



8011-01

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85143; File No. SR-MRX-2019-02]

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Pricing Schedule at Options 7, Section 3

February 14, 2019

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 31, 2019, 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 the Pricing Schedule at Options 7, Section 3, entitled “Regular Order Fees and Rebates.”

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on February 1, 2019.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaqmrxcchwallstreet.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 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 Pricing Schedule at Options 7, Section 3, entitled "Regular Order Fees and Rebates" at Table 2 to (1) amend PIM Fees for Crossing Orders³ for both Penny and Non-Penny Symbols; (2) increase Non-Penny Fees for Responses to Crossing Orders; (3) adopt a letter "(c)" within Options 7, Section 1 for ease of reference to defined terms. The Exchange will describe each amendment below.

³ A "Crossing Order" is an order executed in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Price Improvement Mechanism ("PIM") or submitted as a Qualified Contingent Cross order. For purposes of this Pricing Schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

Fees for Crossing Orders

Today, MRX assesses a Fee for Crossing Orders in Penny and Non-Penny Symbols of \$0.20 per contract for Market Maker,⁴ Non-Nasdaq MRX Market Maker,⁵ Firm Proprietary⁶, Broker-Dealer,⁷ and Professional Customer⁸ orders, and \$0.00 per contract for Priority Customer Orders.⁹ These fees apply to both originating and contra-side orders for all Crossing Orders.

MRX proposes to continue assessing the Fees for Crossing Orders in Table 2 for Penny and Non-Penny Symbols with respect to originating PIM Orders. MRX proposes to assess a Fee for Crossing Orders in all symbols for PIM orders of \$0.05 per contract provided a market participant is on the contra-side of a PIM auction. This fee would apply to all market participants. This fee represents a reduced fee for Market Maker, Non-Nasdaq MRX Market

⁴ A “Market Maker” is a market maker as defined in Nasdaq MRX Rule 100(a)(30). Market Maker fees discussed in this section also apply to Market Maker orders sent to the Exchange by Electronic Access Members.

⁵ 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.

⁶ A “Firm Proprietary” order is an order submitted by a Member for its own proprietary account.

⁷ A “Broker-Dealer” order is an order submitted by a Member for a broker-dealer account that is not its own proprietary account.

⁸ A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

⁹ 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).

Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders (from \$0.20 to \$0.05 per contract) and an increased fee for Priority Customers (from \$0.00 to \$0.05 per contract).¹⁰

Further, MRX proposes to pay a rebate to an originating Priority Customer PIM Order that executes with a response (an order or quote), other than the PIM contra-side order, of \$0.40 per contract in Penny Symbols and \$1.00 per contract in Non-Penny Symbols. The Exchange believes that this proposal will encourage greater participation in PIM auctions.

The Exchange proposes to amend note 1 within the Pricing Schedule at Options 7, Section 3 to add “-side” after the term “contra” in the existing sentence. The Exchange also proposes to add the following text to that sentence, “...except for PIM Orders. With respect to PIM Orders, the Fees for Crossing Orders apply to PIM originating orders, however all market participants on the contra-side of a PIM auction will be assessed a Fee for Crossing Orders of \$0.05 per contract. An originating Priority Customer PIM Order that executes with any response (order or quote), other than the PIM contra-side order, will receive a rebate of \$0.40 per contract in Penny Symbols and \$1.00 per contract in Non-Penny Symbols.”

Fees for Responses to Crossing Orders

Today, MRX assesses a Fee for Responses to Crossing Orders of \$0.50 per contract in Penny Symbols to all market participants and \$0.95 per contract in Non-Penny Symbols to all market participants.

MRX proposes to increase the Fees for Responses to Crossing Orders in Non-Penny Symbols from \$0.95 to \$1.10 per contract for all market participants. No changes are proposed to Penny Symbols for Fees for Responses to Crossing Orders. The Exchange proposes to utilize

¹⁰ MRX is not amending fees with respect to the Facilitation Mechanism, Solicited Order Mechanism, or an order submitted as a Qualified Contingent Cross order or an order executed in the Block Order Mechanism.

the increased rate to offer rebates to Priority Customers who submit PIM Orders as described above.¹¹

Options 7, Section 1

The Exchange proposes to amend Options 7, Section 1 to add a letter “(c)” before certain defined terms for ease of reference.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹³ 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 believes that the proposed changes will attract PIM order flow to MRX, which will create trading opportunities on MRX to the benefit of all Members.

Fees for Crossing Orders

The Exchange believes that its proposal to assess contra-side PIM Orders a reduced Fee for Crossing Orders in both Penny and Non-Penny Symbols of \$0.05 per contract instead of \$0.20 per contract to Market Maker, Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders is reasonable because the Exchange proposes to encourage these market participants to submit a greater amount of order flow to the MRX

¹¹ MRX proposes herein to pay a rebate to an originating Priority Customer PIM Order that executes with any response, other than the PIM contra-side order, of \$0.40 per contract in Penny Symbols and \$1.00 per contract in Non-Penny Symbols.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(4) and (5).

PIM auction. The Exchange believes that it is reasonable to assess Priority Customers an increased \$0.05 per contract Fee for Crossing Orders¹⁴ for contra-side PIM Orders in Penny and Non-Penny Symbols because the Exchange is also offering Priority Customers an opportunity to receive a rebate of \$0.40 per contract in Penny Symbols and \$1.00 per contract in Non-Penny Symbols for any originating Priority Customer PIM Order that executes with any response, other than the PIM contra-side order. As is the case today, Priority Customers will not pay a Fee for Crossing Orders in Penny and Non-Penny Symbols with respect to originating PIM Orders and non-PIM Crossing Order transactions.

The Exchange believes that its proposal to assess contra-side PIM Orders a lower Fee for Crossing Orders in both Penny and Non-Penny Symbols of \$0.05 per contract instead of \$0.20 per contract to Market Maker, Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders is equitable and not unfairly discriminatory because the Exchange will uniformly charge all market participants, except Priority Customers, a lower contra-side Fee for Crossing PIM Orders in Penny and Non-Penny Symbols. While a Priority Customer's contra-side Fee for Crossing PIM Orders will increase from \$0.00 to \$0.05 per contract in both Penny and Non-Penny Symbols, the Priority Customer has an opportunity to receive a rebate of \$0.40 per contract in Penny Symbols and \$1.00 per contract in Non-Penny Symbols for any originating Priority Customer PIM Order that executes with any response, other than the PIM contra-side order. As is the case today, Priority Customers will not pay an originating Fee for PIM Orders. Further, the Exchange notes that Priority Customer interest brings valuable liquidity to the market, which liquidity benefits other market participants. Priority Customer liquidity benefits all market participants by providing more trading

¹⁴ Today, Priority Customers pay no Fee for Crossing Orders (originating or contra-side orders) with respect to PIM transactions in either Penny or Non-Penny Symbols.

opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

Fees for Responses to Crossing Orders

The Exchange believes that its proposal to increase the Non-Penny Symbol Fees for Responses to Crossing Orders from \$0.95 to \$1.10 per contract for all market participants is reasonable because while these fees are increasing the Exchange believes that the fees remain competitive and will continue to attract order flow to the Exchange. Further, the Exchange proposes to utilize the increased rate to offer rebates to Priority Customers who submit PIM Orders as described herein.¹⁵ Priority Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange believes that its proposal to increase the Non-Penny Symbol Fees for Responses to Crossing Orders from \$0.95 to \$1.10 per contract for all market participants is equitable and not unfairly discriminatory because all market participants will be uniformly assessed the increased fee in Non-Penny Symbols.

Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to add a letter "(c)" before certain defined terms is reasonable, equitable and not unfairly discriminatory because this non-substantive amendment merely makes the section easier to reference.

¹⁵ See note 9 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 Exchange's proposal does not impose a burden on inter-market competition because the proposed fee structure for Crossing Orders remains competitive with other options exchanges. MRX 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.

Fees for Crossing Orders

The Exchange believes that its proposal to assess contra-side PIM Orders a lower Fee for Crossing Orders in both Penny and Non-Penny Symbols of \$0.05 per contract instead of \$0.20 per contract to Market Maker, Non-Nasdaq MRX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer orders does not impose a burden on intra-market competition because the Exchange will uniformly pay all market participants, except Priority Customers, a lower contra-side Fee for Crossing PIM Orders in Penny and Non-Penny Symbols. While a Priority Customer's contra-side Fee for Crossing PIM Orders will increase from \$0.00 to \$0.05 per contract in Penny and Non-Penny Symbols, the Priority Customer has an opportunity to receive a rebate of \$0.40 per contract in Penny Symbols and \$1.00 per contract in Non-Penny Symbols for any originating Priority Customer PIM Order that executes with any response, other

than the PIM contra-side order. As is the case today, Priority Customers will not pay an originating Fee for PIM Orders. Further, the Exchange notes that Priority Customer interest brings valuable liquidity to the market, which liquidity benefits other market participants. Priority Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

Fees for Responses to Crossing Orders

The Exchange believes that its proposal to increase the Non-Penny Symbol Fees for Responses to Crossing Orders from \$0.95 to \$1.10 per contract for all market participants does not impose a burden on intra-market competition because all market participants will be uniformly assessed the increased fee in Non-Penny Symbols.

Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to add a letter "(c)" before certain defined terms does not impose an undue burden on intra-market competition because this non-substantive amendment merely makes the section easier to reference.

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.¹⁶ 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2019-02 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.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

All submissions should refer to File Number SR-MRX-2019-02. 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-2019-02 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.¹⁷

Eduardo A. Aleman,

Deputy Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).

[FR Doc. 2019-02904 Filed: 2/20/2019 8:45 am; Publication Date: 2/21/2019]