

Required fields are shown with yellow backgrounds and asterisks.

Filing by Nasdaq GEMX, LLC
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposal to amend the Exchange's Schedule of Fees to amend the pricing related to options overlying NDX and MNX.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Sun Last Name * Kim
 Title * Assistant General Counsel
 E-mail * sun.kim@nasdaq.com
 Telephone * (212) 231-5106 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)
 Executive Vice President and General Counsel

Date 04/25/2017
 By Edward S. Knight
 (Name *)

edward.knight@nasdaq.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq GEMX, LLC (“GEMX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend the Exchange’s Schedule of Fees to amend pricing related to options overlying NDX³ and MNX,⁴ as described further below. While changes to the Schedule of Fees pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on May 1, 2017.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) on August 15, 2016. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ NDX represents options on the Nasdaq 100 Index traded under the symbol NDX (“NDX”).

⁴ MNX represents options on one-tenth the value of the Nasdaq 100 Index traded under the symbol MNX (“MNX”).

Sun Kim
Assistant General Counsel
Nasdaq, Inc.
(212) 231-5106

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The purpose of the proposed rule change is to amend the Exchange's Schedule of Fees to make changes to pricing related to NDX and MNX. The proposed changes are discussed in the following sections.

Fees and Rebates in NDX

The Exchange proposes to amend its Schedule of Fees to make pricing changes related to NDX. The Exchange notes that NDX is transitioning to be exclusively listed on the Exchange and its affiliated markets in 2017.⁵ In light of this transition, the Exchange seeks to amend its NDX pricing structure.

Today, as set forth in Section I of the Schedule of Fees, the Exchange provides volume-based maker rebates to Market Maker⁶ and Priority Customer⁷ orders in Non-

⁵ The Exchange and its affiliates will exclusively list NDX in the near future upon expiration of open expiries in this product on other markets.

⁶ The term Market Maker refers to "Competitive Market Makers" and "Primary Market Makers" collectively. Market Maker orders sent to the Exchange by an Electronic Access Member ("EAM") are assessed fees and rebates at the same level as Market Maker orders.

⁷ 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 GEMX Rule 100(a)(37A).

Penny Symbols⁸ in four tiers based on a member's average daily volume ("ADV") in the following categories: (1) Total Affiliated Member ADV,⁹ and (2) Priority Customer Maker ADV,¹⁰ as shown in the table below.¹¹ In addition, the Exchange charges volume-based taker fees to market participants based on achieving these volume thresholds.

Tier	Total Affiliated Member ADV	Priority Customer Maker ADV
Tier 1	0 – 99,999	0 – 19,999
Tier 2	100,000 – 224,999	20,000 – 99,999
Tier 3	225,000 – 349,999	100,000 – 149,999
Tier 4	350,000 or more	150,000 or more

Specifically, the Exchange provides a maker rebate to Market Maker orders in Non-Penny Symbols that is \$0.40 per contract in Tier 1, \$0.42 per contract in Tier 2, \$0.50 per contract in Tier 3, and \$0.75 per contract in Tier 4. The Exchange also

⁸ "Non-Penny Symbols" are options overlying all symbols excluding Penny Symbols. NDX is a Non-Penny Symbol.

⁹ The Total Affiliated Member ADV category includes all volume in all symbols and order types, including both maker and taker volume and volume executed in the PIM, Facilitation, Solicitation, and QCC mechanisms.

¹⁰ The Priority Customer Maker ADV category includes all Priority Customer volume that adds liquidity in all symbols.

¹¹ 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 each Member's Form BD, Schedule A. The highest tier threshold attained above 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.

provides a maker rebate to Priority Customer orders in Non-Penny Symbols that is \$0.75 per contract in Tier 1 (or \$0.76 per contract for members that execute a Priority Customer Maker ADV of 5,000 to 19,999 contracts in a given month), \$0.80 per contract in Tier 2, \$0.85 per contract in Tier 3, and \$1.05 per contract in Tier 4. Additionally, the Exchange provides a maker rebate to Non-Nasdaq GEMX Market Maker,¹² Firm Proprietary¹³ / Broker-Dealer,¹⁴ and Professional Customer¹⁵ orders in Non-Penny Symbols that is \$0.25 per contract.¹⁶

The Exchange also charges volume-based taker fees in Non-Penny Symbols to market participants based on achieving the volume thresholds in the table above. Currently, the Exchange charges a taker fee for Non-Priority Customer¹⁷ orders in Non-Penny Symbols that is \$0.89 per contract, regardless of the tier achieved.¹⁸ The

¹² A “Non-Nasdaq GEMX 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.

¹³ A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

¹⁴ A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

¹⁵ A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

¹⁶ The maker rebates for these market participants are not volume-based.

¹⁷ Non-Priority Customer includes Market Maker, Non-Nasdaq GEMX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer.

¹⁸ Non-Priority Customer orders are also charged the taker fee for trades executed during the opening rotation. Priority Customer orders executed during the opening rotation receive the applicable maker rebate based on the tier achieved.

Exchange also charges a taker fee for Priority Customer orders that is \$0.82 per contract for Tier 1 and \$0.81 per contract for Tiers 2 through 4.

In addition, different taker fees are charged for trades executed against a Priority Customer in Non-Penny Symbols. In particular, Non-Priority Customer orders are charged a taker fee of \$1.10 per contract for trades executed against a Priority Customer. Priority Customer orders are charged a taker fee of \$0.85 per contract for trades executed against a Priority Customer. Orders in Non-Penny Symbols that do not trade against a Priority Customer are currently charged at the rates described in the paragraph above and as set forth in the Non-Penny Symbols table in Section I of the Schedule of Fees.

The Exchange also currently assesses different fees for regular Non-Penny Symbol orders executed in the Exchange's crossing mechanisms, as set forth in Schedule I of the Schedule of Fees (such orders, "Auction Orders"). Specifically, the Exchange charges a fee for Non-Priority Customer Crossing Orders¹⁹ (excluding PIM orders) in Non-Penny Symbols. This fee is currently \$0.20 per contract for Non-Priority Customer orders on both the originating and contra side of a Crossing Order. The Exchange does not assess a fee for Priority Customer Crossing Orders (excluding PIM orders) in Non-Penny Symbols. The Exchange also charges a separate fee for Crossing Orders in Non-Penny Symbols for PIM orders only. This fee is currently \$0.05 per contract for all Non-Priority Customer orders executed in the PIM, and also for Priority Customer orders on the contra-side of a PIM auction. There is no fee for Priority Customer orders on the

¹⁹ 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 Fee Schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

agency side of a PIM auction. Lastly, for Responses to Crossing Orders²⁰ (excluding PIM orders) in Non-Penny Symbols, the Exchange charges a fee of \$0.89 per contract for Non-Priority Customers orders and a fee of \$0.82 per contract for Priority Customer orders. For all Responses to Crossing Orders executed in the PIM, the Exchange charges a \$0.05 per contract fee for all market participant types.

In light of NDX's transition to becoming exclusively listed, the Exchange seeks to amend its pricing structure. Specifically, the Exchange seeks to eliminate the current pricing structure for NDX by excluding this index option from the fees and rebates applicable to all Non-Penny Symbol orders, and instead adopt standard transaction fees as set forth in a new table in Section I of the Schedule of Fees.²¹ The Exchange also seeks to eliminate the maker rebates for all market participant orders in NDX.²² As such,

²⁰ "Responses to Crossing Order" is any contra-side interest (i.e., orders & quotes) submitted after the commencement of an auction in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Block Order Mechanism or PIM.

²¹ The Exchange will therefore add note 6 in Section I of the Schedule of Fees to provide that the fees set forth in the new pricing table for index options will apply only to NDX. Furthermore, note 6 will state that these fees are assessed to all executions in NDX to clarify that the proposing pricing also applies to Auction Orders in NDX.

²² Orders in NDX will continue, however, to count toward volume-based tiers under the proposed pricing structure. As such, maker rebates will no longer be paid on NDX contracts, but NDX contracts will count toward the volume requirement to qualify for a rebate tier. For example, a Market Maker that executes a Total Affiliated Member ADV of 350,000 contracts in a given month would normally qualify for the maker rebate of \$0.75 per contract in Tier 4. With the proposed changes, that Market Maker would not be paid a maker rebate for trades in NDX, but its executions in NDX would still count towards the monthly volume calculation (i.e., to reach the Total Affiliated Member ADV Tier 4 threshold of 350,000 contracts).

all Non-Priority Customer orders²³ in NDX (including Non-Priority Customer Auction Orders) will be assessed a transaction fee of \$0.75, which will be uniform for these market participants, regardless of the tier achieved.²⁴ All Priority Customer orders in NDX (including Priority Customer Auction Orders) will not be assessed fees in any of the volume-based tiers.²⁵

Non-Priority Customer License Surcharge for NDX and MNX

Currently, a number of index options are traded on the Exchange pursuant to license agreements for which the Exchange charges license surcharges. As set forth in Section II.B of the Schedule of Fees, the Exchange currently charges a \$0.22 per contract license surcharge for all orders in NDX and MNX other than Priority Customer orders. For NDX only, the Exchange is proposing to amend Section II.B of the Schedule of Fees to increase the Non-Priority Customer License Surcharge from \$0.22 to \$0.25 per contract (“NDX Surcharge”), and to relocate the NDX Surcharge to note 9 in Section I of the Schedule of Fees, instead of stating the pricing within the current table in Section II.B of the Schedule of Fees. The proposed increase to \$0.25 per contract will align the

²³ Market Maker orders in NDX sent to the Exchange by an EAM will continue to be assessed fees at the same level as Market Maker orders in NDX.

²⁴ The Exchange will therefore add note 10 in Section I of the Schedule of Fees to provide that this fee will not be subject to tier discounts. Orders in NDX, however, will still count toward volume-based tiers. For example, a Market Maker that executes a Total Affiliated Member ADV of 350,000 contracts in a given month would normally be charged a taker fee of \$0.89 per contract for orders in Non-Penny Symbols. With the proposed changes, that Market Maker would pay a fee of \$0.75 for trades in NDX, regardless of the tier achieved. That Market Maker’s executions in NDX, however, would still be counted towards the monthly volume calculation (i.e., to reach the Total Affiliated Member ADV Tier 4 threshold of 350,000 contracts). See also note 22 above.

²⁵ See notes 22 and 24 above.

Exchange's NDX Surcharge with those of its affiliated markets, International Securities Exchange, LLC ("ISE") and NASDAQ PHLX LLC ("Phlx").²⁶

As it relates to MNX, the Exchange seeks to eliminate the \$0.22 Non-Priority Customer License Surcharge ("MNX Surcharge"), and proposes to remove any references to MNX currently in Section II.B of the Schedule of Fees.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁷ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,²⁸ 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 Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."²⁹

²⁶ See ISE's Schedule of Fees, Section IV.B. See also Phlx's Pricing Schedule, Section II.

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(4) and (5).

²⁹ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) ("Regulation NMS Adopting Release").

Likewise, in NetCoalition v. Securities and Exchange Commission³⁰ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.³¹ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”³²

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’....”³³ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

Fees and Rebates in NDX

The Exchange believes that the proposed pricing changes for NDX are reasonable, equitable and not unfairly discriminatory as NDX transitions to an exclusively-listed product. Similar to other proprietary products, the Exchange seeks to

³⁰ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

³¹ See NetCoalition, at 534 - 535.

³² Id. at 537.

³³ Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

recoup the operational costs for listing proprietary products.³⁴ Also, pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in particular products. Other options exchanges price by symbol.³⁵ Further, the Exchange notes that with its products, market participants are offered an opportunity to either transact options overlying NDX or separately execute options overlying PowerShares QQQ Trust (“QQQ”).³⁶ Offering products such as QQQ provides market participants with a variety of choices in selecting the product they desire to utilize to transact NDX.³⁷ When exchanges are able to recoup costs associated with offering proprietary products, it incentivizes growth and competition for the innovation of additional products.

As proposed, the Exchange seeks to eliminate the existing fee and rebate structure for NDX orders, and instead adopt standard transaction fees for all such orders. Specifically, the proposed pricing changes for NDX will result in a flat fee of \$0.75 per contract for all Non-Priority Customer NDX orders (including Non-Priority Customer Auction Orders), and no fees for any Priority Customer NDX orders (including Priority

³⁴ By way of example, in analyzing an obvious error, the Exchange would have additional data points available in establishing a theoretical price for a multiply listed option as compared to a proprietary product, which requires additional analysis and administrative time to comply with Exchange rules to resolve an obvious error.

³⁵ See pricing for Russell 2000 Index (“RUT”) on Chicago Board Options Exchange, Incorporated’s (“CBOE”) Fees Schedule.

³⁶ QQQ is an exchange-traded fund based on the Nasdaq-100 Index®.

³⁷ By comparison, a market participant may trade options overlying RUT or separately the market participant has the choice of trading iShares Russell 2000 Index Fund (“IWM”) Exchange-Traded Fund Shares options, which are also multiply listed.

Customer Auction Orders). The Exchange believes that it is reasonable to eliminate the maker rebates for all market participant orders in NDX because it is similar to other exchanges, which do not provide rebates for certain proprietary products. On Phlx, no rebates are paid on NDX contracts.³⁸ Additionally, C2 Options Exchange, Inc. (“C2”) does not provide any rebates for RUT, which is another broad-based index option and similar proprietary product.³⁹ Furthermore, the Exchange believes that it is reasonable to eliminate the maker rebate for Priority Customer orders in NDX because even after the elimination of the rebate, Priority Customer orders (including Priority Customer Auction Orders) in NDX will not be assessed any fees under the proposed pricing structure.

Further, the Exchange’s proposal to eliminate the maker rebates for all market participant orders in NDX is an equitable allocation and is not unfairly discriminatory because the Exchange will eliminate the rebate for all similarly-situated market participant types. As noted above, the Exchange believes it is equitable and not unfairly discriminatory to eliminate the rebate for Priority Customer orders as well because these orders (including Priority Customer Auction Orders) will no longer be assessed any fees under the proposed pricing structure.

The proposed pricing changes for NDX will result in a uniform fee of \$0.75 per contract for all Non-Priority Customer orders (including Non-Priority Customer Auction Orders), and no fees for all Priority Customer orders (including Priority Customer Auction Orders). While the proposed \$0.75 transaction fee for all Non-Priority Customer NDX orders is higher than the current fees assessed to all Non-Priority Customer

³⁸ See Phlx’s Pricing Schedule, Section B.

³⁹ See pricing for RUT on C2’s Fees Schedule.

Crossing Orders and PIM orders in Non-Penny Symbols (including NDX), the Exchange believes that the proposed pricing for NDX is reasonable because the increased fees in those categories are offset by decreased fees proposed in other categories. In particular, the proposed \$0.75 fee is lower than the existing taker fees and existing fees for Responses to Crossing Orders (excluding PIM), in both cases currently assessed to all market participant orders in Non-Penny Symbols (including NDX). Additionally, as it relates to all Non-Priority Customers other than Market Makers, the increased fee amounts for Non-Priority Customer Crossing Orders and PIM orders in NDX are reasonable because the total fee of \$1.00 per contract under the Exchange's proposal is comparable to the total amounts charged for similar proprietary products on other exchanges. For example, C2 charges all market participants other than public customers and C2 market makers a \$0.55 transaction fee and a \$0.45 index license surcharge fee in RUT, for a total of \$1.00.⁴⁰

Furthermore, the proposed uniform \$0.75 per contract fee for Non-Priority Customer orders in NDX is reasonable because it is in line with Phlx's \$0.75 per contract options transaction charge in NDX assessed to all electronic market participant orders other than customer orders.⁴¹ Finally, the Exchange will not charge a transaction fee for any regular Priority Customer orders in NDX, which also is in line with Phlx, where customers are not charged an options transaction charge in NDX.⁴²

⁴⁰ See C2's Fees Schedule, Section 1C. As it relates to the market participants noted above, C2 applies the \$0.55 transaction fee to all executions in RUT other than trades on the open.

⁴¹ See Phlx's Pricing Schedule, Section II.

⁴² Id.

The Exchange's proposed \$0.75 per contract fee for all Non-Priority Customer orders in NDX is also equitable and not unfairly discriminatory because the Exchange will uniformly assess a \$0.75 per contract fee for all such market participant orders. The Exchange believes it is equitable and not unfairly discriminatory to assess this fee on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

Non-Priority Customer License Surcharge for NDX and MNX

The Exchange believes that its proposal to increase the NDX Surcharge from \$0.22 to \$0.25 is reasonable because it is in line with the options surcharge of \$0.25 for NDX transactions on ISE and Phlx, and is in fact lower than the \$0.45 C2 Options Exchange surcharge applicable to non-public customer transactions in RUT.⁴³

The Exchange believes that its proposal to increase the NDX Surcharge is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the increase to all similarly-situated members. The Exchange believes it is equitable and not unfairly discriminatory to assess this increased surcharge on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

Furthermore, the Exchange believes that its proposal to remove any references to MNX in Section II.B of the Schedule of Fees is reasonable because the Exchange seeks to eliminate the \$0.22 MNX Surcharge. The Exchange's proposal to remove references

⁴³ See C2's Fees Schedule, Section 1D.

to the MNX Surcharge is also equitable and not unfairly discriminatory because the Exchange will eliminate the surcharge for all similarly-situated members.

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

The Exchange does not believe that the proposed rule change will impose any burden on inter-market or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it 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 and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to 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.

In terms of intra-market competition, the proposed changes to adopt separate pricing for orders in NDX will result in total fees for orders in NDX becoming more uniform across all classes of market participants, while still permitting Priority Customers to transact in NDX free of any transaction charge. Likewise, the increase in the NDX Surcharge will impact all Non-Priority Customers equally, and is designed to raise revenue for the Exchange without negatively impacting Priority Customers whose orders may enhance market quality for all Exchange members. Removing the maker rebate will also enhance the Exchange's ability to offer other rebates or reduced fees that could

incentivize behavior that would enhance market quality on the Exchange, which would benefit all members.⁴⁴ Finally, the Exchange’s proposal to remove any references to MNX from Section II.B of the Schedule of Fees will not have an impact on competition as it is simply designed to eliminate the MNX Surcharge for all Non-Priority Customers. Lastly, it is also important to note that notwithstanding the proposed fee changes to NDX, members may continue to separately execute options overlying PowerShares QQQ Trust (“QQQ”).⁴⁵

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,⁴⁶ the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

⁴⁴ The Exchange offers rebates to market participants to encourage behavior on the Exchange such as adding more liquidity in a certain product.

⁴⁵ By comparison, a market participant may trade options overlying RUT or separately the market participant has the choice of trading iShares Russell 2000 Index Fund (“IWM”) Exchange-Traded Fund Shares options, which are also multiply listed.

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

While changes to the Schedule of Fees pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on May 1, 2017.

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.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-GEMX-2017-05)

April __, 2017

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Schedule of Fees to amend pricing related to options overlying NDX and MNX

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 April 25, 2017, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 amend the Exchange’s Schedule of Fees to amend pricing related to options overlying NDX³ and MNX,⁴ as described further below. While changes to the Schedule of Fees pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on May 1, 2017.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ NDX represents options on the Nasdaq 100 Index traded under the symbol NDX (“NDX”).

⁴ MNX represents options on one-tenth the value of the Nasdaq 100 Index traded under the symbol MNX (“MNX”).

The text of the proposed rule change is available on the Exchange's Website at www.ise.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the 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 Exchange's Schedule of Fees to make changes to pricing related to NDX and MNX. The proposed changes are discussed in the following sections.

Fees and Rebates in NDX

The Exchange proposes to amend its Schedule of Fees to make pricing changes related to NDX. The Exchange notes that NDX is transitioning to be exclusively listed on the Exchange and its affiliated markets in 2017.⁵ In light of this transition, the Exchange seeks to amend its NDX pricing structure.

⁵ The Exchange and its affiliates will exclusively list NDX in the near future upon expiration of open expiries in this product on other markets.

Today, as set forth in Section I of the Schedule of Fees, the Exchange provides volume-based maker rebates to Market Maker⁶ and Priority Customer⁷ orders in Non-Penny Symbols⁸ in four tiers based on a member's average daily volume ("ADV") in the following categories: (1) Total Affiliated Member ADV,⁹ and (2) Priority Customer Maker ADV,¹⁰ as shown in the table below.¹¹ In addition, the Exchange charges volume-based taker fees to market participants based on achieving these volume thresholds.

Table 1		
Tier	Total Affiliated Member ADV	Priority Customer Maker ADV
Tier 1	0 – 99,999	0 – 19,999

- ⁶ The term Market Maker refers to "Competitive Market Makers" and "Primary Market Makers" collectively. Market Maker orders sent to the Exchange by an Electronic Access Member ("EAM") are assessed fees and rebates at the same level as Market Maker orders.
- ⁷ 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 GEMX Rule 100(a)(37A).
- ⁸ "Non-Penny Symbols" are options overlying all symbols excluding Penny Symbols. NDX is a Non-Penny Symbol.
- ⁹ The Total Affiliated Member ADV category includes all volume in all symbols and order types, including both maker and taker volume and volume executed in the PIM, Facilitation, Solicitation, and QCC mechanisms.
- ¹⁰ The Priority Customer Maker ADV category includes all Priority Customer volume that adds liquidity in all symbols.
- ¹¹ 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 each Member's Form BD, Schedule A. The highest tier threshold attained above 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.

Tier 2	100,000 – 224,999	20,000 – 99,999
Tier 3	225,000 – 349,999	100,000 – 149,999
Tier 4	350,000 or more	150,000 or more

Specifically, the Exchange provides a maker rebate to Market Maker orders in Non-Penny Symbols that is \$0.40 per contract in Tier 1, \$0.42 per contract in Tier 2, \$0.50 per contract in Tier 3, and \$0.75 per contract in Tier 4. The Exchange also provides a maker rebate to Priority Customer orders in Non-Penny Symbols that is \$0.75 per contract in Tier 1 (or \$0.76 per contract for members that execute a Priority Customer Maker ADV of 5,000 to 19,999 contracts in a given month), \$0.80 per contract in Tier 2, \$0.85 per contract in Tier 3, and \$1.05 per contract in Tier 4. Additionally, the Exchange provides a maker rebate to Non-Nasdaq GEMX Market Maker,¹² Firm Proprietary¹³ / Broker-Dealer,¹⁴ and Professional Customer¹⁵ orders in Non-Penny Symbols that is \$0.25 per contract.¹⁶

The Exchange also charges volume-based taker fees in Non-Penny Symbols to market participants based on achieving the volume thresholds in the table above.

¹² A “Non-Nasdaq GEMX 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.

¹³ A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

¹⁴ A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

¹⁵ A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

¹⁶ The maker rebates for these market participants are not volume-based.

Currently, the Exchange charges a taker fee for Non-Priority Customer¹⁷ orders in Non-Penny Symbols that is \$0.89 per contract, regardless of the tier achieved.¹⁸ The Exchange also charges a taker fee for Priority Customer orders that is \$0.82 per contract for Tier 1 and \$0.81 per contract for Tiers 2 through 4.

In addition, different taker fees are charged for trades executed against a Priority Customer in Non-Penny Symbols. In particular, Non-Priority Customer orders are charged a taker fee of \$1.10 per contract for trades executed against a Priority Customer. Priority Customer orders are charged a taker fee of \$0.85 per contract for trades executed against a Priority Customer. Orders in Non-Penny Symbols that do not trade against a Priority Customer are currently charged at the rates described in the paragraph above and as set forth in the Non-Penny Symbols table in Section I of the Schedule of Fees.

The Exchange also currently assesses different fees for regular Non-Penny Symbol orders executed in the Exchange's crossing mechanisms, as set forth in Schedule I of the Schedule of Fees (such orders, "Auction Orders"). Specifically, the Exchange charges a fee for Non-Priority Customer Crossing Orders¹⁹ (excluding PIM orders) in Non-Penny Symbols. This fee is currently \$0.20 per contract for Non-Priority Customer orders on both the originating and contra side of a Crossing Order. The Exchange does

¹⁷ Non-Priority Customer includes Market Maker, Non-Nasdaq GEMX Market Maker, Firm Proprietary, Broker-Dealer, and Professional Customer.

¹⁸ Non-Priority Customer orders are also charged the taker fee for trades executed during the opening rotation. Priority Customer orders executed during the opening rotation receive the applicable maker rebate based on the tier achieved.

¹⁹ 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 Fee Schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

not assess a fee for Priority Customer Crossing Orders (excluding PIM orders) in Non-Penny Symbols. The Exchange also charges a separate fee for Crossing Orders in Non-Penny Symbols for PIM orders only. This fee is currently \$0.05 per contract for all Non-Priority Customer orders executed in the PIM, and also for Priority Customer orders on the contra-side of a PIM auction. There is no fee for Priority Customer orders on the agency side of a PIM auction. Lastly, for Responses to Crossing Orders²⁰ (excluding PIM orders) in Non-Penny Symbols, the Exchange charges a fee of \$0.89 per contract for Non-Priority Customers orders and a fee of \$0.82 per contract for Priority Customer orders. For all Responses to Crossing Orders executed in the PIM, the Exchange charges a \$0.05 per contract fee for all market participant types.

In light of NDX's transition to becoming exclusively listed, the Exchange seeks to amend its pricing structure. Specifically, the Exchange seeks to eliminate the current pricing structure for NDX by excluding this index option from the fees and rebates applicable to all Non-Penny Symbol orders, and instead adopt standard transaction fees as set forth in a new table in Section I of the Schedule of Fees.²¹ The Exchange also seeks to eliminate the maker rebates for all market participant orders in NDX.²² As such,

²⁰ "Responses to Crossing Order" is any contra-side interest (i.e., orders & quotes) submitted after the commencement of an auction in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Block Order Mechanism or PIM.

²¹ The Exchange will therefore add note 6 in Section I of the Schedule of Fees to provide that the fees set forth in the new pricing table for index options will apply only to NDX. Furthermore, note 6 will state that these fees are assessed to all executions in NDX to clarify that the proposing pricing also applies to Auction Orders in NDX.

²² Orders in NDX will continue, however, to count toward volume-based tiers under the proposed pricing structure. As such, maker rebates will no longer be paid on NDX contracts, but NDX contracts will count toward the volume requirement to qualify for a rebate tier. For example, a Market Maker that executes a Total

all Non-Priority Customer orders²³ in NDX (including Non-Priority Customer Auction Orders) will be assessed a transaction fee of \$0.75, which will be uniform for these market participants, regardless of the tier achieved.²⁴ All Priority Customer orders in NDX (including Priority Customer Auction Orders) will not be assessed fees in any of the volume-based tiers.²⁵

Non-Priority Customer License Surcharge for NDX and MNX

Currently, a number of index options are traded on the Exchange pursuant to license agreements for which the Exchange charges license surcharges. As set forth in Section II.B of the Schedule of Fees, the Exchange currently charges a \$0.22 per contract license surcharge for all orders in NDX and MNX other than Priority Customer orders. For NDX only, the Exchange is proposing to amend Section II.B of the Schedule of Fees

Affiliated Member ADV of 350,000 contracts in a given month would normally qualify for the maker rebate of \$0.75 per contract in Tier 4. With the proposed changes, that Market Maker would not be paid a maker rebate for trades in NDX, but its executions in NDX would still count towards the monthly volume calculation (i.e., to reach the Total Affiliated Member ADV Tier 4 threshold of 350,000 contracts).

²³ Market Maker orders in NDX sent to the Exchange by an EAM will continue to be assessed fees at the same level as Market Maker orders in NDX.

²⁴ The Exchange will therefore add note 10 in Section I of the Schedule of Fees to provide that this fee will not be subject to tier discounts. Orders in NDX, however, will still count toward volume-based tiers. For example, a Market Maker that executes a Total Affiliated Member ADV of 350,000 contracts in a given month would normally be charged a taker fee of \$0.89 per contract for orders in Non-Penny Symbols. With the proposed changes, that Market Maker would pay a fee of \$0.75 for trades in NDX, regardless of the tier achieved. That Market Maker's executions in NDX, however, would still be counted towards the monthly volume calculation (i.e., to reach the Total Affiliated Member ADV Tier 4 threshold of 350,000 contracts). See also note 22 above.

²⁵ See notes 22 and 24 above.

to increase the Non-Priority Customer License Surcharge from \$0.22 to \$0.25 per contract (“NDX Surcharge”), and to relocate the NDX Surcharge to note 9 in Section I of the Schedule of Fees, instead of stating the pricing within the current table in Section II.B of the Schedule of Fees. The proposed increase to \$0.25 per contract will align the Exchange’s NDX Surcharge with those of its affiliated markets, International Securities Exchange, LLC (“ISE”) and NASDAQ PHLX LLC (“Phlx”).²⁶

As it relates to MNX, the Exchange seeks to eliminate the \$0.22 Non-Priority Customer License Surcharge (“MNX Surcharge”), and proposes to remove any references to MNX currently in Section II.B of the Schedule of Fees.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁷ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,²⁸ 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 Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the

²⁶ See ISE’s Schedule of Fees, Section IV.B. See also Phlx’s Pricing Schedule, Section II.

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(4) and (5).

market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”²⁹

Likewise, in NetCoalition v. Securities and Exchange Commission³⁰ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.³¹ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”³²

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”³³ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

²⁹ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

³⁰ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

³¹ See NetCoalition, at 534 - 535.

³² Id. at 537.

³³ Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

Fees and Rebates in NDX

The Exchange believes that the proposed pricing changes for NDX are reasonable, equitable and not unfairly discriminatory as NDX transitions to an exclusively-listed product. Similar to other proprietary products, the Exchange seeks to recoup the operational costs for listing proprietary products.³⁴ Also, pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in particular products. Other options exchanges price by symbol.³⁵ Further, the Exchange notes that with its products, market participants are offered an opportunity to either transact options overlying NDX or separately execute options overlying PowerShares QQQ Trust (“QQQ”).³⁶ Offering products such as QQQ provides market participants with a variety of choices in selecting the product they desire to utilize to transact NDX.³⁷ When exchanges are able to recoup costs associated with offering proprietary products, it incentivizes growth and competition for the innovation of additional products.

³⁴ By way of example, in analyzing an obvious error, the Exchange would have additional data points available in establishing a theoretical price for a multiply listed option as compared to a proprietary product, which requires additional analysis and administrative time to comply with Exchange rules to resolve an obvious error.

³⁵ See pricing for Russell 2000 Index (“RUT”) on Chicago Board Options Exchange, Incorporated’s (“CBOE”) Fees Schedule.

³⁶ QQQ is an exchange-traded fund based on the Nasdaq-100 Index®.

³⁷ By comparison, a market participant may trade options overlying RUT or separately the market participant has the choice of trading iShares Russell 2000 Index Fund (“IWM”) Exchange-Traded Fund Shares options, which are also multiply listed.

As proposed, the Exchange seeks to eliminate the existing fee and rebate structure for NDX orders, and instead adopt standard transaction fees for all such orders. Specifically, the proposed pricing changes for NDX will result in a flat fee of \$0.75 per contract for all Non-Priority Customer NDX orders (including Non-Priority Customer Auction Orders), and no fees for any Priority Customer NDX orders (including Priority Customer Auction Orders). The Exchange believes that it is reasonable to eliminate the maker rebates for all market participant orders in NDX because it is similar to other exchanges, which do not provide rebates for certain proprietary products. On Phlx, no rebates are paid on NDX contracts.³⁸ Additionally, C2 Options Exchange, Inc. (“C2”) does not provide any rebates for RUT, which is another broad-based index option and similar proprietary product.³⁹ Furthermore, the Exchange believes that it is reasonable to eliminate the maker rebate for Priority Customer orders in NDX because even after the elimination of the rebate, Priority Customer orders (including Priority Customer Auction Orders) in NDX will not be assessed any fees under the proposed pricing structure.

Further, the Exchange’s proposal to eliminate the maker rebates for all market participant orders in NDX is an equitable allocation and is not unfairly discriminatory because the Exchange will eliminate the rebate for all similarly-situated market participant types. As noted above, the Exchange believes it is equitable and not unfairly discriminatory to eliminate the rebate for Priority Customer orders as well because these orders (including Priority Customer Auction Orders) will no longer be assessed any fees under the proposed pricing structure.

³⁸ See Phlx’s Pricing Schedule, Section B.

³⁹ See pricing for RUT on C2’s Fees Schedule.

The proposed pricing changes for NDX will result in a uniform fee of \$0.75 per contract for all Non-Priority Customer orders (including Non-Priority Customer Auction Orders), and no fees for all Priority Customer orders (including Priority Customer Auction Orders). While the proposed \$0.75 transaction fee for all Non-Priority Customer NDX orders is higher than the current fees assessed to all Non-Priority Customer Crossing Orders and PIM orders in Non-Penny Symbols (including NDX), the Exchange believes that the proposed pricing for NDX is reasonable because the increased fees in those categories are offset by decreased fees proposed in other categories. In particular, the proposed \$0.75 fee is lower than the existing taker fees and existing fees for Responses to Crossing Orders (excluding PIM), in both cases currently assessed to all market participant orders in Non-Penny Symbols (including NDX). Additionally, as it relates to all Non-Priority Customers other than Market Makers, the increased fee amounts for Non-Priority Customer Crossing Orders and PIM orders in NDX are reasonable because the total fee of \$1.00 per contract under the Exchange's proposal is comparable to the total amounts charged for similar proprietary products on other exchanges. For example, C2 charges all market participants other than public customers and C2 market makers a \$0.55 transaction fee and a \$0.45 index license surcharge fee in RUT, for a total of \$1.00.⁴⁰

Furthermore, the proposed uniform \$0.75 per contract fee for Non-Priority Customer orders in NDX is reasonable because it is in line with Phlx's \$0.75 per contract options transaction charge in NDX assessed to all electronic market participant orders

⁴⁰ See C2's Fees Schedule, Section 1C. As it relates to the market participants noted above, C2 applies the \$0.55 transaction fee to all executions in RUT other than trades on the open.

other than customer orders.⁴¹ Finally, the Exchange will not charge a transaction fee for any regular Priority Customer orders in NDX, which also is in line with Phlx, where customers are not charged an options transaction charge in NDX.⁴²

The Exchange's proposed \$0.75 per contract fee for all Non-Priority Customer orders in NDX is also equitable and not unfairly discriminatory because the Exchange will uniformly assess a \$0.75 per contract fee for all such market participant orders. The Exchange believes it is equitable and not unfairly discriminatory to assess this fee on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

Non-Priority Customer License Surcharge for NDX and MNX

The Exchange believes that its proposal to increase the NDX Surcharge from \$0.22 to \$0.25 is reasonable because it is in line with the options surcharge of \$0.25 for NDX transactions on ISE and Phlx, and is in fact lower than the \$0.45 C2 Options Exchange surcharge applicable to non-public customer transactions in RUT.⁴³

The Exchange believes that its proposal to increase the NDX Surcharge is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the increase to all similarly-situated members. The Exchange believes it is equitable and not unfairly discriminatory to assess this increased surcharge on all participants except Priority Customers because the Exchange seeks to encourage Priority Customer order

⁴¹ See Phlx's Pricing Schedule, Section II.

⁴² Id.

⁴³ See C2's Fees Schedule, Section 1D.

flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

Furthermore, the Exchange believes that its proposal to remove any references to MNX in Section II.B of the Schedule of Fees is reasonable because the Exchange seeks to eliminate the \$0.22 MNX Surcharge. The Exchange's proposal to remove references to the MNX Surcharge is also equitable and not unfairly discriminatory because the Exchange will eliminate the surcharge for all similarly-situated members.

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 inter-market or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it 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 and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to 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.

In terms of intra-market competition, the proposed changes to adopt separate pricing for orders in NDX will result in total fees for orders in NDX becoming more

uniform across all classes of market participants, while still permitting Priority Customers to transact in NDX free of any transaction charge. Likewise, the increase in the NDX Surcharge will impact all Non-Priority Customers equally, and is designed to raise revenue for the Exchange without negatively impacting Priority Customers whose orders may enhance market quality for all Exchange members. Removing the maker rebate will also enhance the Exchange's ability to offer other rebates or reduced fees that could incentivize behavior that would enhance market quality on the Exchange, which would benefit all members.⁴⁴ Finally, the Exchange's proposal to remove any references to MNX from Section II.B of the Schedule of Fees will not have an impact on competition as it is simply designed to eliminate the MNX Surcharge for all Non-Priority Customers. Lastly, it is also important to note that notwithstanding the proposed fee changes to NDX, members may continue to separately execute options overlying PowerShares QQQ Trust ("QQQ").⁴⁵

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.

⁴⁴ The Exchange offers rebates to market participants to encourage behavior on the Exchange such as adding more liquidity in a certain product.

⁴⁵ By comparison, a market participant may trade options overlying RUT or separately the market participant has the choice of trading iShares Russell 2000 Index Fund ("IWM") Exchange-Traded Fund Shares options, which are also multiply listed.

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.⁴⁶ 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-GEMX-2017-05 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-GEMX-2017-05. This file number should be included on the subject line if e-mail is used. To help the Commission

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site

<http://www.sec.gov/rules/sro.shtml>.

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-GEMX-2017-05 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.⁴⁷

Robert W. Errett
Deputy Secretary

⁴⁷ 17 CFR 200.30-3(a)(12).

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**Nasdaq GEMX
Schedule of Fees**

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Table of Contents

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II. Other Options Fees and Rebates

A. Route-Out Fees

[B. Non-Priority Customer License Surcharge for Index Options]

* * * * *

I. Regular Order Fees and Rebates

Penny Symbols and SPY

Market Participant	Maker Rebate: Tier 1	Maker Rebate: Tier 2	Maker Rebate: Tier 3	Maker Rebate: Tier 4	Taker Fee: Tier 1⁽⁴⁾⁽¹³⁾	Taker Fee: Tier 2⁽⁴⁾⁽¹³⁾	Taker Fee: Tier 3⁽⁴⁾⁽¹³⁾	Taker Fee: Tier 4⁽⁴⁾⁽¹³⁾	Fee for Crossing Orders (excluding PIM)⁽¹⁾⁽¹¹⁾	Fee for Responses to Crossing Orders (excluding PIM)⁽¹²⁾
Market Maker ⁽²⁾⁽³⁾⁽⁵⁾	(\$0.30)	(\$0.32)	(\$0.34)	(\$0.45)	\$0.49	\$0.49	\$0.49	\$0.48	\$0.20	\$0.49
Non-Nasdaq GEMX Market Maker (FarMM) ⁽³⁾	(\$0.25)	n/a	n/a	n/a	\$0.49	\$0.49	\$0.49	\$0.48	\$0.20	\$0.49
Firm Proprietary / Broker-Dealer ⁽³⁾	(\$0.25)	n/a	n/a	n/a	\$0.49	\$0.49	\$0.49	\$0.49	\$0.20	\$0.49
Professional Customer ⁽³⁾	(\$0.25)	n/a	n/a	n/a	\$0.49	\$0.49	\$0.49	\$0.49	\$0.20	\$0.49
Priority Customer ⁽³⁾⁽⁵⁾	(\$0.25) ⁽⁷⁾	(\$0.40)	(\$0.48)	(\$0.53)	\$0.48	\$0.47	\$0.47	\$0.45	\$0.00	\$0.45

Non-Penny Symbols (Excluding Index Options)⁽⁶⁾

Market Participant	Maker Rebate: Tier 1	Maker Rebate: Tier 2	Maker Rebate: Tier 3	Maker Rebate: Tier 4	Taker Fee: Tier 1⁽⁴⁾⁽¹⁶⁾	Taker Fee: Tier 2⁽⁴⁾⁽¹⁶⁾	Taker Fee: Tier 3⁽⁴⁾⁽¹⁶⁾	Taker Fee: Tier 4⁽⁴⁾⁽¹⁶⁾	Fee for Crossing Orders (excluding PIM)⁽¹⁾⁽¹¹⁾	Fee for Responses to Crossing Orders (excluding PIM)⁽¹²⁾
Market Maker ⁽²⁾⁽³⁾⁽⁵⁾	(\$0.40)	(\$0.42)	(\$0.50)	(\$0.75)	\$0.89	\$0.89	\$0.89	\$0.89	\$0.20	\$0.89
Non-Nasdaq GEMX Market Maker (FarMM) ⁽³⁾	(\$0.25)	n/a	n/a	n/a	\$0.89	\$0.89	\$0.89	\$0.89	\$0.20	\$0.89
Firm Proprietary / Broker-Dealer ⁽³⁾	(\$0.25)	n/a	n/a	n/a	\$0.89	\$0.89	\$0.89	\$0.89	\$0.20	\$0.89
Professional Customer ⁽³⁾	(\$0.25)	n/a	n/a	n/a	\$0.89	\$0.89	\$0.89	\$0.89	\$0.20	\$0.89
Priority Customer ⁽³⁾⁽⁵⁾	(\$0.75) ⁽⁸⁾	(\$0.80)	(\$0.85)	(\$1.05)	\$0.82	\$0.81	\$0.81	\$0.81	\$0.00	\$0.82

Index Options⁽⁶⁾⁽⁹⁾

Market Participant	Fee⁽¹⁰⁾
Market Maker ⁽²⁾	\$0.75
Non-Nasdaq GEMX Market Maker (FarMM)	\$0.75
Firm Proprietary / Broker-Dealer	\$0.75
Professional Customer	\$0.75
Priority Customer	\$0.00

* * * * *

6. [Reserved]The index options fees apply only to NDX. These fees are assessed to all executions in NDX.

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9. [Reserved]For transactions in NDX, a license surcharge of \$0.25 will be assessed to Non-Priority Customers.

10. [Reserved]This fee is not subject to tier discounts.

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II. Other Options Fees and Rebates

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[B. Non-Priority Customer License Surcharge for Index Options]

[Symbols]	[Fee]
[NDX, MNX]	[\$0.22]

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