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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2018 - * 30
Amendment No. (req. for Amendments *)

Filing by Nasdaq MRX, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

- [x] Initial *
- [ ] Amendment *
- [ ] Withdrawal
- [ ] Section 19(b)(2) *
- [x] Section 19(b)(3)(A) *
- [ ] Section 19(b)(3)(B) *
- [ ] Pilot
- [ ] Extension of Time Period for Commission Action *

Date Expires *

Rule

- [ ] 19b-4(f)(1)
- [ ] 19b-4(f)(2)
- [ ] 19b-4(f)(3)
- [ ] 19b-4(f)(4)
- [ ] 19b-4(f)(5)
- [x] 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

- [ ] Section 806(e)(1) *
- [ ] Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

- [ ] Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

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

A proposal to amend MRX Rules 100(a)(5) which contains definitions, Rule 711, Acceptance of Quotes and Orders and Rule 714, Automatic Execution of Orders.

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 * Angela
Last Name * Dunn
Title * Principal Associate General Counsel
E-mail * angela.dunn@nasdaq.com
Telephone * (215) 496-5692
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.

Date 09/11/2018

By Edward S. Knight
(Name *)

(Title *)
Executive Vice President and General Counsel

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.

edward.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	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 * Add Remove View	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 * Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	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 MRX, LLC ("MRX" 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 MRX Rules 100(a)(5) which contains definitions, Rule 711, "Acceptance of Quotes and Orders" and Rule 714, "Automatic Execution of Orders."

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 19, 2017. 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
Nasdaq, Inc.
215-496-5692

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

2 17 CFR 240.19b-4.

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

a. Purpose

MRX proposes to amend Rule 714, Automatic Execution of Orders, by placing all risk protections within this rule and further creating sections to distinguish order protections, order and quote protections and quote protections. The Exchange believes that providing Members with a single rule with all risk protections will provide an easy reference to the mandatory single leg risk protections on MRX.

The Exchange is amending Rule 714(b) to rename the caption from "Other Order Protections" to "Other Risk Protections." The Exchange is amending references to "order protections" to "risk protections" within that rule to more broadly describe the type of protections offered on MRX. Finally, the Exchange is relocating rule text from Rule 714(c) to the end of proposed Rule 714(b), which states, "In the event of unusual market conditions and in the interest of a fair and orderly market, the Exchange may temporarily establish the levels at which the order protections contained in this paragraph are triggered as necessary and appropriate." These non-substantive rule changes are intended to bring greater clarity to the rule.

The Exchange proposes to add the following to proposed Rule 714(b)(1), "The following are order risk protections on MRX:" The Exchange proposes to list all order protections within Rule 714(b)(1). The Exchange proposes to relocate Limit Order Price Protection from Rule 714(b)(2) to proposed Rule 714(b)(1)(A). The Exchange also proposes to add a new sentence to the end of proposed Rule 714(b)(1)(A) which provides, "Limit Order Price Protection shall not apply to the Opening Process or during a trading halt. The Exchange is adding this sentence, which was not contained in the initial rule change, to make clear the limitations as to when this protection is available on MRX. The Exchange notes the Limit Order Price Protection rejects orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus) either an absolute dollar or a percentage. The Exchange notes that the bid or offer is not established until after an option series options for trading. Applying this protection during the Opening Process is not necessary as the quote width allowance is tighter during the Opening Process.[3] With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply.[4] This sentence memorializes the Exchange's current practice. The Exchange believes that this rule text will bring greater clarity to the Limit Order Price Protection functionality.

The Exchange proposes to relocate and re-number Market Order Spread Protection from Rule 711(c) to proposed Rule 714(b)(1)(B). The Exchange also proposes to add a sentence which provides, "Market Order Spread Protection shall not apply to the Opening Process or during a trading halt." The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because protections are in place during the Opening Process to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.[5] The Opening

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3 With respect to the Opening Process, a Quality Opening Market is required. A Quality Opening Market a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange and published on the Exchange's web site. See MRX Rule 701(a)(7).

4 See MRX Rule 701(d).

5 See note 3 above. With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same

Process has more restrictive boundaries than those proposed for the Market Order Spread Protection. With respect to the Opening Process, a Quality Opening Market is required. A Quality Opening Market requires a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table[6] to be determined by the Exchange.[7] The Exchange's requirements during the Opening Process are more restrictive than the proposed initial setting for the Market Order Spread Protection, which is proposed at $5. As provided in Rule 701(d), trading halts are subject to the reopening process as provided for in Rule 701(e). The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range. The Exchange is adding this sentence to make clear the limitations as to when this protection is available on MRX. The Exchange believes that this rule text will bring greater clarity to the Market Order Spread Protection functionality. The Exchange is also memorializing a sentence which was contained in the filing which adopted Market Order Spread Protection.

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protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply. See MRX Rule 701(d).

6 The table is located at: https://business.nasdaq.com/media/MRXSystemSettings_tcm5044-46766.pdf.

7 The calculation of Quality Opening Market is based on the best bid and offer of Valid Width Quotes. The differential between the best bid and offer are compared to reach this determination. The allowable differential, as determined by the Exchange, takes into account the type of security (for example, Standard Penny Issues, Non-Penny Issues and Special Penny Issues), volatility, option premium, and liquidity. The Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions. See MRX Rule 701(a)(7).

The Exchange noted in the adopting filing that the Exchange may establish differences other than the referenced threshold for one or more series or classes of options.[8] At this time, the Exchange proposes to memorialize this capability within Rule 714(b)(1)(B) by stating, "The Exchange may establish different thresholds for one or more series or classes of options." The Exchange believes that adding this provision to the rule will add transparency to the Exchange's capability to establish different thresholds per options series or class.

The Exchange proposes to relocate Size Limitation from Rule 714(b)(3) to proposed Rule 714(b)(1)(C) without any amendments. The Exchange proposes to add the following to proposed Rule 714(b)(2), "The following are order and quote risk protections on MRX:". The Exchange proposes to list all order and quote protections within Rule 714(b)(2). The Exchange proposes to re-letter Acceptable Trade Range from Rule 714(b)(1) to proposed Rule 714(b)(2)(A).

The Exchange proposes to relocate Market Wide Risk Protection from Rule 714(d) to proposed Rule 714(b)(1)(D). The Exchange is only amending cross references within this rule to reflect the new location of this text.

The Exchange proposes new rule text at Rule 714(b)(3) which provides, "The following are Market Maker risk protections on MRX:". The Exchange proposes to list all Market Maker protections within Rule 714(b)(3). The Exchange proposes to relocate Anti-Internalization from Supplementary Material .03 to Rule 804 to proposed Rule 714(b)(3)(A). The Exchange proposes to replace the words "market participant identifier" with "Market Maker identifiers." The Exchange also proposes to replace the

8 Securities Exchange Act Release No. 80815 (May 30, 2017), 82 FR 25827 (June 5, 2017) (SR-MRX-2017-02).

words “Exchange account identifier” with “account number.”[9] The Exchange believes these modifications will bring more clarity to the functionality. The Exchange is removing the words “Notwithstanding Rule 804(d)(1) above” which refer to the firm quote.[10] The Exchange notes that the submission of bids and offers must be firm notwithstanding any protection offered by the Exchange, not just Anti-Internalization. The Exchange does not believe it is necessary to specifically cite this caveat for this order protections. The Exchange also proposes to capitalize the defined term Market Maker in this sentence.

The Exchange proposes to relocate Automated Quotation Adjustments from Rule 804(g) to proposed Rule 714(b)(3)(B). Rule 804(g) will be reserved. The Exchange is amending references in the rule to reflect the new placement within Rule 714 and replacing the words “Exchange’s system (“System”)” with the defined term System.[11] Finally, the term “member” was capitalized because it is a defined term. The Exchange is also making clear within Rule 715(b)(3)(B)(vi) that Market Maker must request the Exchange enable re-entry by contacting the Exchange’s Operations Department.

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9 An “account number” shall mean a number assigned to a Member. Members may have more than one account number. See Rule 100(a)(1)

10 MRX Rule 804(d)(1) provides that Market Maker bids and offers are firm for orders and Exchange Market Maker quotations both under this Rule and Rule 602 of Regulation NMS under the Exchange Act (“Rule 602 of Reg NMS”) for the number of contracts specified according to the requirements of paragraph 804(b).

11 The term “System” means the electronic system operated by the Exchange that receives and disseminates quotes, executes orders and reports transactions. See Rule 100(a)(66).

Finally, the Exchange proposes to amend the definition of badge within Rule 100 (a)(5) to state that a badge is an account number, which may contain letters and/or numbers, assigned to Market Makers. The Exchange may from time to time modify the manner in which a badge is expressed systemically. This proposed language allows for latitude in establishing badges within the System.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] 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, by grouping the various risk protections into a single rule for ease of reference and adding headers to the rule to make clear whether the risk protection is an order protection, order or quote protection or a protection applicable to Market Makers. The Exchange believes the reorganization of the existing rule and relocation of various rules into Rule 714 is a non-substantive rule change. The Exchange believes that this rule change is consistent with the protection of investors and the public interest because it will bring greater transparency to the protections offered on MRX.

The Exchange's proposal to not apply the Limit Order Price Protection during the Opening Process is consistent with the Act because the Exchange rejects orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus) either an absolute

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12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

dollar or a percentage. The Exchange notes that the bid or offer is not established until after an option series options for trading. Applying this protection during the Opening Process is not necessary as the quote width allowance is tighter during the Opening Process.[14] With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply.[15]

The Exchange's proposal to not apply the Market Order Spread Protection during the Opening Process is consistent with the Act because protections exist during the Opening Process to ensure that the best bid and offer displayed on the Exchange are within a reasonable range. The Exchange's Opening Process Rule 701[16] and the reopening process after a trading halt [17] both contain more restrictive boundaries than those proposed or the Market Order Spread Protection. With respect to the Opening Process, a Quality Opening Market is required. A Quality Opening Market requires a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange.[18] The Exchange's requirements

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14 See note 3 above.

15 See MRX Rule 701(d).

16 See note 3 above.

17 With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply. See MRX Rule 701(d).

18 The table is located at: https://business.nasdaq.com/media/MRXSystemSettings_tcm5044-46766.pdf.

during the Opening Process are more restrictive than the proposed initial setting for the Market Order Spread Protection, which is set at $5. The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.

Memorializing the ability of the Exchange to establish different Market Order Spread Protection thresholds per options series or class will also bring greater clarity to the rule. Today, the Exchange has this ability, it is simply adding that text to the rule. Utilizing defined terms within the Rulebook will also bring clarity to the rules. The Exchange also believes using more discrete language within the Anti-Internalization rule will clarity the functionality.

Finally, the Exchange believes that expanding the definition of badge is consistent with the Act because it allows the Exchange the flexibility to administer the badges within its System.

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 not necessary or appropriate in furtherance of the purposes of the Act. The proposal does not impose an intra-market burden on competition with respect to the reorganization and relocation of the various rules into Rule 714 because the various risk protections are mandatory and will continue to apply uniformly to all market participants. The Exchange also believes that the addition of specific limitations to both the Limit Order Price Protection and Market Order Spread Protection rules will provide market participants with greater information as to when these protections will apply.

These limitations apply uniformly to all market participants. The remainder of the rule changes are intended to bring greater transparency to the current operation of the Exchange's rules.

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[19] of the Act and Rule 19b-4(f)(6) thereunder[20] 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.

The proposal does not significantly affect the protection of investors or the public interest because the majority of the proposed rule changes are non-substantive rule changes which are proposed to bring greater clarity to the rules. The amendments to add specific limitations to both the Limit Order Price Protection and Market Order Spread Protection rules will provide market participants with greater information as to when

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[19] 15 U.S.C. 78s(b)(3)(A)(iii).

[20] 17 CFR 240.19b-4(f)(6).

these protections will apply. The Exchange's proposal does not impose any significant burden on competition because the various risk protections are mandatory and will continue to apply uniformly to all market participants. The Exchange also believes that the addition of specific limitations to both the Limit Order Price Protection and Market Order Spread Protection will apply uniformly to all market participants. The remainder of the rule changes are non-substantive and intended to bring greater transparency to the current operation of the Exchange's rules.

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: (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.

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 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may amend Rule 714 to incorporate all risk protections into a single rule for ease of reference. In addition, the proposed amendments will bring greater transparency to the protections offered on MRX. The addition of specific limitations to both the Limit Order Price Protection and Market Order Spread Protection rules will provide market participants with greater information as to when these protections will apply. Memorializing the ability of the Exchange to establish different Market Order Spread Protection thresholds per options series or class will also bring greater clarity to the rule.

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

Phlx Rule 1099 similarly incorporates all risk protections into a single rule.

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-MRX-2018-30)

September__, 2018

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend MRX Rules

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 September 11, 2018, Nasdaq MRX, LLC ("MRX" 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 MRX Rules 100(a)(5) which contains definitions, Rule 711, "Acceptance of Quotes and Orders" and Rule 714, "Automatic Execution of Orders."

The text of the proposed rule change is available on the Exchange's Website at http://nasdaqmrx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

2 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

MRX proposes to amend Rule 714, Automatic Execution of Orders, by placing all risk protections within this rule and further creating sections to distinguish order protections, order and quote protections and quote protections. The Exchange believes that providing Members with a single rule with all risk protections will provide an easy reference to the mandatory single leg risk protections on MRX.

The Exchange is amending Rule 714(b) to rename the caption from "Other Order Protections" to "Other Risk Protections." The Exchange is amending references to "order protections" to "risk protections" within that rule to more broadly describe the type of protections offered on MRX. Finally, the Exchange is relocating rule text from Rule 714(c) to the end of proposed Rule 714(b), which states, "In the event of unusual market conditions and in the interest of a fair and orderly market, the Exchange may temporarily establish the levels at which the order protections contained in this paragraph are triggered as necessary and appropriate." These non-substantive rule changes are intended to bring greater clarity to the rule.

The Exchange proposes to add the following to proposed Rule 714(b)(1), "The following are order risk protections on MRX:" The Exchange proposes to list all order protections within Rule 714(b)(1). The Exchange proposes to relocate Limit Order Price Protection from Rule 714(b)(2) to proposed Rule 714(b)(1)(A). The Exchange also proposes to add a new sentence to the end of proposed Rule 714(b)(1)(A) which provides, "Limit Order Price Protection shall not apply to the Opening Process or during a trading halt. The Exchange is adding this sentence, which was not contained in the initial rule change, to make clear the limitations as to when this protection is available on MRX. The Exchange notes the Limit Order Price Protection rejects orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus) either an absolute dollar or a percentage. The Exchange notes that the bid or offer is not established until after an option series options for trading. Applying this protection during the Opening Process is not necessary as the quote width allowance is tighter during the Opening Process.[3] With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply.[4] This sentence memorializes the Exchange's current practice. The Exchange believes that this rule text will bring greater clarity to the Limit Order Price Protection functionality.

The Exchange proposes to relocate and re-number Market Order Spread Protection from Rule 711(c) to proposed Rule 714(b)(1)(B). The Exchange also proposes

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3 With respect to the Opening Process, a Quality Opening Market is required. A Quality Opening Market a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange and published on the Exchange's web site. See MRX Rule 701(a)(7).

4 See MRX Rule 701(d).

to add a sentence which provides, "Market Order Spread Protection shall not apply to the Opening Process or during a trading halt." The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because protections are in place during the Opening Process to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.[5] The Opening Process has more restrictive boundaries than those proposed for the Market Order Spread Protection. With respect to the Opening Process, a Quality Opening Market is required. A Quality Opening Market requires a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table[6] to be determined by the Exchange.[7] The Exchange's requirements during the Opening Process are more restrictive than the proposed initial setting for the Market Order Spread Protection, which is proposed at $5. As provided in Rule 701(d), trading halts are subject to the reopening process as provided for in Rule 701(e). The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because other

5 See note 3 above. With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply. See MRX Rule 701(d).

6 The table is located at: https://business.nasdaq.com/media/MRXSystemSettings_tcm5044-46766.pdf.

7 The calculation of Quality Opening Market is based on the best bid and offer of Valid Width Quotes. The differential between the best bid and offer are compared to reach this determination. The allowable differential, as determined by the Exchange, takes into account the type of security (for example, Standard Penny Issues, Non-Penny Issues and Special Penny Issues), volatility, option premium, and liquidity. The Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions. See MRX Rule 701(a)(7).

protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range. The Exchange is adding this sentence to make clear the limitations as to when this protection is available on MRX. The Exchange believes that this rule text will bring greater clarity to the Market Order Spread Protection functionality. The Exchange is also memorializing a sentence which was contained in the filing which adopted Market Order Spread Protection.

The Exchange noted in the adopting filing that the Exchange may establish differences other than the referenced threshold for one or more series or classes of options.[8] At this time, the Exchange proposes to memorialize this capability within Rule 714(b)(1)(B) by stating, "The Exchange may establish different thresholds for one or more series or classes of options." The Exchange believes that adding this provision to the rule will add transparency to the Exchange's capability to establish different thresholds per options series or class.

The Exchange proposes to relocate Size Limitation from Rule 714(b)(3) to proposed Rule 714(b)(1)(C) without any amendments. The Exchange proposes to add the following to proposed Rule 714(b)(2), "The following are order and quote risk protections on MRX:". The Exchange proposes to list all order and quote protections within Rule 714(b)(2). The Exchange proposes to re-letter Acceptable Trade Range from Rule 714(b)(1) to proposed Rule 714(b)(2)(A).

The Exchange proposes to relocate Market Wide Risk Protection from Rule 714(d) to proposed Rule 714(b)(1)(D). The Exchange is only amending cross references within this rule to reflect the new location of this text.

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8 Securities Exchange Act Release No. 80815 (May 30, 2017), 82 FR 25827 (June 5, 2017) (SR-MRX-2017-02).

The Exchange proposes new rule text at Rule 714(b)(3) which provides, "The following are Market Maker risk protections on MRX:". The Exchange proposes to list all Market Maker protections within Rule 714(b)(3). The Exchange proposes to relocate Anti-Internalization from Supplementary Material .03 to Rule 804 to proposed Rule 714(b)(3)(A). The Exchange proposes to replace the words "market participant identifier" with "Market Maker identifiers." The Exchange also proposes to replace the words "Exchange account identifier" with "account number."[9] The Exchange believes these modifications will bring more clarity to the functionality. The Exchange is removing the words "Notwithstanding Rule 804(d)(1) above" which refer to the firm quote.[10] The Exchange notes that the submission of bids and offers must be firm notwithstanding any protection offered by the Exchange, not just Anti-Internalization. The Exchange does not believe it is necessary to specifically cite this caveat for this order protections. The Exchange also proposes to capitalize the defined term Market Maker in this sentence.

The Exchange proposes to relocate Automated Quotation Adjustments from Rule 804(g) to proposed Rule 714(b)(3)(B). Rule 804(g) will be reserved. The Exchange is amending references in the rule to reflect the new placement within Rule 714 and

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9 An "account number" shall mean a number assigned to a Member. Members may have more than one account number. <u>See</u> Rule 100(a)(1)

10 MRX Rule 804(d)(1) provides that Market Maker bids and offers are firm for orders and Exchange Market Maker quotations both under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("Rule 602 of Reg NMS") for the number of contracts specified according to the requirements of paragraph 804(b).

replacing the words "Exchange's system ("System")" with the defined term System.[11] Finally, the term "member" was capitalized because it is a defined term. The Exchange is also making clear within Rule 715(b)(3)(B)(vi) that Market Maker must request the Exchange enable re-entry by contacting the Exchange's Operations Department.

Finally, the Exchange proposes to amend the definition of badge within Rule 100 (a)(5) to state that a badge is an account number, which may contain letters and/or numbers, assigned to Market Makers. The Exchange may from time to time modify the manner in which a badge is expressed systemically. This proposed language allows for latitude in establishing badges within the System.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] 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, by grouping the various risk protections into a single rule for ease of reference and adding headers to the rule to make clear whether the risk protection is an order protection, order or quote protection or a protection applicable to Market Makers. The Exchange believes the reorganization of the existing rule and relocation of various rules into Rule 714 is a non-

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11 The term "System" means the electronic system operated by the Exchange that receives and disseminates quotes, executes orders and reports transactions. See Rule 100(a)(66).

12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

substantive rule change. The Exchange believes that this rule change is consistent with the protection of investors and the public interest because it will bring greater transparency to the protections offered on MRX.

The Exchange's proposal to not apply the Limit Order Price Protection during the Opening Process is consistent with the Act because the Exchange rejects orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus) either an absolute dollar or a percentage. The Exchange notes that the bid or offer is not established until after an option series options for trading. Applying this protection during the Opening Process is not necessary as the quote width allowance is tighter during the Opening Process.[14] With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply.[15]

The Exchange's proposal to not apply the Market Order Spread Protection during the Opening Process is consistent with the Act because protections exist during the Opening Process to ensure that the best bid and offer displayed on the Exchange are within a reasonable range. The Exchange's Opening Process Rule 701[16] and the reopening process after a trading halt [17] both contain more restrictive boundaries than

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14 See note 3 above.

15 See MRX Rule 701(d).

16 See note 3 above.

17 With respect to trading halts, Opening Process procedures will be used to reopen an option series after a trading halt, therefore, the same protections noted for the Opening Process will apply for a trading halt and the same restrictive boundaries would apply. See MRX Rule 701(d).

those proposed or the Market Order Spread Protection. With respect to the Opening Process, a Quality Opening Market is required. A Quality Opening Market requires a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange.[18] The Exchange's requirements during the Opening Process are more restrictive than the proposed initial setting for the Market Order Spread Protection, which is set at $5. The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process and during a trading halt because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.

Memorializing the ability of the Exchange to establish different Market Order Spread Protection thresholds per options series or class will also bring greater clarity to the rule. Today, the Exchange has this ability, it is simply adding that text to the rule. Utilizing defined terms within the Rulebook will also bring clarity to the rules. The Exchange also believes using more discrete language within the Anti-Internalization rule will clarify the functionality.

Finally, the Exchange believes that expanding the definition of badge is consistent with the Act because it allows the Exchange the flexibility to administer the badges within its System.

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

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[18] The table is located at: https://business.nasdaq.com/media/MRXSystemSettings_tcm5044-46766.pdf.

Act. The proposal does not impose an intra-market burden on competition with respect to the reorganization and relocation of the various rules into Rule 714 because the various risk protections are mandatory and will continue to apply uniformly to all market participants. The Exchange also believes that the addition of specific limitations to both the Limit Order Price Protection and Market Order Spread Protection rules will provide market participants with greater information as to when these protections will apply. These limitations apply uniformly to all market participants. The remainder of the rule changes are intended to bring greater transparency to the current operation of the Exchange'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)(iii) of the Act[19] and subparagraph (f)(6) of Rule 19b-4 thereunder.[20]

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19 15 U.S.C. 78s(b)(3)(A)(iii).

20 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.

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2018-30 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-MRX-2018-30. 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-MRX-2018-30 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.[21]

Eduardo A. Aleman
Assistant Secretary

[21] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq MRX Rulebook

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1. Definitions

Rule 100. Definitions
(a) The following terms, when used in these Rules, shall have the meanings specified in this Chapter 1, unless the context indicates otherwise. Any term defined in the Limited Liability Company Agreement (the “LLC Agreement”) or the By-Laws of Nasdaq MRX, LLC (the “By-Laws”) and not otherwise defined in this Chapter shall have the meaning assigned in the LLC Agreement or the By-Laws.

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(5) A “**badge**” shall mean an account number<u>, which may contain letters and/or numbers,</u> [with a letter suffix] assigned to Market Makers. A Market Maker account may be associated with multiple badges.

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7. Doing Business On The Exchange

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Rule 711. Acceptance of Quotes and Orders

(a) and **(b)**

[(c) Market Order Spread Protection. Market Orders will be rejected if the NBBO is wider than a preset threshold at the time the order is received by the trading system.]

([d]<u>c</u>) Kill Switch enables Members to initiate a message to the [Exchange's trading system ("]System[")] to promptly cancel orders and restrict entry of new orders until re-entry has been enabled. Members may submit a request to the System to cancel orders for that Member. The System will send an automated message to the Member when a Kill Switch request has been processed by the Exchange's System.

(1) and **(2)** No change.

([e]<u>d</u>) Detection of Loss of Communication

(i) – (viii) No change.

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Rule 714. Automatic Execution of Orders
Incoming orders that are executable against orders and quotes in the System will be executed automatically by the System subject to the following:

(a) No change.

(b) Other [Order]Risk Protections. Subject to the NBBO price protection in (a) above, the following additional [order]risk protections are automatically enforced by the System[:]. In the event of unusual market conditions and in the interest of a fair and orderly market, the Exchange may temporarily establish the levels at which the order protections contained in this paragraph are triggered as necessary and appropriate.

(1) The following are order risk protections on MRX:

(A) **Limit Order Price Protection**. There is a limit on the amount by which incoming limit orders to buy may be priced above the Exchange's best offer and by which incoming limit orders to sell may be priced below the Exchange's best bid. Limit orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus): (i) an absolute amount not to exceed $2.00, or (ii) a percentage of the Exchange's best bid/offer not to exceed 10%. Limit Order Price Protection shall not apply to the Opening Process or during a trading halt.

(B) **Market Order Spread Protectio**n. Market Orders will be rejected if the NBBO is wider than a preset threshold at the time the order is received by the System. Market Order Spread Protection shall not apply to the Opening Process or during a trading halt. The Exchange may establish different thresholds for one or more series or classes of options.

(C) **Size Limitation**. There is a limit on the number of contracts an incoming order may specify. Orders that exceed the maximum number of contracts are rejected. The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time.

(D) **Market Wide Risk Protection**. All members must provide parameters for the order entry and execution rate protections described in this Rule 714(b)(1)(D). The Exchange will also establish default values for each of these parameters that apply to members that do not submit the required parameters, and will announce these default values in a circular to be distributed to members. The System will maintain one or more counting programs for each member that count orders entered and contracts traded on Nasdaq MRX. Members can use multiple counting programs to separate risk protections for different groups established within the member. The counting programs will maintain separate counts, over rolling time periods specified by the member for each count, of: (1) the total number of orders entered;

and (2) the total number of contracts traded. The minimum and maximum duration of the applicable time period will be established by the Exchange and announced via circular.

(i) If, during the applicable time period, the member exceeds thresholds that it has set for any of the order entry or execution counts described above on Nasdaq MRX, the System will automatically reject all subsequent incoming orders entered by the member on Nasdaq MRX.

(ii) Members may also choose to have the System automatically cancel all of their existing orders on Nasdaq MRX when the Market Wide Risk Protection is triggered.

(iii) The Market Wide Risk Protection will remain engaged until the member manually notifies the Exchange to enable the acceptance of new orders. For members that still have open orders on the book that have not been cancelled pursuant to Rule 714(d)(2) above, the System will continue to allow those members to interact with existing orders entered before the protection was triggered, including sending cancel order messages and receiving trade executions for those orders

(2) The following are order and quote risk protections on MRX:

([1]A) **Acceptable Trade Range**.

(i) – (iv) No change.

[(2) Limit Order Price Protection. There is a limit on the amount by which incoming limit orders to buy may be priced above the Exchange's best offer and by which incoming limit orders to sell may be priced below the Exchange's best bid. Limit orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus): (i) an absolute amount not to exceed $2.00, or (ii) a percentage of the Exchange's best bid/offer not to exceed 10%.]

[(3) Size Limitation. There is a limit on the number of contracts an incoming order may specify. Orders that exceed the maximum number of contracts are rejected. The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time.]

[(c) In the event of unusual market conditions and in the interest of a fair and orderly market, the Exchange may temporarily establish the levels at which the order protections contained in paragraph (b) are trigged as necessary and appropriate.]

[(d) Market Wide Risk Protection. All members must provide parameters for the order entry and execution rate protections described in this Rule 714(d). The Exchange will also establish default values for each of these parameters that apply to members that do not submit the required parameters, and will announce these default values in a circular to be distributed to members. The System will maintain one or more counting programs for each member that count orders entered and contracts traded on Nasdaq MRX. Members can use multiple counting programs to separate risk protections for different groups established within the member. The counting programs will maintain separate counts, over rolling time periods specified by the member for each count, of: (1) the total number of orders entered; and (2) the total number of contracts traded. The minimum and maximum duration of the applicable time period will be established by the Exchange and announced via circular.

(1) If, during the applicable time period, the member exceeds thresholds that it has set for any of the order entry or execution counts described above on Nasdaq MRX, the System will automatically reject all subsequent incoming orders entered by the member on Nasdaq MRX.

(2) Members may also choose to have the System automatically cancel all of their existing orders on Nasdaq MRX when the Market Wide Risk Protection is triggered.

(3) The Market Wide Risk Protection will remain engaged until the member manually notifies the Exchange to enable the acceptance of new orders. For members that still have open orders on the book that have not been cancelled pursuant to Rule 714(d)(2) above, the System will continue to allow those members to interact with existing orders entered before the protection was triggered, including sending cancel order messages and receiving trade executions for those orders.]

(3) The following are Market Maker risk protections on MRX:

(A) **Anti-Internalization**. Quotes and orders entered by Market Makers will not be executed against quotes and orders entered on the opposite side of the market by the same Market Maker using the same Market Maker identifiers, or alternatively, if selected by the Member, the same Exchange account number or member firm identifier. In such a case, the System will cancel the resting quote or order back to the entering party prior to execution. This functionality shall not apply in any auction.

(B) **Automated Quotation Adjustments.**

(i) Market Makers are required to utilize the Percentage, Volume, Delta and Vega Thresholds, each a Threshold, described in (a) - (d) below. For each of these features, the System will automatically remove a Market Maker's quotes in all series in an options class when any of the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold, as described below, has been exceeded. A Market Maker is required to specify a period of time not to exceed 30 seconds (“Specified Time Period”) during which the System will automatically remove a Market Maker's quotes in all series of an options class. The Specified Time Period will commence for an options class every time an execution occurs in any series in such option class and will continue until the System removes quotes as described in (ii) or (iii) or the Specified Time Period expires. The Specified Time Period operates on a rolling basis among all series in an options class in that there may be Specified Time Periods occurring simultaneously for each Threshold and such Specified Time Periods may overlap. The Specified Time Periods will be the same value for each protection described in (a) - (d) below.

(a) Percentage Threshold. A Market Maker must provide a specified percentage ("Percentage Threshold"), of not less than 1%, by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each series in an options class, the System will determine (i) during a Specified Time Period and for each side in a given series, a percentage calculated by dividing the size of a Market Maker's quote size executed in a particular series (the numerator) by the Market Maker's quote size available at the time of execution plus the total number of the Market Maker's quote size previously executed during the unexpired Specified Time Period (the denominator) ("Series Percentage"); and (ii) the sum of the Series Percentage in the options class ("Issue Percentage") during a Specified Time Period. The System tracks and calculates the net impact of positions in the same options class; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage exceeds the Percentage Threshold the System will automatically remove a Market Maker's quotes in all series of the options class during the Specified Time Period.

(b) Volume Threshold. A Market Maker must provide a Volume Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class when the Market Maker executes a number of contracts which exceeds the designated number of contracts in all series in an options class.

(c) Delta Threshold. A Market Maker must provide a Delta Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each class of options, the System will maintain a Delta counter, which tracks the absolute value of the difference between (i) purchased call contracts plus sold put contracts and (ii) sold call contracts plus purchased put contracts. If the Delta counter exceeds the Delta Threshold established by the Member, the System will automatically remove a Market Maker's quotes in all series of the options class.

(d) Vega Threshold. A Market Maker must provide a Vega Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each class of options, the System will maintain a Vega counter, which tracks the absolute value of purchased contracts minus sold contracts. If the Vega counter exceeds the Vega Threshold established by the Member, the System will automatically remove a Market Maker's quotes in all series of the options class.

(ii) The System will automatically remove quotes in all series of an options class when the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold has been exceeded. The System will send a Purge Notification Message to the Market Maker for all affected series when the above thresholds have been exceeded.

(a) The Percentage Threshold, Volume Threshold, Delta Threshold and Vega Threshold are considered independently of each other.

(b) Quotes will be automatically executed up to the Market Maker's size regardless of whether the execution would cause the Market Maker to exceed the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold.

(iii) Notwithstanding Rule 714(b)(3)(B) (1) and (2) above, a Market Maker requests the System to remove quotes in all series of an options class, the System will automatically reset all Thresholds.

(iv) When the System removes quotes as a result of exceeding the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold, the Market Maker must send a re-entry indicator to re-enter the System.

(v) If a Market Maker does not provide a parameter for each of the automated quotation removal protections described in (B)(i)(a) – (d) above, the Exchange will apply default parameters, which are announced to Members.

(vi) In addition to the automated quotation removal protections described in (B)(i)(a) – (d) above, a Market Maker must provide a market wide parameter by which the Exchange will automatically remove a Market Maker's quotes in all classes when, during a time period established by the Market Maker, the total number of quote removal events specified in (B)(i)(a) - (d) exceeds the market wide parameter provided to the Exchange by the Market Maker. Market Makers must request the Exchange enable re-entry by contacting the Exchange's Operations Department.

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Rule 804. Market Maker Quotations

(a) – (f) No change.

(g) Reserved. *[Automated Quotation Adjustments.*

(1) Market Makers are required to utilize the Percentage, Volume, Delta and Vega Thresholds, each a Threshold, described in (A) - (D) below. For each of these features, the Exchange's system ("System") will automatically remove a Market Maker's quotes in all series in an options class when any of the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold, as described below, has been exceeded. A Market Maker is required to specify a period of time not to exceed 30 seconds ("Specified Time Period") during which the system will automatically remove a Market Maker's quotes in all series of an options class. The Specified Time Period will commence for an options class every time an execution occurs in any series in such option class and will continue until the System removes quotes as described in (2) or (3) or the Specified Time Period expires. The Specified Time Period operates on a rolling basis among all series in an options class in that there may be Specified Time Periods occurring simultaneously for each Threshold and such Specified Time Periods may overlap. The Specified Time Periods will be the same value for each protection described in (A) - (D) below.

(A) Percentage Threshold. A Market Maker must provide a specified percentage ("Percentage Threshold"), of not less than 1%, by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each series in an options class, the System will determine (i) during a Specified Time Period and for each side in a given series, a percentage calculated by dividing the size of a Market Maker's quote size executed in a particular series (the numerator) by the Market Maker's quote size available at the time of execution plus the total number of the Market Maker's quote size previously executed during the unexpired Specified Time Period (the denominator) ("Series Percentage"); and (ii) the sum of the Series Percentage in the options class ("Issue Percentage") during a Specified Time Period. The System tracks and calculates the net impact of positions in the same options class; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage exceeds the Percentage Threshold the System will automatically remove a Market Maker's quotes in all series of the options class during the Specified Time Period.

(B) Volume Threshold. A Market Maker must provide a Volume Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class when the Market Maker executes a number of contracts which exceeds the designated number of contracts in all series in an options class.

(C) Delta Threshold. A Market Maker must provide a Delta Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each class of options, the System will maintain a Delta counter, which tracks the absolute value of the difference between (i) purchased call contracts plus sold put contracts and (ii) sold call contracts plus purchased put contracts. If the Delta counter exceeds the Delta Threshold established by the Member, the System will automatically remove a Market Maker's quotes in all series of the options class.

(D) Vega Threshold. A Market Maker must provide a Vega Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each class of options, the System will maintain a Vega counter, which tracks the absolute value of purchased contracts minus sold contracts. If the Vega counter exceeds the Vega Threshold established by the Member, the System will automatically remove a Market Maker's quotes in all series of the options class.

(2) The System will automatically remove quotes in all series of an options class when the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold has been exceeded. The System will send a Purge Notification Message to the Market Maker for all affected series when the above thresholds have been exceeded.

(A) The Percentage Threshold, Volume Threshold, Delta Threshold and Vega Threshold are considered independently of each other.

(B) Quotes will be automatically executed up to the Market Maker's size regardless of whether the execution would cause the Market Maker to exceed the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold.

(3) Notwithstanding Rule 804(g)(1) and (2) above, a Market Maker requests the System to remove quotes in all series of an options class, the System will automatically reset all Thresholds.

(4) When the System removes quotes as a result of exceeding the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold, the Market Maker must send a re-entry indicator to re-enter the System.

(5) If a Market Maker does not provide a parameter for each of the automated quotation removal protections described in (1) (A-D) above, the Exchange will apply default parameters, which are announced to members.

(6) In addition to the automated quotation removal protections described in (1) (AD) above, a Market Maker must provide a market wide parameter by which the Exchange will automatically remove a Market Maker's quotes in all classes when, during a time period established by the Market Maker, the total number of quote removal events specified in Rule 804(g)(1)(A) - (D) exceeds the market wide parameter provided to the Exchange by the Market Maker. **(h)** No change.

Supplementary Material to Rule 804

.01 and .02 No change.

[03. **Anti-Internalization** - Notwithstanding Rule 804(d)(1) above, quotes and orders entered by Market Makers will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same market participant identifier, or alternatively, if selected by the member, the same Exchange account identifier or member firm identifier. In such a case, the system will cancel the resting quote or order back to the entering party prior to execution. This functionality shall not apply in any auction.]

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