

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 27	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2019 - * 18	Amendment No. (req. for Amendments *)	
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"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6)		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>		Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>			
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <input type="text" value="Proposed Rule Change to Adopt a Mass Cancellation Rule and Amend Other Sections of the Rulebook."/>					
<b>Contact Information</b> 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 * <input type="text" value="Angela"/> Last Name * <input type="text" value="Dunn"/> Title * <input type="text" value="Principal Associate General Counsel"/> E-mail * <input type="text" value="angela.dunn@nasdaq.com"/> Telephone * <input type="text" value="(215) 496-5692"/> Fax <input type="text"/>					
<b>Signature</b> 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 *) Date <input type="text" value="12/09/2019"/> By <input type="text" value="John Zecca"/> <input type="text" value="EVP and Chief Legal Officer"/> <input type="text" value="john.zecca@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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to adopt a new rule at Options 3, Section 19 titled “Mass Cancellation of Trading Interest.” The Exchange also proposes to amend definitions within General 1, Section 1, adopt a new definition for “Away Best Bid or Offer” within Options 1, Section 1, and update rule citations in various other rules.

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 of the Exchange (the “Board”) on September 25, 2019. 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:

Angela Saccomandi Dunn  
Principal Associate General Counsel

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

<sup>2</sup> 17 CFR 240.19b-4.

Nasdaq, Inc.  
215-496-5692

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

a. Purpose

The Exchange proposes to adopt a new rule at Options 3, Section 19 titled "Mass Cancellation of Trading Interest." The Exchange also proposes to amend definitions within General 1, Section 1, adopt a new definition for "Away Best Bid or Offer within Options 1, Section 1, and update rule citations in various other rules.

Mass Cancellation of Trading Interest

The Exchange proposes to adopt a new rule at Options 3, Section 19 titled "Mass Cancellation of Trading Interest." The Nasdaq Options Market LLC ("NOM") and Nasdaq BX, Inc. ("BX") rules at Chapter VII, Section 11 permit Participants on those markets to contact market operations and manually request cancellation of interest. The Exchange proposes to adopt a rule which also permits Members to contact market operations and request the Exchange to manually cancel interest. The proposed new rule would state, "A Member may cancel any bids, offers, and orders in any series of options by requesting GEMX Market Operations<sup>3</sup> staff to effect such cancellation as per the instructions of the Member." This new rule reflects the Exchange's current practice of allowing Members to contact GEMX Market Operations and request the Exchange to cancel any bid, offer or order in any series of options. The Exchange would cancel such

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<sup>3</sup> The request to Market Operations is a manual request which is made telephonically.

bid, offer or order pursuant to the Member's instruction. The Exchange desires to memorialize the availability of this service.

### Definitions

The Exchange proposes to make a technical amendment to General 1, Section 1(a)(6) to note the acronym for an Electronic Access Member, an "EAM" within the definition. The acronym is utilized throughout the Rulebook. Defining the acronym within the definition will add transparency to the Rulebook.

The Exchange proposes to add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(4). This term is utilized throughout the Rulebook. Defining this term will bring greater transparency to the Rulebook. The Exchange also proposes to update the numbering in the remainder of the rule and also update cross-references throughout the Rulebook<sup>4</sup> as a result of the renumbering.

### Other Changes

The Exchange proposes to reserve certain rules<sup>5</sup> in connection with a Rulebook harmonization project which organizes the rules of the Nasdaq affiliated markets.

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove

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<sup>4</sup> See Options 3, Section 10 and Options 7, Section 1.

<sup>5</sup> Options 2, Section 3 and Options 3, Section 28 are being reserved.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

#### Mass Cancellation of Trading Interest

The Exchange's proposal to memorialize the Mass Cancellation of Trading Interest rule within Options 3, Section 19 is consistent with the Act because permitting Members to contact Market Operations as a manual alternative to automated functionality which similarly allows Members to cancel interest provides Members experiencing their own system issues with a means to manage risk. Today, Members are able to cancel interest, in an automated fashion through protocols<sup>8</sup> and the Kill Switch.<sup>9</sup> This is a voluntary services offered to all Members.

The Exchange notes that offering this service, which permits Members to cancel interest, will not diminish a Market Maker's obligation with respect to providing two-sided quotations and this rule is not inconsistent with other firm quote obligations of the Market Maker. Upon the request of a Member, GEMX Market Operations will manually input a mass cancellation message into the System consistent with the Member's instruction to cancel trading interest. Once the mass cancellation message is entered into the System by GEMX Market Operations, the message will be accepted by the System in the order of receipt in the queue such that the interest that was already accepted into the System will be processed prior to the mass cancellation message. In addition, mass cancellation messages entered into the System by GEMX Market Operations are handled by the System through the same queuing mechanism that a quote or order message is

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<sup>8</sup> See Options 3 at Supplementary Material .03 to Section 7.

<sup>9</sup> See Options 3, Section 17.

handled by the System. The Exchange notes its processing of a mass cancellation message inputted by GEMX Market Operations and handled by the System is consistent with firm quote and order handling rules.

As noted above, NOM and BX Rules at Chapter VII, Section 11 allow NOM and BX Participants to also contact market operations and request cancellations of interest. This new rule reflects the Exchange's current practice.

#### Definitions

The Exchange's proposal to add the acronym for an Electronic Access Member, an "EAM" within General 1, Section 1 and add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(4) are consistent with the Act because these amendments will add transparency to the Rulebook.

#### Other Changes

The remainder of the changes to correct numbering and citations are non-substantive.

#### 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 competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### Mass Cancellation of Trading Interest

The Exchange's proposal to memorialize the Mass Cancellation of Trading Interest rule within Options 3, Section 19 does not impose an undue burden on competition because all Members may utilize this service. This new rule reflects the Exchange's current practice.

### Definitions

The Exchange's proposal to add the acronym for an Electronic Access Member, an "EAM" within General 1, Section 1 and add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(4) do not impose an undue burden on competition because these amendments will add transparency to the Rulebook.

### Other Changes

The remainder of the changes to correct numbering and citations are non-substantive.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Members, 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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>10</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>11</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).



The Exchange's proposal does not significantly affect the protection of investors or the public interest because the Exchange's proposal to memorialize the Mass Cancellation of Trading Interest rule within Options 3, Section 19 permits Members to contact GEMX Market Operations as a manual alternative to cancelling interest in an automated fashion thereby allowing Members experiencing their own system issues with a means to manage risk. NOM and BX Rules at Chapter VII, Section 11 permit NOM and BX Participants to cancel interest in a similar fashion. This new rule reflects the Exchange's current practice. The Exchange's proposal to add the acronym for an Electronic Access Member, an "EAM" within General 1, Section 1 and add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(4) do not significantly affect the protection of investors or the public interest because these amendments will add transparency to the Rulebook. The remainder of the changes to correct numbering and citations are non-substantive. The Exchange's proposal to memorialize the Mass Cancellation of Trading Interest rule within Options 3, Section 19 does not impose any significant burden on competition because all Members may utilize this voluntary service. This new rule reflects the Exchange's current practice. The remainder of the changes to correct numbering and citations are non-substantive.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the

Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the operative delay to permit the Exchange to amend its rules to add the Mass Cancellation of Trading Interest which is currently offered today. Memorializing this service within the Rules will provide clarity for market participants. NOM and BX have rules today which permit NOM and BX Participants to cancel interest.<sup>12</sup> In addition, the Exchange proposes to bring greater clarity to its rules to protect investors and the general public by correcting and updating rule citations and adding a new definition.

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

NOM and BX Rules at Chapter VII, Section 11 permit NOM and BX Participants to contact market operations and cancel interest. The rule text of the NOM and BX Rules are not the same as proposed herein. NOM and BX will file to conform the rule text of those rules to mirror the rule text proposed herein. The Rules of NOM and BX operate the same as proposed within these rules.

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

Not applicable.

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<sup>12</sup> See NOM and BX Rules at Chapter VII, Section 11.

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-2019-18)

December \_\_, 2019

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a Mass Cancellation Rule and Amend Other Sections of the Rulebook.

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 December 9, 2019, 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 to amend definitions within General 1, Section 1, adopt a new definition for “Away Best Bid or Offer” within Options 1, Section 1, and update rule citations in various other rules.

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.

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

<sup>2</sup> 17 CFR 240.19b-4.

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 Exchange proposes to adopt a new rule at Options 3, Section 19 titled "Mass Cancellation of Trading Interest." The Exchange also proposes to amend definitions within General 1, Section 1, adopt a new definition for "Away Best Bid or Offer within Options 1, Section 1, and update rule citations in various other rules.

Mass Cancellation of Trading Interest

The Exchange proposes to adopt a new rule at Options 3, Section 19 titled "Mass Cancellation of Trading Interest." The Nasdaq Options Market LLC ("NOM") and Nasdaq BX, Inc. ("BX") rules at Chapter VII, Section 11 permit Participants on those markets to contact market operations and manually request cancellation of interest. The Exchange proposes to adopt a rule which also permits Members to contact market operations and request the Exchange to manually cancel interest. The proposed new rule would state, "A Member may cancel any bids, offers, and orders in any series of options

by requesting GEMX Market Operations<sup>3</sup> staff to effect such cancellation as per the instructions of the Member.” This new rule reflects the Exchange’s current practice of allowing Members to contact GEMX Market Operations and request the Exchange to cancel any bid, offer or order in any series of options. The Exchange would cancel such bid, offer or order pursuant to the Member’s instruction. The Exchange desires to memorialize the availability of this service.

#### Definitions

The Exchange proposes to make a technical amendment to General 1, Section 1(a)(6) to note the acronym for an Electronic Access Member, an “EAM” within the definition. The acronym is utilized throughout the Rulebook. Defining the acronym within the definition will add transparency to the Rulebook.

The Exchange proposes to add the definition of an “Away Best Bid or Offer” or “ABBO” within Options 1, Section 1(a)(4). This term is utilized throughout the Rulebook. Defining this term will bring greater transparency to the Rulebook. The Exchange also proposes to update the numbering in the remainder of the rule and also update cross-references throughout the Rulebook<sup>4</sup> as a result of the renumbering.

#### Other Changes

The Exchange proposes to reserve certain rules<sup>5</sup> in connection with a Rulebook harmonization project which organizes the rules of the Nasdaq affiliated markets.

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<sup>3</sup> The request to Market Operations is a manual request which is made telephonically.

<sup>4</sup> See Options 3, Section 10 and Options 7, Section 1.

<sup>5</sup> Options 2, Section 3 and Options 3, Section 28 are being reserved.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

### Mass Cancellation of Trading Interest

The Exchange's proposal to memorialize the Mass Cancellation of Trading Interest rule within Options 3, Section 19 is consistent with the Act because permitting Members to contact Market Operations as a manual alternative to automated functionality which similarly allows Members to cancel interest provides Members experiencing their own system issues with a means to manage risk. Today, Members are able to cancel interest, in an automated fashion through protocols<sup>8</sup> and the Kill Switch.<sup>9</sup> This is a voluntary services offered to all Members.

The Exchange notes that offering this service, which permits Members to cancel interest, will not diminish a Market Maker's obligation with respect to providing two-sided quotations and this rule is not inconsistent with other firm quote obligations of the Market Maker. Upon the request of a Member, GEMX Market Operations will manually input a mass cancellation message into the System consistent with the Member's

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> See Options 3 at Supplementary Material .03 to Section 7.

<sup>9</sup> See Options 3, Section 17.

instruction to cancel trading interest. Once the mass cancellation message is entered into the System by GEMX Market Operations, the message will be accepted by the System in the order of receipt in the queue such that the interest that was already accepted into the System will be processed prior to the mass cancellation message. In addition, mass cancellation messages entered into the System by GEMX Market Operations are handled by the System through the same queuing mechanism that a quote or order message is handled by the System. The Exchange notes its processing of a mass cancellation message inputted by GEMX Market Operations and handled by the System is consistent with firm quote and order handling rules.

As noted above, NOM and BX Rules at Chapter VII, Section 11 allow NOM and BX Participants to also contact market operations and request cancellations of interest. This new rule reflects the Exchange's current practice.

#### Definitions

The Exchange's proposal to add the acronym for an Electronic Access Member, an "EAM" within General 1, Section 1 and add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(4) are consistent with the Act because these amendments will add transparency to the Rulebook.

#### Other Changes

The remainder of the changes to correct numbering and citations are non-substantive.

#### B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.



### Mass Cancellation of Trading Interest

The Exchange's proposal to memorialize the Mass Cancellation of Trading Interest rule within Options 3, Section 19 does not impose an undue burden on competition because all Members may utilize this service. This new rule reflects the Exchange's current practice.

### Definitions

The Exchange's proposal to add the acronym for an Electronic Access Member, an "EAM" within General 1, Section 1 and add the definition of an "Away Best Bid or Offer" or "ABBO" within Options 1, Section 1(a)(4) do not impose an undue burden on competition because these amendments will add transparency to the Rulebook.

### Other Changes

The remainder of the changes to correct numbering and citations are non-substantive.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant

to Section 19(b)(3)(A)(iii) of the Act<sup>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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-2019-18 on the subject line.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2019-18. 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 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-2019-18 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>12</sup>

Jill M. Peterson  
Assistant Secretary

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

**EXHIBIT 5**

*New text is underlined; deleted text is in brackets.*

**Nasdaq GEMX Rules**

\* \* \* \* \*

**General 1 Provisions****Section 1. Definitions**

(a) The following terms, when used in these Rules, shall have the meanings specified in this General 1, unless the context indicates otherwise. Any term defined in the Limited Liability Company Agreement (the "LLC Agreement") or the By-Laws of Nasdaq GEMX, LLC (the "By-Laws") and not otherwise defined in this General 1 shall have the meaning assigned in the LLC Agreement or the By-Laws.

\* \* \* \* \*

- (6) The term "**Electronic Access Member**" or "**EAM**" means a Member that is approved to exercise trading privileges associated with EAM Rights.

\* \* \* \* \*

**Options 1 General Provisions****Section 1. Definitions**

(a) The following terms, when used in these Rules, shall have the meanings specified in this Rule unless the context indicates otherwise. Any term defined in the Limited Liability Company Agreement (the "LLC Agreement") or the By-Laws of Nasdaq GEMX, LLC (the "By-Laws") and not otherwise defined in this Rule shall have the meaning assigned in the LLC Agreement or the By-Laws

- (1) An "**account number**" shall mean a number assigned to a Member. Members may have more than one account number.
- (2) The term "**aggregate exercise price**" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.
- (3) The term "**American-style option**" means an options contract that, subject to the provisions of Options 6B (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised on any business day prior to its expiration date and on its expiration date.
- (4) The term "**Away Best Bid or Offer**" or "**ABBO**" means the displayed National Best Bid or Offer not including the Exchange's Best Bid or Offer.

([4]5) A "**badge**" shall mean an account number, which may contain letters and/or numbers, assigned to Market Makers. A Market Maker account may be associated with multiple badges.

([5]6) The term "**bid**" means a quote or limit order to buy one or more options contracts.

([6]7) The term "**call**" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

([7]8) The term "**class of options**" means all options contracts covering the same underlying security.

([8]9) The term "**closing purchase transaction**" means an Exchange Transaction that will reduce or eliminate a short position in an options contract.

([9]10) The term "**closing writing transaction**" means an Exchange Transaction that will reduce or eliminate a long position in an options contract.

([10]11) The term "**CMM Rights**" means the non-transferable rights held by a Competitive Market Maker.

([11]12) The term "**Competitive Market Maker**" means a Member that is approved to exercise trading privileges associated with CMM Rights.

([12]13) The term "**covered short position**" means (i) the obligation of a writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Options 3, Section 3(f) or (h), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same type and class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same type and class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

([13]14) The term "**discretion**" means the authority of a broker or dealer to determine for a customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

([14]15) The term "**EAM Rights**" means the non-transferable rights held by an Electronic Access Member.

- ([14]16) The term "**European-style option**" means an options contract that, subject to the provisions of Options 6B (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.
- ([15]17) The term "**Exchange Rights**" means the PMM Rights, CMM Rights and EAM Rights collectively.
- ([16]18) The term "**exercise price**" means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.
- ([18]19) The term "**in-the-money**" shall mean the following: for call options, all strike prices at or below the offer in the underlying security on the primary listing market; for put options, all strike prices at or above the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Options 3, Section 8 and Options 2, Section 4.
- ([19]20) The term "**long position**" means a person's interest as the holder of one or more options contracts.
- ([20]21) The term "**Market Makers**" refers to "Competitive Market Makers" and "Primary Market Makers" collectively.
- ([21]22) The term "**Market Maker Rights**" refers to PMM Rights and CMM Rights collectively.
- ([22]23) A "**mnemonic**" shall mean an acronym comprised of letters and/or numbers assigned to Electronic Access Members. An Electronic Access Member account may be associated with multiple mnemonics.
- ([23]24) The term "**Non-Customer**" means a person or entity that is a broker or dealer in securities.
- ([24]25) The term "**Non-Customer Order**" means an order for the account of a Non-Customer.
- ([25]26) The term "**offer**" means a quote or limit order to sell one or more options contracts.
- ([26]27) The term "**opening purchase transaction**" means an Exchange Transaction that will create or increase a long position in an options contract.
- ([27]28) The term "**opening writing transaction**" means an Exchange Transaction that will create or increase a short position in an options contract.
- ([28]29) The term "**out-of-the-money**" shall mean the following: for call options, all strike prices above the offer in the underlying security on the primary listing market; for put

options, all strike prices below the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Options 3, Section 8 and Options 2, Section 4.

([29]30) The term "**options contract**" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

([30]31) The term "**OPRA**" means the Options Price Reporting Authority.

([31]32) The term "**order**" means a commitment to buy or sell securities, the permitted types of which are set forth in Options 3, Section 7.

([32]33) The term "**outstanding**" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

([33]34) The term "**PMM Rights**" means the non-transferable rights held by a Primary Market Maker.

([34]35) The term "**Primary Market Maker**" means a Member that is approved to exercise trading privileges associated with PMM Rights.

([35]36) The term "**Priority Customer**" means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

([36]37) The term "**Priority Customer Order**" means an order for the account of a Priority Customer.

([37]38) The term "**Professional Order**" means an order that is for the account of a person or entity that is not a Priority Customer.

([i]a) Calculation of Professional Orders. With respect to computing the number of orders in listed options per day on average during a calendar month for its own beneficial account(s), the following shall apply:

([a]i) Each order is counted toward the number of orders, regardless of the options exchange to which the order was routed in determining Professional Orders.

([b]ii) A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of Complex Order comprising 9 options legs or more, including "single-strike algorithms" which track the Best Bid and Offer ("BBO") or National Best Bid and Offer ("NBBO"). A cancel message is not an order.



([c]iii) An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the resulting subordinate order and results in multiple sides/series shall be counted as a new order per side and series. An order that cancels and replaces the subordinate order on the same side and series will count as one order. For purposes of counting customer orders, if one customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order will count as one order.

([38]39) The term "**Professional Customer**" means a non-broker/dealer participant who enters at least 390 orders per day on average during a calendar month for its own beneficial account(s).

([39]40) The term "**proprietary trading**" for purposes of Rule 1210 means trading done by a Member having the characteristics:

(A) The Member is not required by Section 15(b)(8) of the Exchange Act to become a FINRA Member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act;

(B) All funds used or proposed to be used by the Member are the trading Member's own capital, traded through the Member's own accounts;

(C) The Member does not, and will not, have customers; and

(D) All persons registered on behalf of the member acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Member.

([40]41) The term "**Public Customer**" means a person or entity that is not a broker or dealer in securities.

([41]42) The term "**Public Customer Order**" means an order for the account of a Public Customer.

([42]43) The term "**put**" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the number of shares of the underlying security covered by the options contract.

([43]44) The term "**Quarterly Options Series**" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

([44]45) The term "**quote**" or "**quotation**" means a bid or offer entered by a Market Maker that updates the Market Maker's previous bid or offer, if any.

([45]46) The term "**series of options**" means all options contracts of the same class having the same exercise price and expiration date.

([46]47) The term "**short position**" means a person's interest as the writer of one or more options contracts.

([47]48) The term "**Short Term Option Series**" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday, or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the following business week that is a business day, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday

([48]49) The term "**System**" means the electronic system operated by the Exchange that receives and disseminates quotes, executes orders and reports transactions.

([49]50) The term "**type of option**" means the classification of an options contract as either a put or a call.

([50]51) The term "**uncovered**" means a short position in an options contract that is not covered.

([51]52) The term "**Voluntary Professional**" means any Public Customer that elects, in writing, to be treated in the same manner as a broker or dealer in securities for purposes of Options 3, Sections 10, 11, 13, as well as the Exchange's Pricing Schedule.

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**Section 3. Reserved**

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**Options 3 Options Trading Rules**

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**Section 10. Priority of Quotes and Orders**

(a) *Definitions and Applicability.*

(i) As provided in Options 1, Section 1(a)([5]6) and (a)([25]26), a "bid" is a quotation or Limit Order to buy options contracts and an "offer" is a quotation or Limit Order to sell options contracts. "Quotations," which are defined in Options 1, Section 1(a)([44]45), may only be

entered on the Exchange by Market Makers in the options classes to which they are appointed under Options 2, Section 3. Limit Orders may be entered by Market Makers in certain circumstances as provided in the Rules and Electronic Access Members (either as agent or as principal). "Priority Customer Orders" and "Professional Orders" are defined in Options 1, Section 1(a)([36]37) and ([37]38).

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**Section 19. [Reserved.]Mass Cancellation of Trading Interest**

A Member may cancel any bids, offers, and orders in any series of options by requesting GEMX Market Operations staff to effect such cancellation as per the instructions of the Member.

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**Section 28. Reserved**

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**Options 7 Pricing Schedule**

**Section 1. General Provisions**

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A "**Priority Customer**" is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in Nasdaq GEMX Options 1, Section 1(a)([35]36). Unless otherwise noted, when used in this Pricing Schedule the term "Priority Customer" includes "Retail" as defined below.

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