

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-86346; File No. SR-GEMX-2019-08)

July 10, 2019

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Relocate Rules from Its Current Rulebook into Its New Rulebook Shell

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 27, 2019, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to relocate rules from its current Rulebook into its new Rulebook.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqgemx.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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 this rule change is to relocate GEMX rules into the new Rulebook shell with some amendments to the shell.<sup>3</sup> Nasdaq ISE, LLC (“ISE”) recently relocated its rules.<sup>4</sup> GEMX proposes relocate its rules so the Rulebook is similar to ISE. The other Nasdaq affiliated markets will also relocate their Rulebooks in order to harmonize its rules, where applicable, across Nasdaq markets. The relocation and harmonization of the GEMX Rules is part of the Exchange’s continued effort to promote efficiency and conformity of its rules with those of its Affiliated Exchanges. The Exchange believes that the placement of the GEMX Rules into their new location in the shell will facilitate the use of the Rulebook by Members and Members of Affiliated Exchanges.

Universal Changes

The Exchange proposes to amend the defined term “System”<sup>5</sup> and replace “trading system” or “system” with the defined term throughout the new rules. The Exchange proposes to capitalize the defined term “market maker” within proposed Options 1, Section 1(a)(20) and also capitalize the term throughout the Rulebook. The Exchange proposes to capitalize the defined

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<sup>3</sup> Previously, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, Nasdaq BX, Inc.; Nasdaq PHLX LLC; The Nasdaq Stock Market LLC; ISE; and Nasdaq MRX, LLC (“Affiliated Exchanges”). The shell structure currently contains eight (8) Chapters which, once complete, will apply a common set of rules to the Affiliated Exchanges.

<sup>4</sup> See SR-ISE-2019-17 (not yet published).

<sup>5</sup> The term “System” is defined at Rule 100(a)(64).

term “Member”<sup>6</sup> throughout the new rules where it is not already capitalized. The Exchange proposes to capitalize the “t” in the defined term “Exchange Transactions”<sup>7</sup> where the term is not properly capitalized within the Rules. The Exchange proposes to change references to “Commentary” to “Supplementary Material” to conform the term throughout the Rulebook. References to the term “Regulatory Information Circular” or “circular” are being amended to the updated term “Options Regulatory Alert.”

The Exchange proposes to update all cross-references within the Rule to the new relocated rule cites. The Exchange proposes to replace internal rule references to simply state “this Rule” where the rule is citing itself without a more specific cite included in the Rule. For example, if GEMX Rule 715 refers currently to “Rule 715” or “this Rule 715” the Exchange will amend the phrase to simply “this Rule.” The Exchange proposes to conform numbering and lettering in certain rules to the remainder of the Rulebook. Finally, the Exchange proposes to delete any current Rules that are reserved in the Rulebook.

#### General 1

The Exchange proposes to relocate certain definitions from Rule 100 into proposed General 1, Section 1 and the remainder of the rules into Options 1, Section 1. The Exchange proposes to relocate definitions that are specific to the options product into Options 1, Section 1 and the more general definitions will be relocated into the General provisions.<sup>8</sup>

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<sup>6</sup> The term “Member” is defined at Rule 100(a)(31).

<sup>7</sup> The term “Exchange Transactions” is defined at Rule 100(a)(23).

<sup>8</sup> These rules are being relocated into Section 1 of the General Provisions: Chapter I (a)(4), (7), (10), (11) (14A), (19), (21), (21A), (23), (25), (26), (27), (31), (32), (49), (58), (59), (63) and (67).

## General 2

The Exchange will not relocate GEMX Rules 200-203 into General 2 Organization and Administration. The Exchange will separately file a proposed rule change to delete these rules.

General 2 would be comprised of the following rules:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 204. Divisions of the Exchange
Section 2	Rule 205. Participant Fees (renamed Fees, Dues and Other Charges)
Section 3	Rule 207. Exchange's Costs of Defending Legal Proceedings
Section 4	Rule 309. Limitation on Affiliation between the Exchange and Members

Rule 208, Sales Value Fee, will be relocated into Options 7. The Exchange intends to locate similar rules within other Nasdaq Rulebooks in similar locations when it files to relocate other Affiliate Exchange Rulebooks in separate rule changes. The Exchange proposes to reserve Sections 5 and 6 within General 2.

General 3

The Exchange proposes to relocate the following rules into General 3, “Membership and Access.”

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 300. Membership/Rule 301. Qualification of Members (combined into one rule)
Section 2	Rule 303. Denial of and Conditions to Becoming a Member
Section 3	Rule 305. Persons Associated with Members
Section 4	Rule 307. Documents Required of Applicants and Members
Section 5	Rule 302. Member Application Procedures
Section 6	Rule 308. Dissolution and Liquidation of Members

General 5

The Exchange proposes to relocate the following rules into General 5 Discipline:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	16. Disciplinary Jurisdiction
Section 2	80. Investigations and Sanctions
Section 3	90. Code of Procedure

The Exchange proposes to note the rule text contained within Chapter 16 within General 5, Section 1 and also replicate that text within Options 11, Section 1 as Jurisdiction and Minor Rule Plan Violations are combined currently in Chapter 16 currently.

### Options 1

The Exchange proposes to rename current Options 1 from “Options Definitions” to “General Provisions.” The Exchange proposes to relocate certain definitions from Rule 100 into proposed General 1, Section 1 and the remainder of the rules into Options 1, Section 1. The Exchange proposes to relocate definitions that are specific to the options product into Options 1, Section 1. Section 2 of Options 1 is being reserved.

### Options 2

The Exchange proposes to rename Options 2 from “Options Trading Rules” to “Options Market Participants” and relocate the following rules into this chapter:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 800. Registration of Market Makers
Section 2	Rule 801. Designated Trading Representatives
Section 3	Rule 802. Appointment of Market Makers
Section 4	Rule 803. Obligations of Market Makers
Section 5	Rule 804. Market Maker Quotations except 804(h) which will be relocated into Options 3
Section 6	Rule 805. Market Maker Orders
Section 7	Rule 807. Securities Accounts and Orders of Market Makers
Section 8	Rule 809. Financial Requirements for Market Makers

Sections 9 and 10 will be reserved. Rule 802 references to foreign currency options were not included in the relocated rule because Chapter 22 does not exist in the Rulebook.

### Options 2A

The Exchange proposes a new Options Section 2A titled “GEMX Market Maker Rights”

and proposes to relocate Rule 304, “Approval to Operate Multiple Memberships” into new Section 2. The Exchange proposes to reserve Section 1.

### Options 3

The Exchange proposes to rename Options 3 from “Options Market Participants” to “Options Trading Rules” and relocate the following rules into this chapter:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 700. Days and Hours of Business
Section 2	Rule 708. Units of Trading/Rule 709. Meaning of Premium Quotes and Orders (combined into one rule)
Section 3	Rule 710. Minimum Trading Increments
Section 4	Rule 711. Acceptance of Quotes and Orders, except (c) and (d)
Section 5	Reserved.
Section 6	Rule 704. Collection and Dissemination of Quotations
Section 7	Rule 715. Types of Orders
Section 8	Rule 701. Opening
Section 9	Rule 702. Trading Halts/Rule 703. Trading Halts Due To Extraordinary Market Volatility
Section 10	Rule 713. Priority of Quotes and Orders
Section 11	Rule 716. Auction Mechanisms
Section 12	Rule 721. Crossing Orders
Section 13	Rule 723. Price Improvement Mechanism for Crossing Transactions
Section 14	Reserved
Section 15	Rule 714. Automatic Execution of Orders (renamed Simple Order Risk Protections)
Section 16	Reserved

Section 17	Kill Switch (relocating 711(c))
Section 18	Detection of Loss of Communication (relocating 711(d))
Section 19	Reserved
Section 20	Rule 720. Nullification and Adjustment of Options Transactions including Obvious Errors/Rule 720A. Erroneous Trades due to System Disruptions and Malfunctions (combined into one rule)
Section 21	Rule 706. Access to and Conduct on the Exchange
Section 22	Rule 717. Limitations on Orders
Section 23	Rule 718. Data Feeds and Trade Information
Section 24	Rule 719. Transaction Price Binding
Section 25	Reserved
Section 26	Message Traffic Mitigation (relocating Rule 804(h))
Section 27	Rule 705. Limitation of Liability

The Exchange proposes to combine GEMX Rules 708 and 709 within Section 2.<sup>9</sup> GEMX Rule 714 is being relocated into Options 3, Section 15 and is being renamed from “Automatic Execution of Orders” to “Simple Order Risk Protections.” GEMX Rules 702 and 703 are being combined into Section 9. The Exchange proposes to combine GEMX Rules 720 and 720A into Section 20.<sup>10</sup> The Exchange proposes to relocate GEMX Rule 711(c) and (d) into new separate Rules at Sections 17 and 18. The Exchange proposes to create a separate rule in Section 26 relocated from Rule 804(h) and title the rule “Message Traffic Mitigation.”

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<sup>9</sup> The Exchange is not proposing any substantive changes in consolidating these rules.

<sup>10</sup> Id.

#### Options 4

The Exchange proposes to relocate rules from GEMX Chapter 5 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 5, within Options 4 Options Listing Rules.

#### Options 4A

The Exchange proposes to relocate rules from GEMX Chapter 20 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 20, within new proposed Options 4A, which is proposed to be titled “Options Index Rules.”

#### Options 5

The Exchange proposes to relocate rules from GEMX Chapter 19 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 19, within Options 5. The Exchange also proposes to rename Options 5 from “Options Trade Administration” to “Order Protections and Locked and Crossed Markets.”

#### Options 6

The Exchange proposes to rename Options 6 from “Order Protections and Locked and Cross Markets” to “Options Trade Administration” and relocate rules within Options 6 as follows:

<b>Proposed New Rule Number</b>	<b>Current Rule Number</b>
Section 1	Rule 707. Authorization to Give Up
Section 2	Rule 712. Submission of Orders and Clearance of Transactions
Section 3	Rule 806. Trade Reporting and Comparison
Section 4	Rule 808. Letters of Guarantee

#### Options 6A

The Exchange proposes to relocate rules from GEMX Chapter 10 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 10, within Options 6A. The Exchange proposes to title Options 6A as “Closing Transactions.”

#### Options 6B

The Exchange proposes to relocate rules from GEMX Chapter 11 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 11, within Options 6B. The Exchange proposes to title Options 6B as “Exercises and Deliveries.”

#### Options 6C

The Exchange proposes to relocate rules from GEMX Chapter 12 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 12, within Options 6B. The Exchange proposes to title Options 6C as “Margins.”

#### Options 6D

The Exchange proposes to relocate rules from GEMX Chapter 13 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 13, within Options 6D. The Exchange proposes to title Options 6D as “Net Capital Requirements.”

#### Options 6E

The Exchange proposes to relocate rules from GEMX Chapter 14 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 14, within Options 6D. The Exchange proposes to title Options 6E as “Records, Reports and Audits.”

#### Options 7

The Exchange proposes to relocate Rule 208 titled “Sales Value Fee” to Options 7, Options Pricing at new proposed Section 8.

### Options 9

The Exchange proposes to relocate rules from GEMX Chapter 4 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 4, within Options 9. The Exchange proposes to title Options 9 as “Business Conduct.”

### Options 10

The Exchange proposes to relocate rules from GEMX Chapter 6 which incorporates those Rules by reference to Nasdaq ISE, LLC (“ISE”) Chapter 6, within Options 10. The Exchange proposes to title Options 10 as “Doing Business with the Public.”

### Options 11

The Exchange proposes to note the rule text contained within Chapter 16 within Options 11, Section 1 as Jurisdiction and Minor Rule Plan Violations and also replicate that rule text within General 5, Section 1. The text is currently combined in Chapter 16. The Exchange proposes to title Options 11 as “Minor Rule Plan Violations.”

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>12</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by bringing greater transparency to its rules by relocating its Rules into the new Rulebook shell together with other rules which have already been relocated. The Exchange’s proposal is consistent with the Act and will protect investors and the public interest by harmonizing its rules, where applicable, across Nasdaq markets so that Members can readily locate rules which cover similar topics. The relocation and harmonization of the GEMX Rules is

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

part of the Exchange's continued effort to promote efficiency and conformity of its rules with those of its Affiliated Exchanges. The Exchange believes that the placement of the GEMX Rules into their new location in the shell will facilitate the use of the Rulebook by Members.

Specifically, the Exchange believes that market participants that are members of more than one Nasdaq market will benefit from the ability to compare Rulebooks.

The Exchange is not substantively amending rule text unless noted otherwise within this rule change. The renumbering, re-lettering, deleting reserved rules, amending cross-references and other minor technical changes will bring greater transparency to GEMX's Rules. The Exchange intends to file other rule changes to relocate Affiliated Exchange Rulebooks to corresponding rules into the same location in each Rulebook for ease of reference. The Exchange believes its proposal will benefit investors and the general public by increasing the transparency of its Rulebook and promoting easy comparisons among the various Nasdaq Rulebooks.

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 believes that the proposed amendments do not impose an undue burden on competition because the amendments to relocate the Rules are non-substantive. This rule change is intended to bring greater clarity to the Exchange's Rules. Renumbering, re-lettering, deleting reserved rules and amending cross-references will bring greater transparency to GEMX's Rules.

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) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>15</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>16</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. As the proposed rule change raises no novel issues and is largely organizational, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>17</sup>

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>17</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 change 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](mailto:rule-comments@sec.gov). Please include File Number SR-GEMX-2019-08 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-GEMX-2019-08. 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-GEMX-2019-08, 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.<sup>18</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).