the proposed rule changes would remove impediments to and perfect the mechanism of a free and open market by ensuring that members, regulators and the public can more easily navigate and understand the Exchange's rulebook, thereby avoiding potential confusion.

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 that is not necessary or appropriate in further of the purposes of the Act. The proposal does not impose a burden on competition because the Exchange will continue to uniformly calculate and apply the quoting obligations for all Market Makers. Other than to allow the Exchange to announce in advance a higher percentage of quoting compliance standards, the Exchange's proposal does not modify the current practice or the current quoting obligations on MRX, as further discussed above.

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 Act[32] and subparagraph (f)(6) of Rule 19b-4 thereunder.[33]

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 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:

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32 15 U.S.C. 78s(b)(3)(A)(iii).

33 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.

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-2018-34 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-2018-34. 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-2018-34 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.[34]

Eduardo A. Aleman
Assistant Secretary

[34] 17 CFR 200.30-3(a)(12).

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