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

File No.* SR - 2019 - * 08
Amendment No. (req. for Amendments *)

Filing by Nasdaq MRX, LLC

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

Initial * ☑ | Amendment * ☐ | Withdrawal ☐ | Section 19(b)(2) * ☑ | 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) | 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 *).

Proposal to introduce Complex Order Functionality on MRX identical to the Complex Order functionality offered today on ISE.

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 04/12/2019

By Edward S. Knight

(Name *)

(Title *)

Global Chief Legal and Policy Officer

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 adopt Complex Order Functionality.[3] The proposed amendments to adopt Complex Order Functionality are identical to corresponding Nasdaq ISE, LLC ("ISE") 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 the Board of Directors of the Exchange on November 5, 2018. 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 MRX proposes to amend the Complex Order Functionality within Rules 100(a)(54) and (54A); 702, 710, 714, 715, 716, 718, 720, 721, 722, 723, and 724 (collectively "Complex Order Functionality").

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

a. Purpose

The Exchange proposes to introduce Complex Order Functionality on MRX that is identical to the Complex Order Functionality offered today on ISE. The Exchange specifically proposes to: (1) adopt a new Rule 722, titled "Complex Orders" to describe the functionality; (2) amend the definition of Professional Order within Section 100 (a)(54) to account for Complex Orders and add a definition for Professional Customer within Section 100 (a)(54A); (3) amend Rule 702, "Trading Halts," to account for Complex Orders; (4) amend Rule 710, "Minimum Trading Increments," to account for Complex Orders; (5) amend Rule 714, "Automatic Execution of Orders" to note a limitation with respect to the Anti-Internalization protection; (6) amend Rule 715, "Order Types," to define two new order types, "legging orders" and "QCC with Stock Orders," and amend the Ouch to Trade Options and Specialized Quote Feed protocols; (7) amend the title of Rule 716 from "Block Trades" to "Auction Mechanisms" and introduce a new Complex Facilitation Mechanism and Complex Solicited Order Mechanism; (8) adopt a new Nasdaq MRX Spread Feed within Rule 718(a)(5); (9) amend Rule 720, "Nullification and Adjustment of Options Transactions including Obvious Errors" to account for Complex Orders; (10) amend Rule 721, "Crossing Orders," to adopt new Complex Customer Cross Orders, Complex Qualified Contingent Cross Orders, Qualified Contingent Cross Orders with Stock and Complex Qualified Contingent Cross with Stock Orders; (11) amend Rule 723 to adopt a new Complex Price Improvement Mechanism; (12) adopt new Rule 724, entitled "Complex Order Risk Protections" to adopt various Complex Order risk protections; (13) amend the Pricing Schedule within Options 7, Sections 6 and 7 to reflect the new MRX data feed at no cost; and (14) and other universal changes. Each change will be discussed below in detail.

Universal Changes

In addition to the amendments described below, the Exchange proposes to make several changes throughout its rules. In particular, the Exchange proposes to capitalize references to "member" to reflect the defined term "Member"[4] and capitalize references to "system" to reflect the defined term "System."[5] Finally, cross-references to rule numbers will be updated where appropriate.

Rule 722

The Exchange proposes to adopt a new Rule 722, titled "Complex Orders." This proposed new rule will: (1) define various terms related to Complex Orders; (2) indicate the types of Complex Orders that may be entered into the System; (3) describe the applicability of various rules (e.g. minimum increments, complex strategies and rules regarding internalization); (4) describe the manner in which complex strategies are executed; (5) describe complex exposure; (6) describe the manner in which Stock Option and Stock-Complex Orders will be handled; (7) describe Trade Value Allowance; (8) describe various aspects of the Complex Opening Process; and (9) describe the trading of Qualified Contingent Cross and Complex Qualified Contingent Cross Orders. Proposed MRX Rule 722 is identical to ISE Rule 722.

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4 The term "Member" means an organization that has been approved to exercise trading rights associated with Exchange Rights. See Rule 100(a)(30).

5 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)(63).

Complex Exposure

Proposed Supplementary Material .01 to MRX Rule 722 provides that Members may elect to have their Complex Orders that are marketable upon entry exposed for up to one second before those orders are automatically executed. Specifically, the proposed rule describes an auction process whereby Complex Orders that improve upon the best price for the same complex strategy on the Complex Order Book upon entry may be exposed for up to one second.[6]

Stock Option and Stock-Complex Orders

Proposed Supplementary Material .02 to MRX Rule 722 describes an automated process for the communication of stock-option orders by electronically transmitting the orders related to the stock leg(s) for execution on behalf of the parties to the trade.

Trade Value Allowance

Proposed Supplementary Material .03 to MRX Rule 722 describes the manner in which Stock-Option Strategies and Stock Complex Strategies would be handled when different minimum trading increments are allowed for the stock and options legs of such trades.

Complex Opening Process

A Complex Opening Process is proposed at Supplementary Material .04 to MRX Rule 722. The rule provides that after each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies would be opened pursuant to the Complex Opening Price Determination described in proposed

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6 A Complex Order improves upon the best price for the same complex strategy on the Complex Order Book if it is a Limit Order to buy priced higher than the best bid, a Limit Order to sell priced lower than the best offer, or a Market Order to buy or sell.

Supplementary Material .05 to MRX Rule 722, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in proposed Supplementary Material .06(b) to MRX Rule 722.[7]

Complex Options Strategies are opened pursuant to an Opening Process that attempts to execute Complex Orders on the Complex Order Book at a single price that is within Boundary Prices that are constrained by the NBBO for the individual legs, thereby serving an important price discovery function.

Proposed Supplementary Material .06(b) to Rule 722 describes the Exchange's process for uncrossing the Complex Order Book when a resting Complex Order that is locked or crossed with other interest becomes executable during regular trading or as part of the Complex Opening Process. The Complex Uncrossing Process applies to Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.

Minimum Increments

The Exchange proposes to amend MRX Rule 710, "Minimum Increments," to provide the increments for trading in complex strategies. Additionally, the Exchange proposes a minor technical amendment to spell out "one cent." Proposed MRX Rule 710 is identical to ISE Rule 710.

Auction Mechanisms

Block Order Mechanism

The Exchange proposes to retitle MRX Rule 716, currently titled "Block Trades," as "Auction Mechanisms," because the new title more accurately describes the rule text

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7 The Complex Uncrossing Process is also used during regular trading when a resting Complex Order that is locked or crossed with other interest becomes executable.

contained in this rule. The Exchange proposes to relocate the text of Rule 716(a) within current Rule 716(c) and re-letter that Rule as 716(a). The Exchange also proposes to make clear that the Block Order Mechanism applies only to single-leg transactions and therefore does not apply to Complex Orders. The Exchange proposes to remove the "(b)" from Rule 716 so that the following text will apply to the entirety of Rule 716 and all mechanisms within the rule, including proposed relocated text, "For purposes of this Rule, a "broadcast message" means an electronic message that is sent by the Exchange to all Members, and a "Response" means an electronic message that is sent by Members in response to a broadcast message." This rule text, as written, is being amended so that it is clear that the rule text applies to all mechanisms within this rule, including the Complex Facilitation and Solicited Order Mechanisms which are proposed to be added in Rule 716(b) and (e), respectively, as proposed below. In addition, the Exchange proposes to relocate and expand rule text within Supplementary Material .04 to Rule 716[8] to this introductory paragraph so that with the relocation it also will apply to the entire rule. The Exchange proposes to provide, "Also for purposes of this rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second." Today, this rule text applies to all mechanisms within the rule, the Block Order Mechanism, Facilitation Mechanism and Solicited Order Mechanisms. As amended, the rule text will apply to the proposed Complex Facilitation and Solicited Order Mechanisms as well. Proposed MRX Rule 716(a) and (b) are identical to ISE Rule

8 Supplementary Material .04 to Rule 716 provides, "The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second."

716(a) and (b).

Complex Facilitation Mechanism

The Exchange proposes to amend MRX Rule 716 to re-letter the Facilitation Mechanism from “(d)” to “(b).” In addition, the Exchange proposes to adopt a new Complex Facilitation Mechanism in new MRX Rule 716(c). With this proposal, Electronic Access Members may use the Complex Facilitation Mechanism in new rule Rule 716(c) above to execute block-size Complex Orders at a net price. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Proposed MRX Rule 716(c) is identical to ISE Rule 716(c).

Complex Solicited Order Mechanism

MRX proposes to adopt a new Complex Solicited Order Mechanism at proposed MRX Rule 716(e) The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent against contra orders that it solicited according to Rule 716(d). Proposed MRX Rule 716(e) is identical to ISE Rule 716(e). Additionally, the Exchange proposes to eliminate Supplementary Material .03, which is currently reserved, and .04 to Rule 716, which is being relocated as discussed above. The Exchange proposes to amend Supplementary Material .05[9] to Rule 716 to renumber it .03. The Exchange proposes to renumber

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9 Supplementary .05 to Rule 716 prohibits Members from utilizing the Solicited Order Mechanism to circumvent MRX Rule 717(d) limiting principal transactions.

Supplementary Material .06[10] to Rule 716 as .04. The Exchange proposes to eliminate references to Supplementary Material .07 and .08 to Rule 716, which are currently reserved. The Exchange proposes to renumber Supplementary Material .09[11] to Rule 716 as .07. As proposed to be amended, the entirety of the MRX Supplementary Material to Rule 716 will be identical to the entirety of the Supplementary Material of ISE Rule 716.

Concurrent Auctions

The Exchange proposes to adopt new MRX Rules 716(f) and (g) regarding the processing of concurrent auctions. The Exchange will not operate multiple concurrent auctions for a complex strategy. Specifically, proposed MRX Rule 716(f) provides that only one Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction, pursuant to proposed Rule 722, Supplementary Material .01 or proposed Rule 723(e) or proposed Rule 716(c) and (e), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. Proposed MRX Rule 716(g) describes concurrent complex and single leg auctions. Proposed MRX Rule 716(f) and (g) are identical to ISE Rule 716(f) and (g).

Complex Price Improvement Mechanism

The Exchange proposes to amend MRX Rule 723 to adopt a new Complex Price Improvement Mechanism at proposed MRX Rule 723(e). The Price Improvement

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10 Supplementary .06 to Rule 716 permits orders and responses entered into the Facilitation and Solicited Order Mechanisms to receive executions at the mid-price between the standard minimum trading increments for the option series ("Split Prices").

11 Supplementary Material .09 to Rule 716 allows orders and responses to be entered into the Block Mechanism and receive executions at penny increments.

Mechanism exposes paired orders to all Members for a specified period of time[12] to provide an opportunity for price improvement. The Exchange proposes to make the Price Improvement Mechanism available for the execution of Complex Orders. Proposed MRX Rule 723(e) is identical to ISE Rule 723(e).

Complex Customer Cross Order

The Exchange proposes to amend MRX Rule 721, Crossing Orders. The Exchange proposes to add a title within Rule 721(a), "Customer Cross Orders." This will distinguish this paragraph from new proposed Rule 721(b), titled "Complex Customer Cross Order." The Exchange proposes to adopt a new Customer Complex Cross Orders at proposed MRX Rule 721(b). With this proposal, Complex Orders may be entered as Customer Cross Orders, which are currently defined in MRX Rule 715(i). MRX Rule 721(a), as proposed to be amended, and proposed MRX Rule 721(b) are identical to ISE Rules 721(a) and (d) respectively.

Complex Qualified Contingent Cross Orders

The Exchange proposes to re-letter MRX 721(b) as 721(c) and to add a title "Qualified Contingent Cross Orders" to the rule. The Exchange proposes to adopt a new Complex Qualified Contingent Cross Orders ("Complex QCC") at proposed MRX Rule 721(d). Proposed MRX Rule 721(d) describes Complex QCC Orders which are automatically executed upon entry as long as certain conditions are satisfied. Pursuant to current Rule 715(j), Qualified Contingent Cross Orders are orders to buy or sell at least 1000 contracts that are identified as being part of a qualified contingent trade, as that term

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[12] The exposure period shall be no less than 100 milliseconds and no more than 1 second. <u>See</u> MRX Rule 723(c).

is defined in Supplementary Material .01 to MRX Rule 715.[13] Proposed MRX Rule 721(c), as proposed to be amended, and proposed Rule 721(d) are identical to ISE Rules 721(c) and (d) respectively.

Qualified Contingent Cross with Stock

The Exchange proposes to adopt Qualified Contingent Cross ("QCC") Orders with Stock at proposed MRX Rule 721(e). The proposal adopts a definition of QCC with Stock Orders.[14] The proposed definition is identical to ISE Rule 722(b)(15). The proposed QCC with Stock Order facilitates the execution of the stock component of

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13 Pursuant to current Rule 715(j), Qualified Contingent Cross Orders are orders to buy or sell at least 1000 contracts that are identified as being part of a qualified contingent trade, as that term is defined in Supplementary Material .01 to Rule 715. The definition of Qualified Contingent Cross trade is substantively identical to the Commission's definition of a Qualified Contingent Transaction ("QCT") for which the Commission, by order, has provided trade-through relief in the equities market. Securities Exchange Act Release No. 57620 (April 4, 2008), 73 FR 19271 (April 9, 2008) (the "QCT Release"). Pursuant to Supplementary Material .01 to Rule 715, a Qualified Contingent Cross trade must meet the following conditions: (i) at least one component must be an NMS Stock; (ii) all the components must be effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (iii) the execution of one component must be contingent upon the execution of all other components at or near the same time; (iv) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) must be determined by the time the contingent order is placed; (v) the component orders must bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (iv) the transaction must be fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. Consistent with the QCT Release members must demonstrate that the transaction is fully hedged using reasonable risk-valuation methodologies.

14 See also proposed Rule 722(b)(15).

qualified contingent trades.[15] The Exchange proposes to adopt rule text at proposed MRX Rule 721(e) to provide detail explaining how a QCC with Stock Order is processed. Proposed MRX Rule 721(e) is identical to ISE Rule 721(e). Additionally, the Exchange proposes to define QCC with Stock within proposed new Rule 715(t). This defined term is identical to ISE Rule 715(t). Finally, the Exchange proposes to re-letter the definition of Opening Sweep as 715(u), as proposed this amendment will make the rule identical to ISE Rule 715(u).

Complex Order Risk Protections

The Exchange proposes to adopt Complex Order Protections at proposed MRX Rule 724. Proposed MRX Rule 724 is identical to ISE Rule 724. The Complex Order Protections include: Price limits, Vertical Spread Protections, Calendar Spread Protections, Butterfly Spread Protections, Box Spread Protections, Limit Order Spread Protections, Size Limitation and Price Level Protection.

Price Limits

The Exchange proposes to adopt a Price Limits protection at proposed MRX Rule 724(a). This protection will prevent the legs of a complex strategy from trading through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series, or underlying basis.

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15 See Securities Exchange Act Release No. 80090 (February 22, 2017), 82 FR 12150 (February 28, 2017) (SR-ISE-2017-12) ("QCC with Stock Notice").

Vertical Spread Protections

The Exchange proposes to adopt a Vertical Spread Protection at proposed MRX Rule 724(b)(1). Pursuant to this proposal, a Vertical Spread is an order to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price) at proposed Rule 724(b)(1). The System will reject Vertical Spread orders when entered with a net price of less than zero (minus a pre-set value) and will prevent the execution of a Vertical Spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell. The System will also reject a Vertical Spread order or quote when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a Market Order to buy.

Calendar Spread Protections

The Exchange proposes to adopt a Calendar Spread Protection at proposed MRX Rule 724(b)(2). Pursuant to this proposal, a Calendar Spread is an order to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price at proposed Rule 724(b)(2). The System will reject a Calendar Spread order when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a Calendar Spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell.

Butterfly and Box Spread Protections

The Exchange proposes to adopt a Butterfly Spread Protection at proposed MRX Rule 724(b)(3) and a Box Spread Protection at proposed Rule 724(b)(4). Pursuant to this proposal, a Butterfly spread is a three legged Complex Order with certain characteristics.[16] Pursuant to this proposal, a Box spread is a four legged Complex Order with certain characteristics.[17] Butterfly and Box Spreads will be rejected outside of certain parameters to avoid potential executions at prices that exceed the minimum and maximum possible intrinsic value of the spread by a specified amount.

Limit Order Price Protection

MRX proposes to adopt a Limit Order Price Protection at MRX Rule 724(c)(1). This protection will limit the amount by which the net price of an incoming Limit Complex Order to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price of an incoming Limit Complex Order to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex Orders that exceed the pricing limit will be rejected.

Size Limitation

MRX proposes to adopt a Size Limitation protection at proposed MRX Rule 724(c)(2) the same as provided for in ISE Rule 724(c)(2). This protection will limit the number of contracts (and shares in the case of a Stock-Option Strategy or Stock-Complex Strategy) any single leg of an incoming Complex Order may specify. Orders or quotes that exceed the maximum number of contracts (or shares) will be rejected.

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16 This strategy will utilize a combination of either all calls or all puts of the same expiration date in the same underlying to limit risk.

17 This strategy utilizes a combination of put/call pairs of options with the same expiration date in the same underlying to limit risk.

Price Level Protection

MRX proposes to adopt a Price Level Protection at proposed MRX Rule 724(c)(3). Pursuant to this proposal, the Price Level Protection will limit the number of price levels at which an incoming Complex Order to sell (buy) will be executed automatically with the bids or offers of each component leg when there are no bids (offers) from other exchanges at any price for the options series. Complex Orders will be executed at each successive price level until the maximum number of price levels is reached. On any component leg where the maximum number of price levels has been reached, the protection will be triggered and any balance will be canceled.

Professional Definition

The Exchange proposes to amend the definition of Professional Orders within Rule 100(a)(54). Proposed MRX Rule 100(a)(54) is identical to ISE Rule 1(a)(54). Specifically, the Exchange proposes to amend the calculation of Professional Orders to include rule text indicating the manner in which Complex Orders should be counted. With this proposal, 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. Additionally, Complex Orders consisting of 8 legs or fewer will be counted as a single order, and respecting Complex Orders of 9 options[18] legs or more, each leg will count as a separate order. Stock orders shall not count toward the number of legs.

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18 Orders that have nine legs, where one leg is a stock, will be considered one order. Stock orders shall not count toward the number of legs.

Trading Halts

The Exchange proposes to amend MRX Rule 702(d)(2) to describe how Market Complex Orders, which are proposed within proposed MRX Rule 722, will be handled during a trading halt. Proposed MRX Rule 702 is identical to ISE Rule 702.

Automatic Execution of Orders

The Exchange proposes to amend MRX Rule 714, "Automatic Execution of Orders," which lists the various single-legged risk protections available to Members. The Exchange proposes to exclude Complex Orders from the Anti-Internalization[19] protection. The Exchange currently provides that Anti-Internalization does not apply in any auction and proposes to also state that Anti-Internalization functionality shall not apply with respect to Complex Order transactions. Proposed MRX Rule 714(b)(3)(A) is identical to ISE Rule 714(b)(3)(A).

Types of Orders

The Exchange is proposing to amend MRX Rule 715 to define legging orders within Rule 715(k) and QCC with Stock at proposed Rule 715(t). Proposed MRX Rule 715(k) and (t) are identical to ISE Rule 715(k) and (t). Additionally, the Exchange proposes to re-letter "Opening Sweep" as "u" and capitalize the term "System" which is defined. These proposed changes will make the rule text in MRX Rule 715 identical to ISE Rule 715.

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19 Anti-Internalization prevents quotes and orders entered by Market Makers from executing 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.

The Exchange proposes to amend the MRX Supplementary Material .03 to Rule 715 to indicate both "Ouch to Trade Options" or "OTTO" and the "Specialized Quote Feed" or "SQF" protocols may connect, send and receive message related to complex instruments. Proposed MRX Supplementary Material .03(b) and (c) to Rule 715 are identical to Supplementary Material .03(b) and (c) to ISE Rule 715.

Data Feeds and Trade Information

The Exchange proposes to adopt a MRX Spread Feed at proposed MRX Rule 718(a)(5) at no cost as noted in proposed Options 7, Section 6(iii)(5). The Spread Feed contains various information regarding Complex Orders. Proposed MRX Rule 718(a)(5) is identical to ISE Rule 718(a)(5). Additionally, the Exchange purposes to define the term "Professional Customer" at proposed MRX Rule 100(a)(54A). The MRX Spread Feed introduces this term, which exists within ISE Rule 100(a)(54A). Proposed MRX Rule 100(a)(54A) is identical to ISE Rule 100(a)(54A).

Nullification and Adjustment of Options Transactions including Obvious Errors

The Exchange proposes to amend MRX Rule 720, titled "Nullification and Adjustment of Options Transactions including Obvious Errors" which permits the Exchange to nullify a transaction or adjust the execution price of a transaction for Complex Orders. Additionally, the Exchange proposes to renumber current Supplementary Material .04 to .06 within Rule 720. Proposed MRX Rule 720 is identical to ISE Rule 720 including the Supplementary Material.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")[20] in general, and furthers the objectives of Section 6(b)(5) of the Act[21] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. MRX's adoption of Complex Order Functionality will allow MRX to compete with other options exchanges that offer complex functionality.[22] The Exchange believes that the proposed rule change will better enable Members and investors to make informed decisions regarding the use of Complex Orders on the Exchange. As described more fully above, MRX's Complex Order Functionality is identical to the Complex Order Functionality offered today on ISE.[23]

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. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality. The Exchange believes that offering Complex Order Functionality on MRX will enhance competition among the various markets for Complex Order execution,

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20 15 U.S.C. 78f(b).

21 15 U.S.C. 78f(b)(5).

22 See NYSE American LLC Rule 971.2NY, ISE Rule 722, Phlx Rule 1098, Cboe Interpretations and Policies .01 to Cboe Rule 6.41 and MIAX Rule 518.

23 See note 3 above.

potentially resulting in more active Complex Order trading on all exchanges. The Exchange does not believe its proposal to offer Complex Order Functionality will create an undue burden on inter-market competition as various other options markets offer Complex Order functionality.[24]

With respect to intra-market competition, all Members are permitted to submit Complex Orders into MRX. Further, the Exchange will uniformly apply the proposed rules to any Member that submits a Complex Order into MRX.

5. <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

No written comments were either solicited or received.

6. <u>Extension of Time Period for Commission Action</u>

The Exchange does not consent to an extension of the time period for Commission action.

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

Not applicable.

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

The proposed rule change is the same as Complex Order Functionality offered on ISE.[25]

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

Not applicable.

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[24] <u>See</u> note 22 above.

[25] <u>See</u> note 3 above.

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-2019-08)

April __, 2019

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing of Proposed Rule Change to Adopt Complex Order Functionality

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and Rule 19b-4 thereunder,[2] notice is hereby given that on April 12, 2019, 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 adopt Complex Order Functionality.[3] The proposed amendments to adopt Complex Order Functionality are identical to corresponding Nasdaq ISE, LLC ("ISE") Rules.

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.

3 MRX proposes to amend the Complex Order functionality within Rules 100(a)(54) and (54A); 702, 710, 714, 715, 716, 718, 720, 721, 722, 723, and 724 (collectively "Complex Order Functionality").

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 introduce Complex Order Functionality on MRX that is identical to the Complex Order Functionality offered today on ISE. The Exchange specifically proposes to: (1) adopt a new Rule 722, titled "Complex Orders" to describe the functionality; (2) amend the definition of Professional Order within Section 100 (a)(54) to account for Complex Orders and add a definition for Professional Customer within Section 100 (a)(54A); (3) amend Rule 702, "Trading Halts," to account for Complex Orders; (4) amend Rule 710, "Minimum Trading Increments," to account for Complex Orders; (5) amend Rule 714, "Automatic Execution of Orders" to note a limitation with respect to the Anti-Internalization protection; (6) amend Rule 715, "Order Types," to define two new order types, "legging orders" and "QCC with Stock Orders," and amend the Ouch to Trade Options and Specialized Quote Feed protocols; (7) amend the title of Rule 716 from "Block Trades" to "Auction Mechanisms" and introduce a new Complex Facilitation Mechanism and Complex Solicited Order Mechanism; (8) adopt a new Nasdaq MRX Spread Feed within Rule 718(a)(5); (9) amend Rule 720, "Nullification and Adjustment of Options Transactions including Obvious Errors" to account for Complex Orders; (10) amend Rule 721, "Crossing Orders," to adopt new Complex Customer Cross Orders, Complex Qualified Contingent Cross Orders, Qualified Contingent Cross Orders with Stock and Complex Qualified Contingent Cross with Stock Orders; (11) amend Rule 723 to adopt a new Complex Price Improvement Mechanism; (12) adopt new Rule 724, entitled "Complex Order Risk Protections" to adopt various Complex Order risk protections; (13) amend the Pricing Schedule within Options 7, Sections 6 and 7 to reflect the new MRX data feed at no cost; and (14) and other universal changes. Each change will be discussed below in detail.

Universal Changes

In addition to the amendments described below, the Exchange proposes to make several changes throughout its rules. In particular, the Exchange proposes to capitalize references to "member" to reflect the defined term "Member"[4] and capitalize references to "system" to reflect the defined term "System."[5] Finally, cross-references to rule numbers will be updated where appropriate.

Rule 722

The Exchange proposes to adopt a new Rule 722, titled "Complex Orders." This proposed new rule will: (1) define various terms related to Complex Orders; (2) indicate the types of Complex Orders that may be entered into the System; (3) describe the applicability of various rules (e.g. minimum increments, complex strategies and rules regarding internalization); (4) describe the manner in which complex strategies are

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4 The term "Member" means an organization that has been approved to exercise trading rights associated with Exchange Rights. See Rule 100(a)(30).

5 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)(63).

executed; (5) describe complex exposure; (6) describe the manner in which Stock Option and Stock-Complex Orders will be handled; (7) describe Trade Value Allowance; (8) describe various aspects of the Complex Opening Process; and (9) describe the trading of Qualified Contingent Cross and Complex Qualified Contingent Cross Orders. Proposed MRX Rule 722 is identical to ISE Rule 722.

Complex Exposure

Proposed Supplementary Material .01 to MRX Rule 722 provides that Members may elect to have their Complex Orders that are marketable upon entry exposed for up to one second before those orders are automatically executed. Specifically, the proposed rule describes an auction process whereby Complex Orders that improve upon the best price for the same complex strategy on the Complex Order Book upon entry may be exposed for up to one second.[6]

Stock Option and Stock-Complex Orders

Proposed Supplementary Material .02 to MRX Rule 722 describes an automated process for the communication of stock-option orders by electronically transmitting the orders related to the stock leg(s) for execution on behalf of the parties to the trade.

Trade Value Allowance

Proposed Supplementary Material .03 to MRX Rule 722 describes the manner in which Stock-Option Strategies and Stock Complex Strategies would be handled when different minimum trading increments are allowed for the stock and options legs of such trades.

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6 A Complex Order improves upon the best price for the same complex strategy on the Complex Order Book if it is a Limit Order to buy priced higher than the best bid, a Limit Order to sell priced lower than the best offer, or a Market Order to buy or sell.

Complex Opening Process

A Complex Opening Process is proposed at Supplementary Material .04 to MRX Rule 722. The rule provides that after each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies would be opened pursuant to the Complex Opening Price Determination described in proposed Supplementary Material .05 to MRX Rule 722, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in proposed Supplementary Material .06(b) to MRX Rule 722.[7]

Complex Options Strategies are opened pursuant to an Opening Process that attempts to execute Complex Orders on the Complex Order Book at a single price that is within Boundary Prices that are constrained by the NBBO for the individual legs, thereby serving an important price discovery function.

Proposed Supplementary Material .06(b) to Rule 722 describes the Exchange's process for uncrossing the Complex Order Book when a resting Complex Order that is locked or crossed with other interest becomes executable during regular trading or as part of the Complex Opening Process. The Complex Uncrossing Process applies to Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.

Minimum Increments

The Exchange proposes to amend MRX Rule 710, "Minimum Increments," to provide the increments for trading in complex strategies. Additionally, the Exchange proposes a minor technical amendment to spell out "one cent." Proposed MRX Rule 710

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[7] The Complex Uncrossing Process is also used during regular trading when a resting Complex Order that is locked or crossed with other interest becomes executable.

is identical to ISE Rule 710.

Auction Mechanisms

Block Order Mechanism

The Exchange proposes to retitle MRX Rule 716, currently titled "Block Trades," as "Auction Mechanisms," because the new title more accurately describes the rule text contained in this rule. The Exchange proposes to relocate the text of Rule 716(a) within current Rule 716(c) and re-letter that Rule as 716(a). The Exchange also proposes to make clear that the Block Order Mechanism applies only to single-leg transactions and therefore does not apply to Complex Orders. The Exchange proposes to remove the "(b)" from Rule 716 so that the following text will apply to the entirety of Rule 716 and all mechanisms within the rule, including proposed relocated text, "For purposes of this Rule, a "broadcast message" means an electronic message that is sent by the Exchange to all Members, and a "Response" means an electronic message that is sent by Members in response to a broadcast message." This rule text, as written, is being amended so that it is clear that the rule text applies to all mechanisms within this rule, including the Complex Facilitation and Solicited Order Mechanisms which are proposed to be added in Rule 716(b) and (e), respectively, as proposed below. In addition, the Exchange proposes to relocate and expand rule text within Supplementary Material .04 to Rule 716[8] to this introductory paragraph so that with the relocation it also will apply to the entire rule. The Exchange proposes to provide, "Also for purposes of this rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the

8 Supplementary Material .04 to Rule 716 provides, "The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second."

Exchange via circular, but no less than 100 milliseconds and no more than 1 second." Today, this rule text applies to all mechanisms within the rule, the Block Order Mechanism, Facilitation Mechanism and Solicited Order Mechanisms. As amended, the rule text will apply to the proposed Complex Facilitation and Solicited Order Mechanisms as well. Proposed MRX Rule 716(a) and (b) are identical to ISE Rule 716(a) and (b).

Complex Facilitation Mechanism

The Exchange proposes to amend MRX Rule 716 to re-letter the Facilitation Mechanism from "(d)" to "(b)." In addition, the Exchange proposes to adopt a new Complex Facilitation Mechanism in new MRX Rule 716(c). With this proposal, Electronic Access Members may use the Complex Facilitation Mechanism in new rule Rule 716(c) above to execute block-size Complex Orders at a net price. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Proposed MRX Rule 716(c) is identical to ISE Rule 716(c).

Complex Solicited Order Mechanism

MRX proposes to adopt a new Complex Solicited Order Mechanism at proposed MRX Rule 716(e) The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent against contra orders that it solicited according to Rule 716(d). Proposed MRX Rule 716(e) is identical to ISE Rule 716(e). Additionally, the Exchange proposes to eliminate Supplementary Material .03, which is currently reserved, and .04 to Rule 716, which is being relocated as discussed above. The Exchange proposes to amend Supplementary Material .05[9] to Rule 716 to renumber it .03. The Exchange proposes to renumber Supplementary Material .06[10] to Rule 716 as .04. The Exchange proposes to eliminate references to Supplementary Material .07 and .08 to Rule 716, which are currently reserved. The Exchange proposes to renumber Supplementary Material .09[11] to Rule 716 as .07. As proposed to be amended, the entirety of the MRX Supplementary Material to Rule 716 will be identical to the entirety of the Supplementary Material of ISE Rule 716.

Concurrent Auctions

The Exchange proposes to adopt new MRX Rules 716(f) and (g) regarding the processing of concurrent auctions. The Exchange will not operate multiple concurrent auctions for a complex strategy. Specifically, proposed MRX Rule 716(f) provides that only one Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction, pursuant to proposed Rule 722, Supplementary Material .01 or proposed Rule 723(e) or proposed Rule 716(c) and (e), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. Proposed

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[9] Supplementary .05 to Rule 716 prohibits Members from utilizing the Solicited Order Mechanism to circumvent MRX Rule 717(d) limiting principal transactions.

[10] Supplementary .06 to Rule 716 permits orders and responses entered into the Facilitation and Solicited Order Mechanisms to receive executions at the mid-price between the standard minimum trading increments for the option series (“Split Prices”).

[11] Supplementary Material .09 to Rule 716 allows orders and responses to be entered into the Block Mechanism and receive executions at penny increments.

MRX Rule 716(g) describes concurrent complex and single leg auctions. Proposed MRX Rule 716(f) and (g) are identical to ISE Rule 716(f) and (g).

Complex Price Improvement Mechanism

The Exchange proposes to amend MRX Rule 723 to adopt a new Complex Price Improvement Mechanism at proposed MRX Rule 723(e). The Price Improvement Mechanism exposes paired orders to all Members for a specified period of time[12] to provide an opportunity for price improvement. The Exchange proposes to make the Price Improvement Mechanism available for the execution of Complex Orders. Proposed MRX Rule 723(e) is identical to ISE Rule 723(e).

Complex Customer Cross Order

The Exchange proposes to amend MRX Rule 721, Crossing Orders. The Exchange proposes to add a title within Rule 721(a), "Customer Cross Orders." This will distinguish this paragraph from new proposed Rule 721(b), titled "Complex Customer Cross Order." The Exchange proposes to adopt a new Customer Complex Cross Orders at proposed MRX Rule 721(b). With this proposal, Complex Orders may be entered as Customer Cross Orders, which are currently defined in MRX Rule 715(i). MRX Rule 721(a), as proposed to be amended, and proposed MRX Rule 721(b) are identical to ISE Rules 721(a) and (d) respectively.

Complex Qualified Contingent Cross Orders

The Exchange proposes to re-letter MRX 721(b) as 721(c) and to add a title "Qualified Contingent Cross Orders" to the rule. The Exchange proposes to adopt a new Complex Qualified Contingent Cross Orders ("Complex QCC") at proposed MRX Rule

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12 The exposure period shall be no less than 100 milliseconds and no more than 1 second. See MRX Rule 723(c).

721(d). Proposed MRX Rule 721(d) describes Complex QCC Orders which are automatically executed upon entry as long as certain conditions are satisfied. Pursuant to current Rule 715(j), Qualified Contingent Cross Orders are orders to buy or sell at least 1000 contracts that are identified as being part of a qualified contingent trade, as that term is defined in Supplementary Material .01 to MRX Rule 715.[13] Proposed MRX Rule 721(c), as proposed to be amended, and proposed Rule 721(d) are identical to ISE Rules 721(c) and (d) respectively.

Qualified Contingent Cross with Stock

The Exchange proposes to adopt Qualified Contingent Cross ("QCC") Orders with Stock at proposed MRX Rule 721(e). The proposal adopts a definition of QCC with

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13 Pursuant to current Rule 715(j), Qualified Contingent Cross Orders are orders to buy or sell at least 1000 contracts that are identified as being part of a qualified contingent trade, as that term is defined in Supplementary Material .01 to Rule 715. The definition of Qualified Contingent Cross trade is substantively identical to the Commission's definition of a Qualified Contingent Transaction ("QCT") for which the Commission, by order, has provided trade-through relief in the equities market. Securities Exchange Act Release No. 57620 (April 4, 2008), 73 FR 19271 (April 9, 2008) (the "QCT Release"). Pursuant to Supplementary Material .01 to Rule 715, a Qualified Contingent Cross trade must meet the following conditions: (i) at least one component must be an NMS Stock; (ii) all the components must be effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (iii) the execution of one component must be contingent upon the execution of all other components at or near the same time; (iv) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) must be determined by the time the contingent order is placed; (v) the component orders must bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (iv) the transaction must be fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. Consistent with the QCT Release members must demonstrate that the transaction is fully hedged using reasonable risk-valuation methodologies.

Stock Orders.[14] The proposed definition is identical to ISE Rule 722(b)(15). The proposed QCC with Stock Order facilitates the execution of the stock component of qualified contingent trades.[15] The Exchange proposes to adopt rule text at proposed MRX Rule 721(e) to provide detail explaining how a QCC with Stock Order is processed. Proposed MRX Rule 721(e) is identical to ISE Rule 721(e). Additionally, the Exchange proposes to define QCC with Stock within proposed new Rule 715(t). This defined term is identical to ISE Rule 715(t). Finally, the Exchange proposes to re-letter the definition of Opening Sweep as 715(u), as proposed this amendment will make the rule identical to ISE Rule 715(u).

Complex Order Risk Protections

The Exchange proposes to adopt Complex Order Protections at proposed MRX Rule 724. Proposed MRX Rule 724 is identical to ISE Rule 724. The Complex Order Protections include: Price limits, Vertical Spread Protections, Calendar Spread Protections, Butterfly Spread Protections, Box Spread Protections, Limit Order Spread Protections, Size Limitation and Price Level Protection.

Price Limits

The Exchange proposes to adopt a Price Limits protection at proposed MRX Rule 724(a). This protection will prevent the legs of a complex strategy from trading through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the

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14 See also proposed Rule 722(b)(15).

15 See Securities Exchange Act Release No. 80090 (February 22, 2017), 82 FR 12150 (February 28, 2017) (SR-ISE-2017-12) ("QCC with Stock Notice").

NBBO not to exceed 500%, as determined by the Exchange on a class, series, or underlying basis.

Vertical Spread Protections

The Exchange proposes to adopt a Vertical Spread Protection at proposed MRX Rule 724(b)(1). Pursuant to this proposal, a Vertical Spread is an order to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price) at proposed Rule 724(b)(1). The System will reject Vertical Spread orders when entered with a net price of less than zero (minus a pre-set value) and will prevent the execution of a Vertical Spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell. The System will also reject a Vertical Spread order or quote when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a Market Order to buy.

Calendar Spread Protections

The Exchange proposes to adopt a Calendar Spread Protection at proposed MRX Rule 724(b)(2). Pursuant to this proposal, a Calendar Spread is an order to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price at proposed Rule 724(b)(2). The System will reject a Calendar Spread order when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a Calendar Spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell.

Butterfly and Box Spread Protections

The Exchange proposes to adopt a Butterfly Spread Protection at proposed MRX Rule 724(b)(3) and a Box Spread Protection at proposed Rule 724(b)(4). Pursuant to this proposal, a Butterfly spread is a three legged Complex Order with certain characteristics.[16] Pursuant to this proposal, a Box spread is a four legged Complex Order with certain characteristics.[17] Butterfly and Box Spreads will be rejected outside of certain parameters to avoid potential executions at prices that exceed the minimum and maximum possible intrinsic value of the spread by a specified amount.

Limit Order Price Protection

MRX proposes to adopt a Limit Order Price Protection at MRX Rule 724(c)(1). This protection will limit the amount by which the net price of an incoming Limit Complex Order to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price of an incoming Limit Complex Order to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex Orders that exceed the pricing limit will be rejected.

Size Limitation

MRX proposes to adopt a Size Limitation protection at proposed MRX Rule 724(c)(2) the same as provided for in ISE Rule 724(c)(2). This protection will limit the

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16 This strategy will utilize a combination of either all calls or all puts of the same expiration date in the same underlying to limit risk.

17 This strategy utilizes a combination of put/call pairs of options with the same expiration date in the same underlying to limit risk.

number of contracts (and shares in the case of a Stock-Option Strategy or Stock-Complex Strategy) any single leg of an incoming Complex Order may specify. Orders or quotes that exceed the maximum number of contracts (or shares) will be rejected.

Price Level Protection

MRX proposes to adopt a Price Level Protection at proposed MRX Rule 724(c)(3). Pursuant to this proposal, the Price Level Protection will limit the number of price levels at which an incoming Complex Order to sell (buy) will be executed automatically with the bids or offers of each component leg when there are no bids (offers) from other exchanges at any price for the options series. Complex Orders will be executed at each successive price level until the maximum number of price levels is reached. On any component leg where the maximum number of price levels has been reached, the protection will be triggered and any balance will be canceled.

Professional Definition

The Exchange proposes to amend the definition of Professional Orders within Rule 100(a)(54). Proposed MRX Rule 100(a)(54) is identical to ISE Rule 1(a)(54). Specifically, the Exchange proposes to amend the calculation of Professional Orders to include rule text indicating the manner in which Complex Orders should be counted. With this proposal, 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. Additionally, Complex Orders consisting of 8 legs or fewer will be counted as a single order, and respecting Complex Orders of 9 options[18]

[18] Orders that have nine legs, where one leg is a stock, will be considered one order. Stock orders shall not count toward the number of legs.

legs or more, each leg will count as a separate order. Stock orders shall not count toward the number of legs.

Trading Halts

The Exchange proposes to amend MRX Rule 702(d)(2) to describe how Market Complex Orders, which are proposed within proposed MRX Rule 722, will be handled during a trading halt. Proposed MRX Rule 702 is identical to ISE Rule 702.

Automatic Execution of Orders

The Exchange proposes to amend MRX Rule 714, "Automatic Execution of Orders," which lists the various single-legged risk protections available to Members. The Exchange proposes to exclude Complex Orders from the Anti-Internalization[19] protection. The Exchange currently provides that Anti-Internalization does not apply in any auction and proposes to also state that Anti-Internalization functionality shall not apply with respect to Complex Order transactions. Proposed MRX Rule 714(b)(3)(A) is identical to ISE Rule 714(b)(3)(A).

Types of Orders

The Exchange is proposing to amend MRX Rule 715 to define legging orders within Rule 715(k) and QCC with Stock at proposed Rule 715(t). Proposed MRX Rule 715(k) and (t) are identical to ISE Rule 715(k) and (t). Additionally, the Exchange proposes to re-letter "Opening Sweep" as "u" and capitalize the term "System" which is

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19 Anti-Internalization prevents quotes and orders entered by Market Makers from executing 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.

defined. These proposed changes will make the rule text in MRX Rule 715 identical to ISE Rule 715.

The Exchange proposes to amend the MRX Supplementary Material .03 to Rule 715 to indicate both “Ouch to Trade Options” or “OTTO” and the “Specialized Quote Feed” or “SQF” protocols may connect, send and receive message related to complex instruments. Proposed MRX Supplementary Material .03(b) and (c) to Rule 715 are identical to Supplementary Material .03(b) and (c) to ISE Rule 715.

Data Feeds and Trade Information

The Exchange proposes to adopt a MRX Spread Feed at proposed MRX Rule 718(a)(5) at no cost as noted in proposed Options 7, Section 6(iii)(5). The Spread Feed contains various information regarding Complex Orders. Proposed MRX Rule 718(a)(5) is identical to ISE Rule 718(a)(5). Additionally, the Exchange purposes to define the term “Professional Customer” at proposed MRX Rule 100(a)(54A). The MRX Spread Feed introduces this term, which exists within ISE Rule 100(a)(54A). Proposed MRX Rule 100(a)(54A) is identical to ISE Rule 100(a)(54A).

Nullification and Adjustment of Options Transactions including Obvious Errors

The Exchange proposes to amend MRX Rule 720, titled “Nullification and Adjustment of Options Transactions including Obvious Errors” which permits the Exchange to nullify a transaction or adjust the execution price of a transaction for Complex Orders. Additionally, the Exchange proposes to renumber current Supplementary Material .04 to .06 within Rule 720. Proposed MRX Rule 720 is identical to ISE Rule 720 including the Supplementary Material.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")[20] in general, and furthers the objectives of Section 6(b)(5) of the Act[21] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. MRX's adoption of Complex Order Functionality will allow MRX to compete with other options exchanges that offer complex functionality.[22] The Exchange believes that the proposed rule change will better enable Members and investors to make informed decisions regarding the use of Complex Orders on the Exchange. As described more fully above, MRX's Complex Order Functionality is identical to the Complex Order Functionality offered today on ISE.[23]

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. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality. The Exchange believes that offering Complex Order Functionality on MRX will enhance competition among the various markets for Complex Order execution,

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20 15 U.S.C. 78f(b).

21 15 U.S.C. 78f(b)(5).

22 See NYSE American LLC Rule 971.2NY, ISE Rule 722, Phlx Rule 1098, Cboe Interpretations and Policies .01 to Cboe Rule 6.41 and MIAX Rule 518.

23 See note 3 above.

potentially resulting in more active Complex Order trading on all exchanges. The Exchange does not believe its proposal to offer Complex Order Functionality will create an undue burden on inter-market competition as various other options markets offer Complex Order functionality.[24]

With respect to intra-market competition, all Members are permitted to submit Complex Orders into MRX. Further, the Exchange will uniformly apply the proposed rules to any Member that submits a Complex Order into MRX.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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:

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[24] See note 22 above.

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2019-08 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-MRX-2019-08. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet 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-2019-08 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Eduardo A. Aleman
Assistant Secretary

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[25] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq MRX Rules

1. Definitions

Rule 100. Definitions

(a) No change.

(1) – (53) No change.

(54) The term “**Professional Order**” means an order that is for the account of a person or entity that is not a Priority Customer.

(i) 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) 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) 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 <u>Complex Order comprising 9 options legs or more, including </u>"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.

<u>**(c)** Complex Orders consisting of 8 legs or fewer will be counted as a single order, and respecting Complex Orders of 9 options legs or more, each leg will count as a separate order. Stock orders shall not count toward the number of legs.</u>

([c]<u>d</u>) 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.

<u>(**54A**) 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).</u>

(55) – (70) No change.

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Rule 702. Trading Halts

(a) – (c) No change.

(d) This paragraph shall be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"). Capitalized terms used in this paragraph shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(1) No change.

(2) Provided the Exchange has opened an affected option for trading, the Exchange shall reject Market Orders, as defined in Rule 715(a), and Market Complex Orders as defined in Rule 722(b), and shall notify Members of the reason for such rejection. The Exchange shall cancel Complex Orders that are Market Orders residing in the System, if the Market Complex Order becomes marketable while the affected underlying is in a Limit or Straddle State. Market Orders exposed at the NBBO pursuant to Supplementary Material. 02 to ISE Rule 1901 or Market Complex Orders exposed for price improvement pursuant to Supplementary Material .01 to Rule 722, pending in the System, will continue to be processed. If at the end of the exposure period the affected underlying is in a Limit or Straddle State, the Market Order or the Market Complex Order will be cancelled. If the affected underlying is no longer in a Limit or Straddle State after the exposure period, the Market Order or the Market Complex Order will be processed with normal handling.

([2]3) Provided the Exchange has opened an affected option for trading, the Exchange shall elect Stop Orders if the condition as provided in Rule 715(d) is met, and, because they become Market Orders, shall cancel them back and notify Members of the reason for such rejection.

(4) No change.

Supplementary Material to Rule 702

.01 No change.

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Rule 710. Minimum Trading Increments

(a) – (c) No change.

Supplementary Material to Rule 710

.01 Notwithstanding any other provision of this Rule 710, the Exchange will operate a pilot program, scheduled to expire on June 30, 2019, to permit options classes to be quoted and traded in increments as low as one cent ($0.01). The Exchange will specify which options trade in such pilot, and in what increments, in Options Trader Alerts distributed to Members.

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.04 Notwithstanding any other provision of this Rule 710, complex strategies may be traded in the increments described in Rule 722(c)(1).

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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 Risk Protections. Subject to the NBBO price protection in (a) above, the following additional 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) and **(2)** No change.

(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 or with respect to Complex Order transactions.

(B) No change.

* * * * *

Rule 715. Types of Orders

(a) – (j) No change.

(k) [Reserved]Legging Orders. A legging order is a limit order on the regular limit order book that represents one side of a Complex Options Order that is to buy or sell an equal quantity of two options series resting on the Exchange's Complex Order Book. Legging orders are firm orders that are included in the Exchange's displayed best bid or offer.

(1) A legging order may be automatically generated for one leg of a Complex Options Order at a price: (i) that matches or improves upon the best displayed bid or offer on the regular limit order book; and (ii) at which the net price can be

achieved when the other leg is executed against the best displayed bid or offer on the regular limit order book. A legging order will not be created at a price that locks or crosses the best bid or offer of another exchange.

(2) A legging order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a legging order is executed, the other portion of the Complex Options Order will be automatically executed against the displayed best bid or offer on the Exchange.

(3) A legging order is automatically removed from the regular limit order book if: (i) the price of the legging order is no longer at the displayed best bid or offer on the regular limit order book, (ii) execution of the legging order would no longer achieve the net price of the Complex Options Order when the other leg is executed against the best displayed bid or offer on the regular limit order book, (iii) the Complex Options Order is executed in full or in part on the Complex Order Book, or (iv) the Complex Options Order is cancelled or modified.

(l) – (s) No change.

(t) QCC with Stock Orders. A QCC with Stock Order is a Qualified Contingent Cross Order, as defined in Rule 715(j), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Rule 721(c).

([t]u) Opening Sweep. An Opening Sweep is a Market Maker order submitted for execution against eligible interest in the [s]System during the Opening Process pursuant to Rule 701(b)(1).

Supplementary Material to Rule 715

.01 and .02 No change.

.03 The Exchange offers Members the following protocols for entering orders and quotes respectively:

(a) No change.

(b) "**Ouch to Trade Options**" or "**OTTO**" is an interface that allows Members and their Sponsored Customers to connect, send, and receive messages related to orders, auction orders, and auction responses to the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; (6) risk protection triggers and cancel notifications; (7) auction notifications; (8) auction responses; and (9) post trade allocation messages.

(c) "**Specialized Quote Feed**" or "**SQF**" is an interface that allows market makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying<u> and complex</u> instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the market maker.

Rule 716. [Block Trades]<u>Auction Mechanisms</u>

[(a) *Block-Size Orders*. Block-size orders are orders for fifty (50) contracts or more.

(b)]For purposes of this Rule, a "broadcast message" means an electronic message that is sent by the Exchange to all Members, and a "Response" means an electronic message that is sent by Members in response to a broadcast message.<u> Also for purposes of this rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.</u>

[(c)]<u>(a)</u> Block Order Mechanism. The Block Order Mechanism is a process by which a Member can obtain liquidity for the execution of block-size orders.<u> The Block Order Mechanism is for single leg transactions only. Block-size orders are orders for fifty (50) contracts or more.</u>

(1) No change.

(2) At the conclusion of the time given Members to enter Responses, either an execution will occur automatically, or the order will be cancelled.

(i) Responses, orders, and quotes will be executed at a single block execution price that is the price for the block-size order at which the maximum number of contracts can be executed consistent with the [m]<u>M</u>ember's instruction. Bids (offers) on the Exchange at the time the block order is executed that are priced higher (lower) than the block execution price, as well as Responses that are priced higher (lower) than the block execution price, will be executed in full at the block execution price.

(ii) No change.

(3) No change.

([d]b) Facilitation Mechanism. The Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size order it represents as agent. Electronic Access Members must be willing to execute the entire size of orders entered into the Facilitation Mechanism.

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

(3) At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) No change.

(ii) No change.

(iii) Upon entry of an order into the Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the price and size of orders, quotes and responses received during the exposure period up to a specified limit price or without specifying a limit price. In this case, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating [m]Member shall be allocated at least forty percent (40%) of the original size of the facilitation order, but only after Priority Customer interest at such price point. Thereafter, all other orders, Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the order, Response or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(iv) No change.

(c) Complex Facilitation Mechanism. Electronic Access Members may use the Facilitation Mechanism in sub-paragraph (b) above to execute block-size Complex Orders at a net price. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Electronic Access Members must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.

(1) Complex Orders entered into the Complex Facilitation Mechanism must be priced within the parameters described below. Complex Orders that do not meet these requirements are not eligible for the Complex Facilitation Mechanism and will be rejected.

(2) Complex Options Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best MRX bids and offers for the individual legs on the same side of the market as the Agency Order; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(3) Stock-Option Orders and Stock-Complex Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best MRX bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(4) A Complex Order entered into the Complex Facilitation Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, such auction will be automatically terminated without execution.

(5) Upon the entry of a Complex Order into the Complex Facilitation Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second.

(6) Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated. Responses must be entered in the increments provided in Rule 722(c)(1) at the facilitation price or at a price that is at least one cent better for the Agency Order.

(7) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the

exposure period has ended. At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(A) Unless there is sufficient size to execute the entire facilitation order at a better net price, Priority Customer Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers).

(B) The facilitating Electronic Access Member will execute at least forty percent (40%) (or such lower percentage requested by the Member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders, as well as Priority Customer Complex Orders and Responses at the facilitation price, are executed in full. Thereafter, Professional Complex Orders and Responses at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response.

(C) Upon entry of a Complex Order into the Complex Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the net price and size of Complex Orders, Responses received during the exposure period up to a specified limit price or without specifying a limit price. This election will also automatically match the net price available from the MRX best bids and offers on the individual legs for the full size of the order; provided that with notice to Members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a Member elects to auto-match, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating Member will be allocated at least forty percent (40%) (or such lower percentage requested by the Member) of the original size of the facilitation order, but only after Priority Customer Orders and Responses at such price point. Thereafter, Professional Complex Orders and Responses at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(D) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Facilitation Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses on the Complex Order Book and, for Complex Options Orders, the MRX best bids and offers on the individual legs, the facilitation order will be executed against such interest.

([e]d) *Solicited Order Mechanism*. The Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it solicited. Each order entered into the Solicited Order Mechanism shall be designated as all-or-none.

(1) – (3) No change.

(e) Complex Solicited Order Mechanism. The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent (the “Agency Complex Order”) against contra orders that it solicited according to sub-paragraph (d) above. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in sub-paragraph (d) above

(1) Complex Orders must be entered into the Complex Solicited Order Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on both sides of the market; and (B) equal to or better than the best net price achievable from the best MRX bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2). Complex Orders that do not meet these requirements are not eligible for the Complex Solicited Order Mechanism and will be rejected.

(2) A Complex Order entered into the Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Solicited Order Mechanism, such auction will be automatically terminated without execution.

(3) Upon entry of both orders into the Complex Solicited Order Mechanism at a proposed execution net price, a broadcast message that includes the net price, side

and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they would be willing to participate in the execution of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Responses must be entered in the increments provided in Rule 722(c)(1) at the proposed execution net price or at a price that is at least one cent better for the Agency Order.

(4) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (A) through (D) below, or cancelled.

(A) If at the time of execution there is insufficient size to execute the entire Agency Complex Order at an improved net price(s) pursuant to paragraph (e)(4)(C) below, the Agency Complex Order will be executed against the solicited Complex Order at the proposed execution net price so long as, at the time of execution: (i) the execution net price is equal to or better than the best net price achievable from the best MRX bids and offers for the individual legs, (ii) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs, (iii) the execution net price is equal to or better than the best bid or offer on the Complex Order Book, and (iv) there are no Priority Customer Complex Orders or Responses that are priced equal to the proposed execution price.

(B) If there are Priority Customer Complex Orders or Responses on the opposite side of the Agency Complex Order at the proposed execution net price and there is sufficient size to execute the entire size of the Agency Complex Order, the Agency Complex Order will be executed against such interest, and the solicited Complex Order will be cancelled, provided that: (i) the execution net price is equal to or better than the best net price achievable from the best MRX bids and offers for the individual legs, and (ii) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses and, for Complex Options Orders, the aggregate size available from the best bids and offers for the individual legs, will be used to determine whether the entire Agency Complex Order can be executed pursuant to this paragraph.

(C) If at the time of execution there is sufficient size to execute the entire Agency Complex Order at an improved net price(s), the Agency Complex Order will be executed at the improved net price(s), and the solicited

Complex Order will be cancelled, provided that: (i) the execution net price is equal to or better than the best net price achievable from the best MRX bids and offers for the individual legs, and (ii) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses, and the aggregate size available from the best bids and offers for the individual legs for a Complex Options Order, will be used to determine whether the entire Agency Complex Order can be executed at an improved net price(s).

(D) When executing the Agency Complex Order against other interest in accordance with Rule 722(d)(2)(ii), Priority Customer Complex Orders and Responses will be executed first. Professional Complex Orders and Responses participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Complex Order or Response. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Rule 713 and the Supplementary Material thereto.

(5) Prior to entering Agency Orders into the Complex Solicited Order Mechanism on behalf of a customer, EAMs must deliver to the customer a written notification informing the customer that its order may be executed using Nasdaq MRX's Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

(f) Limitation on Concurrent Complex Strategy Auctions. Only one Exposure Auction at Supplementary Material .01 to Rule 722, Complex Price Improvement Mechanism auction at Rule 723(e), Complex Facilitation Mechanism auction at 716(c), or Complex Solicited Order Mechanism auction at 716(e), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. The Exchange will not initiate an Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a Complex Strategy while another Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the Member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.

(g) Concurrent Complex Order and single leg auctions. An auction in the Block Order Mechanism at 716(a), Facilitation Mechanism at 716(b), Solicited Order Mechanism at 716(d), or Price Improvement Mechanism at 723(d), respectively, or an exposure period as provided in Supplementary Material .02 to Rule 1901, for an option series may occur concurrently with a Complex Order Exposure Auction at Supplementary Material .01 to Rule 722, Complex Facilitation Auction at 716(c), Complex Solicited Order Auction at 716(e), or Complex Price Improvement Mechanism auction at 723(e), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Rules 716(a), (b), (d), or 723(a) or Supplementary Material .02 to Rule 1901, as applicable, for the single option, or pursuant to Supplementary Material .01 to Rule 722, 716(c), 716(e), 723(e), as applicable, for the Complex Order, except as provided for at Rule 723(e)(4)(vi).

Supplementary Material to Rule 716

.01 It will be a violation of a [m]Member's duty of best execution to its customer if it were to cancel a facilitation order to avoid execution of the order at a better price. The availability of the Facilitation Mechanism does not alter a Member's best execution duty to get the best price for its customer. Accordingly, while facilitation orders can be canceled during the time period given for the entry of Responses, if a Member were to cancel a facilitation order when there was a superior price available on the Exchange and subsequently re-enter the facilitation order at the same facilitation price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Member did so to avoid execution of its customer order in whole or in part by other brokers at the better price.

.02 No change.

[.03 Reserved.]

[.04 The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.]

.0[5]3 Under paragraph [(e)](d) above, Members may enter contra orders that are solicited. The Solicited Order Mechanism provides a facility for Members that locate liquidity for their customer orders. Members may not use the Solicited Order Mechanism to circumvent Exchange Rule 717(d) limiting principal transactions. This may include, but is not limited to, Members entering contra orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the Member has an arrangement that allows the Member to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, any solicited contra orders entered by Members to trade against Agency

Orders may not be for the account of an Exchange [m]Market [m]Maker that is assigned to the options class.

.0[6]4 Split Prices. Orders and Responses may be entered into the Facilitation and Solicitation Mechanisms and receive executions at the mid-price between the standard minimum trading increments for the options series ("Split Prices"). This means that orders and Responses for options with a minimum increment of 5 cents may be entered into the Facilitation and Solicitation Mechanisms and receive executions in 2.5 cent increments (e.g., $1.025, $1.05, $1.075, etc.), and that orders and Responses for options with a minimum increment of 10 cents may be entered into the Facilitation and Solicitation Mechanism and receive executions at 5 cent increments (e.g., $4.05, $4.10, $4.15, etc.). Orders and quotes in the market that receive the benefit of the facilitation price under paragraph ([d]b) may also receive executions at Split Prices.

[.07 Reserved.

.08 Reserved.]

.0[9]7 Penny Prices. Orders and Responses may be entered into the Block Mechanism and receive executions at penny increments. Orders and quotes in the market that receive the benefit of the block execution price under paragraph ([c]a)(2)(i) may also receive executions at penny increments.

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Rule 718. Data Feeds and Trade Information

(a) The following data feeds contain [ISE]MRX trading information offered by MRX:

(1) – (4) No change.

(5) Nasdaq MRX Spread Feed ("Spread Feed") is a feed that consists of: (1) options orders for all Complex Orders (i.e., spreads, buy-writes, delta neutral strategies, etc.); (2) data aggregated at the top five price levels (BBO) on both the bid and offer side of the market; (3) last trades information. The Spread Feed provides updates, including prices, side, size and capacity, for every Complex Order placed on the MRX Complex Order Book. The Spread Feed shows: (1) aggregate bid/ask quote size; (2) aggregate bid/ask quote size for Professional Customer Orders; and (3) aggregate bid/ask quote size for Priority Customer Orders for MRX traded options. The feed also provides Complex Order auction notifications.

(b) No change.

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Rule 720. Nullification and Adjustment of Options Transactions including Obvious Errors

The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any Member to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) –(k) No change

Supplementary Material to Rule 720

.01 - .03 No change.

.04 Complex Order Executions. If both parties to a trade that is one component of a Complex Order Execution are parties to all of the trades that together comprise the execution of a Complex Order at a single net debit or credit, then if one of those component trades can be nullified under this Rule 720, all component trades that were part of the same Complex Order shall be nullified as well.

.05 Complex Orders and Stock-Option Orders.

(a) If a Complex Order executes against individual legs and at least one of the legs qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the leg(s) that is an Obvious or Catastrophic Error will be adjusted in accordance with paragraphs (c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a Customer. However, any Customer order subject to this paragraph (a) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price on the Complex Order or individual leg(s). If any leg of a Complex Order is nullified, the entire transaction is nullified.

(b) If a Complex Order executes against another Complex Order and at least one of the legs qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the leg(s) that is an Obvious or Catastrophic Error will be adjusted or busted in accordance with paragraph (c)(4) or (d)(3), respectively, so long as either: (i) the width of the National Spread Market for the complex strategy just prior to the erroneous transaction was equal to or greater than the amount set forth in the wide quote table of paragraph (b)(3) or (ii) the net execution price of the Complex Order is higher (lower) than the offer (bid) of the National Spread Market for the complex strategy just prior to the erroneous transaction by an amount equal to at least the amount shown in the table in paragraph (c)(1). If any leg of a Complex Order is nullified, the entire transaction is nullified. For purposes of Rule 720, the National Spread Market for a complex strategy is determined by the National Best Bid/Offer of the individual legs of the strategy.

(c) If the option leg of a stock-option order qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the option leg that is an Obvious or Catastrophic Error will be adjusted in accordance with paragraph (c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a Customer. However, the option leg of any Customer order subject to this paragraph (c) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price on the stock-option order, and the Exchange will attempt to nullify the stock leg. Whenever a stock trading venue nullifies the stock leg of a stock option order or whenever the stock leg cannot be executed, the Exchange will nullify the option leg upon request of one of the parties to the transaction or in accordance with paragraph (c)(3).

.0[4]6 Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

(a) – (d) No change.

* * * * *

Rule 721. Crossing Orders

(a) Customer Cross Orders. Customer Cross Orders are automatically executed upon entry provided that the execution is at or between the best bid and offer on the Exchange and (i) is not at the same price as a Priority Customer Order on the Exchange's limit order book and (ii) will not trade through the NBBO.

(1) - **(3)** No change.

(b) Complex Customer Cross Orders. Complex Orders may be entered as Customer Cross Orders, as defined in Rule 715(i). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of Rule 722(c)(2). Complex Customer Cross Orders will be rejected if they cannot be executed. Supplementary Material .01 to Rule 717 applies to Complex Customer Cross Orders.

([b]c) Qualified Contingent Cross Orders. Qualified Contingent Cross Orders are automatically executed upon entry provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's limit order book and (ii) is at or between the NBBO.

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

(d) Complex Qualified Contingent Cross Orders. Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in Rule 715(j). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Options Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of Rule 722(c)(2)(i), provided that no legs of the Complex Options Order can be executed at the same price as a Priority Customer Order on the Exchange in the individual options series. Complex Qualified Contingent Cross Orders will be rejected if they cannot be executed. Complex Qualified Contingent Cross Orders may be entered in one cent increments. Each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders.

(e) Qualified Contingent Cross ("QCC") with Stock. QCC with Stock Orders are processed as follows:

(1) When a Member enters a QCC with Stock Order, a Qualified Contingent Cross Order is entered on the Exchange pursuant to Rule 721(c).

(2) If the Qualified Contingent Cross Order is executed, the Exchange will automatically communicate the stock component to the Member's designated broker-dealer for execution.

(3) If the Qualified Contingent Cross Order cannot be executed, the entire QCC with Stock Order, including both the stock and options components, is cancelled.

(4) QCC with Stock Orders can be entered with separate prices for the stock and options components, or with a net price for both.

(5) QCC with Stock Orders are available to Members on a voluntary basis. Members that enter QCC with Stock Orders must enter into a brokerage agreement with one or more broker-dealers designated by the Exchange. The Member must designate a specific broker-dealer on each order if the Member has entered into an agreement with more than one. The Exchange will have no financial arrangements with the designated broker-dealers with respect to communicating stock orders to them.

(6) Members that execute the options component of a qualified contingent trade entered as a QCC with Stock Order remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer.

(f) Complex QCC with Stock Orders. Complex QCC with Stock Orders are processed as follows:

(1) When a Member enters a Complex QCC with Stock Order, a Qualified Contingent Cross Complex Order is entered on the Exchange pursuant to (d) above.

(2) If the Qualified Contingent Cross Complex Order is executed, the Exchange will automatically communicate the stock component to the Member's designated broker-dealer for execution.

(3) If the Qualified Contingent Cross Complex Order cannot be executed, the entire Complex QCC with Stock Order, including both the stock and options components, is cancelled.

Rule 722. [Reserved]Complex Orders
[Reserved.]

(a) Definitions.

(1) **Complex Options Strategy**. A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

(2) **Stock-Option Strategy**. A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral

position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg.

(3) **Stock-Complex Strategy**. A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

(4) The term "**complex strategy**" includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.

(5) The terms "**Complex Options Order**," "**Stock-Option Order**," and "**Stock-Complex Order**" refer to orders for a Complex Options Strategy, Stock-Option Strategy, and Stock-Complex Strategy, respectively. The term "Complex Order" includes Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders.

(b) **Types of Complex Orders**. Unless otherwise specified, the definitions used below have the same meaning contained in Rule 715. Complex Orders may be entered using the following orders or designations:

(1) **Market Complex Order.** A Market Complex Order is a Complex Order to buy or sell a complex strategy that is to be executed at the best price obtainable. If not executable upon entry, such orders will rest on the Complex Order Book unless designated as fill-or-kill or immediate-or-cancel.

(2) **Limit Complex Order**. A Limit Complex Order is a Complex Order to buy or sell a complex strategy that is entered with a limit price expressed as a net purchase or sale price for the components of the order.

(3) **All-Or-None Complex Order**. A Complex Order may be designated as an All-or-None Order that is to be executed in its entirety or not at all. All-Or-None Order may only be entered as an Immediate-or-Cancel Order.

(4) **Attributable Complex Order**. A Market or Limit Complex Order may be designated as an Attributable Order as provided in Rule 715(h).

(5) **Customer Cross Complex Order**. A Customer Cross Complex Order is comprised of a Priority Customer Complex Order to buy and a Priority Customer Complex Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Rule 721(b).

(6) **Qualified Contingent Cross Complex Order**. A Complex Options Order may be entered as a Qualified Contingent Cross Order, as defined in Rule 715(j). Qualified Contingent Cross Complex Orders will trade in accordance with Rule 721(d).

(7) **Day Complex Order**. A Complex Order may be designated as a Day Order that if not executed, expires at the end of the day on which it was entered.

(8) **Fill-or-Kill Complex Orders**. A Complex Order may be designated as a Fill-or-Kill Order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

(9) **Immediate-or-Cancel Complex Orders**. A Complex Order may be designated as an Immediate-or-Cancel Order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.

(10) **Opening Only Complex Order**. An Opening Only Complex Order is a Limit Complex Order that may be entered for execution during the Complex Opening Process described in Supplementary Material .04 to Rule 722. Any portion of the order that is not executed during the Complex Opening Process is cancelled.

(11) **Good-Till-Date Complex Order**. A Good-Till-Date Complex Order is an order to buy or sell which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the Complex Order, or the expiration of any individual series comprising the order.

(12) **Good-Till-Cancel Complex Order**. A Good-Till-Cancel Complex Order is an order to buy or sell that remains in force until the order is filled, canceled or any series of the order expires; provided, however, that a Good-Till-Cancel Complex Order will be cancelled in the event of a corporate action that results in an adjustment to the terms of any series underlying the Complex Order.

(13) **Exposure Complex Order**. An Exposure Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to this Rule 722 if eligible, or entered on the Complex Order Book if not eligible. Any unexecuted balance of an Exposure Complex Order remaining upon the completion of the exposure process will be entered on the Complex Order Book.

(14) **Exposure Only Complex Order**. An Exposure Only Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01

to this Rule 722 if eligible, or cancelled if not eligible. Any unexecuted balance of an Exposure Only Complex Order remaining upon the completion of the exposure process will be cancelled.

(15) **Complex QCC with Stock Orders**. A Complex QCC with Stock Order is a Qualified Contingent Cross Complex Order, as defined in Rule 722(b)(6), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Rule721(e).

(c) **Applicability of Exchange Rules.** Except as otherwise provided in this Rule 722, complex strategies shall be subject to all other Exchange Rules that pertain to orders and quotes generally.

(1) **Minimum Increments.** Bids and offers for Complex Options Strategies may be expressed in one cent ($0.01) increments, and the options leg of Complex Options Strategies may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order. Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by the Exchange, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market. The options leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.

(2) **Complex Order**. Complex strategies will not be executed at prices inferior to the best net price achievable from the best MRX bids and offers for the individual legs. Notwithstanding the provisions of Rule 713:

(i) a Complex Options Strategies may be executed at a total credit or debit price with one other Member without giving priority to bids or offers established on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established on the Exchange consist of a Priority Customer Order, the price of at least one leg of the complex strategy must trade at a price that is better than the corresponding bid or offer on the Exchange by at least one minimum trading increment for the series as defined in Rule 710.

(ii) The option leg of a Stock-Option Strategy has priority over bids and offers for the individual options series established on the Exchange by Professional Orders and market maker quotes that are no better than the price of the options leg, but not over such bids and offers established by Priority Customer Orders.

(iii) The options legs of a Stock-Complex Strategy are executed in accordance with subparagraph (c)(2)(i) above.

(3) **Internalization.** Complex Orders represented as agent may be executed (i) as principal as provided in Rule 717(d), or (ii) against orders solicited from Members and non-Member broker-dealers as provided in Rule 717(e). The exposure requirements of Rules 717(d) or (e) must be met on the Complex Order Book unless the order is executed in one of the mechanisms described in Rules 716, 721 and 723.

(d) **Execution of Complex Strategies**. Complex strategies will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts. Complex strategies are not executable unless all of the terms of the strategy can be satisfied and the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) above. Complex strategies, other than those that are executed as crossing transactions pursuant to Rules 716, 721 and 723, are automatically executed as follows:

(1) Each Complex Order must specify upon entry whether it should be exposed upon entry if eligible, or whether such Complex Order should be processed without being exposed. Eligible incoming Complex Orders that are designated for exposure will be exposed for price improvement pursuant to Supplementary Material .01 to this Rule 722.

(2) Complex Option Orders will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722, executable Complex Orders on the Complex Order Book, and bids and offers for the individual options series; provided that at each price, executable Complex Options Order will be automatically executed first against executable bids and offers on the Complex Order book prior to legging in the single leg order book. Notwithstanding the foregoing, executable Complex Option Orders will execute against Priority Customer interest on the single leg book at the same price before executing against the Complex Order Book. Thus, Priority Customer Orders on the single leg order book shall retain priority and will execute prior to any other Complex Order or non-Priority Customer single leg interest at the same price. Stock Option Orders and Stock Complex Orders will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722 and executable Complex Orders on the Complex Order Book. The Exchange may designate on a class basis whether bids and offers at the same price on the Complex Order Book will be executed:

(i) in time priority; or

(ii) pro-rata based on size.

(3) If there is no executable contra-side complex interest on the Complex Order Book at a particular price, executable Complex Options Orders up to a maximum number of legs (determined by the Exchange on a class basis as either two legs, three legs or four legs) may be automatically executed against bids and offers on the Exchange for the individual options series provided the Complex Order can be executed in full or in a permissible ratio by such bids and offers. Legging orders may be automatically generated on behalf of Complex Options Orders so that they are represented at the best bid and/or offer on the Exchange for the individual legs of the Complex Options Order as provided in Rule 715(k). Notwithstanding the foregoing:

(A) Complex Orders with 2 option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other Complex Orders in the Complex Order Book. The System will not generate legging orders for these Complex Orders.

(B) Complex Orders with 3 or 4 option legs where all legs are buying or all legs are selling may only trade against other Complex Orders in the Complex Order Book.

(4) Complex strategies that are not executable may rest on the Complex Order Book until they become executable.

Supplementary Material to Rule 722

.01 **Complex Order Exposure**. If designated by a Member for exposure, eligible Complex Orders are exposed upon entry for a period of up to one (1) second pursuant to Rule 722(d)(1) as follows:

(a) A Complex Order that improves upon the best price for the same complex strategy on the Complex Order Book (i.e., a limit order to buy priced higher than the best bid, a limit order to sell priced lower than the best offer, and a market order to buy or sell) is eligible to be exposed upon entry for a period of up to one (1) second as provided in Supplementary Material .01 to this Rule 722. Incoming orders will not be eligible to be exposed if there are market orders on the Complex Order Book on the same side of the market for the same complex strategy.

(b) Upon entry of an eligible Complex Order, a broadcast message that includes net price or at market, size, and side will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they are willing to participate in the execution of the Complex Order.

(i) Responses are only executable against the Complex Order with respect to which they are entered, can be modified or withdrawn at any time prior to the end of the exposure period, and will be considered up to the size of the Complex Order being exposed. During the exposure period, the Exchange will broadcast the best Response price, and the aggregate size of Responses available at that price. At the conclusion of the exposure period, any unexecuted balance of a Response is automatically cancelled.

(ii) The exposure period for a Complex Order will end immediately: (A) upon the receipt of a Complex Order for the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs; (B) upon the receipt of a non-marketable Complex Order for the same complex strategy on the same side of the market that would cause the price of the exposed Complex Order to be outside of the best bid or offer for the same complex strategy on the Complex Order Book; or (C) when a resting Complex Order for the same complex strategy on either side of the market becomes marketable against interest on the Complex Order book or bids and offers for same individual legs of the complex strategy.

(iii) A Complex Order Exposure in a complex strategy may be ongoing in a complex strategy at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Order Exposure is early terminated pursuant to paragraph (ii) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Order and component leg auction(s) are processed in the following sequence: (1) the Complex Order exposure is early terminated; (2) the component leg auction(s), which are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs.

(c) At the end of the exposure period, if the Complex Order still improves upon the best price for the complex strategy on the same side of the market, it is automatically executed to the greatest extent possible pursuant to Rule 722(d)(2)-(3), taking into consideration: (i) bids and offers on the Complex Order Book (including interest received during the exposure period), (ii) bids and offers on the Exchange for the individual options series (including interest received during the exposure period), and (iii) Responses received during the exposure period, provided that when allocating pursuant to 722(d)(2)(ii), Responses are allocated pro-rata based on size. Thereafter, any unexecuted balance will be placed on the Complex Order Book (or cancelled in the case of an Exposure Only Complex Order). Notwithstanding the foregoing, Supplementary Material .01(c)(ii) shall not be applicable with respect to Stock Option Orders and Stock Complex Orders.

(d) If a trading halt is initiated during the exposure period in any series underlying the Complex Order, the Complex Order exposure process will be automatically terminated without execution.

.02 **Stock Option and Stock-Complex Orders**. The Exchange will electronically communicate the stock leg of an executable Stock-Option Order and Stock-Complex

Order to a broker-dealer for execution. To execute Stock-Option Orders and Stock-Complex Orders on the Exchange, Members must enter into a brokerage agreement with a broker-dealer designated by the Exchange. The Member may also enter into a brokerage agreement with one or more other broker-dealers to which the Exchange is able to route stock orders. The Exchange will automatically transmit the stock leg of a trade to one-or-more broker-dealer(s) with which a Member has an agreement for execution on behalf of the Member using routing logic that takes into consideration objective factors such as execution cost, speed of execution and fill-rates. The Exchange will have no financial arrangements with the brokers with respect to routing stock orders to them. Members may also indicate preferred execution brokers, and such preferences will determine order routing priority whenever possible. A trade of a Stock-Option Order or a Stock-Complex Order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price. When a Stock-Option Order or Stock-Complex Order has been matched with another Stock-Option Order or Stock-Complex Order that is for less than the full size of the Stock-Option Order or Stock-Complex Order, the full size of the Stock-Option Order or Stock Complex Order being processed by the stock execution venue will be unavailable for trading while the order is being processed.

.03 Trade Value Allowance. To facilitate the execution of the stock leg and options leg(s) of Stock-Option Strategies and Stock-Complex Strategies at valid increments pursuant to Rule 722(c)(1), Stock-Option Strategies and Stock-Complex Strategies may trade outside of their expected notional trade value by a specified amount ("Trade Value Allowance"). The Trade Value Allowance is the percentage difference between the expected notional value of a trade and the actual notional value of the trade. The amount of Trade Value Allowance permitted may be determined by the Member, or a default value determined by the Exchange and announced to Members; provided that any amount of Trade Value Allowance is permitted in mechanisms pursuant to Rule 716 when auction orders do not trade solely with their contra-side order.

.04 Complex Opening Process. After each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies will be opened pursuant to the Complex Opening Price Determination described in Supplementary Material .05 to Rule 722, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in Supplementary Material .06(b) to Rule 722.

.05 Complex Opening Price Determination.

(a) *Definitions.*

(1) "Boundary Price" is described herein in paragraph (d)(1).

(2) "Opening Price" is described herein in paragraph (d)(4).

(3) "Potential Opening Price" is described herein in paragraph (d)(2).

(b) *Eligible Interest*. Eligible interest during the Complex Opening Price Determination includes Complex Orders on the Complex Order Book. Bids and offers for the individual legs of the complex strategy are not eligible to participate in the Complex Opening Price Determination.

(c) If the best bid for a complex strategy does not lock or cross the best offer, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .06(b) to Rule 722.

(d) If the best bid for a complex strategy locks or crosses the best offer, the System will open the complex strategy as follows:

> (1) *Boundary Prices*. The System calculates Boundary Prices at or within which Complex Orders may be executed during the Complex Opening Price Determination based on the NBBO for the individual legs; provided that, if the NBBO for any leg includes a Priority Customer Order on the Exchange, the System adjusts the Boundary Prices according to Rule 722(c)(2).
>
> (2) *Potential Opening Price*. The System will calculate the Potential Opening Price by identifying the price(s) at which the maximum number of contracts can trade ("maximum quantity criterion") taking into consideration all eligible interest pursuant to Supplementary Material .06(b) to Rule 722.
>
> (3) *More Than One Potential Opening Price*. When two or more Potential Opening Prices would satisfy the maximum quantity criterion: (A) without leaving unexecuted contracts on the bid or offer side of the market of Complex Orders to be traded at those prices, the system takes the highest and lowest of those prices and takes the mid-point; provided that (1) if the highest and/or lowest price described above is through the price of a bid or offer that is priced to not allocate in the Complex Opening Price Determination, the highest and/or lowest price will be rounded to the price of such bid or offer that is priced to not allocate before taking the mid-point, and (2) if the mid-point is not expressed as a permitted minimum trading increment, it will be rounded down to the nearest permissible minimum trading increment; or (B) leaving unexecuted contracts on the bid (offer) side of the market of Complex Orders to be traded at those prices, the Potential Opening Price is the highest (lowest) executable bid (offer) price. Notwithstanding the foregoing: (C) if there are Market Complex Orders on the bid (offer) side of the market that would equal the full quantity of Complex Orders on offer (bid) side of the market, the limit price of the highest (lowest) priced Limit Complex Order is the Potential Opening Price; and (D) if there are only Market Complex Orders on both sides of the market, or if there are Market Complex Orders on the bid (offer) side of the market for greater than the total size of Complex Orders on the offer (bid) side of the market, there will be no trade in the Complex Opening Price Determination and the complex strategy will open

pursuant to the Complex Uncrossing Process described in Supplementary Material .06(b) to Rule 722.

(4) *Opening Price*. If the Potential Opening Price is at or within the Boundary Prices, the Potential Opening Price becomes the Opening Price. If the Potential Opening Price is not at or within the Boundary Prices, the Opening Price will be the price closest to the Potential Opening Price that satisfies the maximum quantity criteria without leaving unexecuted contracts on the bid or offer side of the market at that price and is at or within the Boundary Prices. If the bid Boundary Price is higher than the offer Boundary Price, or if no valid Opening Price can be found at or within the Boundary Prices, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .06(b) to Rule 722.

(5) *Allocation*. During the Complex Opening Price Determination, where there is an execution possible, the System will give priority to Market Complex Orders first, then to resting Limit Complex Orders on the Complex Order Book. The allocation provisions of Rule 722(d)(2) apply with respect to Complex Orders with the same price with priority given first to better priced interest.

(6) *Uncrossing*. If the Complex Order Book remains locked or crossed following paragraphs (d)(1) - (5), the System will process any remaining Complex Orders, including Opening Only Complex Orders in accordance with the Complex Uncrossing Process described in Supplementary Material .06(b) to Rule 722. Bids and offers for the individual legs of the Complex Option Order will also be eligible to trade in the Complex Uncrossing Process.

.06 Complex Uncrossing Process.

(a) The Complex Order Book will be uncrossed using the Complex Uncrossing Process described in paragraph (b) below if a resting Complex Order that is locked or crossed with other interest becomes executable during regular trading or as part of the Complex Opening Process.

(b) Complex Strategies are uncrossed using the following procedure:

(1) The System identifies the oldest Complex Order among the best priced bids and offers on the Complex Order Book. A Complex Order entered with an instruction that it must be executed at a price that is equal to or better than the national best bid or offer pursuant to paragraph (a) above is considered based on its actual limit or market price and not the price of the national best bid or offer for the component legs.

(2) The selected Complex Order is matched pursuant to Rule 722(d)(2)-(3) with resting contra-side interest on the Complex Order Book and, for Complex Option Orders, bids and offers for the individual legs of the complex strategy.

(3) The process described in (1) through (2) is repeated until the Complex Order Book is no longer executable.

.07 Qualified Contingent Trade Exemption. Members may only submit Complex Orders in Stock-Option Strategies and Stock-Complex Strategies if such Complex Orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the Exchange Act. Members submitting Complex Orders in Stock-Option Strategies and Stock-Complex Strategies represent that they comply with the Qualified Contingent Trade Exemption. In addition, the stock leg of a stock-option order must be marked "buy," "sell," "sell short," or "sell short exempt" in compliance with Regulation SHO under the Exchange Act.

Rule 723. Price Improvement Mechanism for Crossing Transactions
(a) - (d) No change.

(e) Complex Price Improvement Mechanism. Electronic Access Members may use the Price Improvement Mechanism according to Rule 723 to execute Complex Orders at a net price. The Complex Price Improvement Mechanism is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate a Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a Complex Order it represents as agent (a "Crossing Transaction").

(1) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(2) Complex Orders must be entered into the Complex Price Improvement Mechanism at a price that is better than the best net price (i) available on the Complex Order Book on both sides of the market; and (ii) achievable from the best MRX bids and offers for the individual legs on both sides of the market (an "improved net price"). Complex Orders will be rejected unless they are entered at an improved net price.

(3) A Complex Order entered into the Complex Price Improvement Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Price

Improvement Mechanism, such auction will be automatically terminated without an execution.

(4) Exposure Period. Upon entry of a Complex Order into the Complex Price Improvement Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent to Members.

(i) The Exchange will designate via Options Trader Alert a time of no less than 100 milliseconds and no more than 1 second for Members to indicate the size and net price at which they want to participate in the execution of the Agency Complex Order ("Improvement Complex Orders"). Improvement Complex Orders may be entered by all Members for their own account or for the account of a Public Customer. Improvement Complex Orders are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Improvement Complex Orders must be entered in the increments provided in Rule 722(c)(1) at the same price as the Crossing Transaction or at a price that is at least one cent better for the Agency Complex Order.

(ii) During the exposure period, Improvement Complex Orders may not be canceled, but may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Complex Order for any size.

(iii) During the exposure period, responses (including the Counter-Side Order, Improvement Complex Orders, and any changes to either) submitted by Members shall not be visible to other auction participants.

(iv) The exposure period will automatically terminate (A) at the end of the time period designated by the Exchange pursuant to subparagraph (4)(i) above, (B) upon the receipt of a Complex Order in the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs, or (C) upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on the Complex Order Book.

(v) Pursuant to Supplementary Material .04 to Rule 723, only one Complex Price Improvement Mechanism may be ongoing at any given time in a given complex strategy. However, a price improvement auction may be ongoing concurrently in series of individual legs of a complex strategy.

(vi) A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to

Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such Complex Order. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: (1) the Complex Price Improvement Mechanism is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs, except with respect to Stock Option Orders and Stock Complex Orders.

(5) Execution. At the end of the exposure period the Agency Complex Order will be executed in full at the best prices available, taking into consideration Complex Orders in the Complex Order Book, Improvement Complex Orders, the Counter-Side Order, and, for Complex Options Orders, the MRX best bids and offers on the individual legs. The Agency Complex Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

(i) At a given net price, Priority Customer interest on the Complex Order Book (i.e., Priority Customer Complex Orders and Improvement Complex Orders) is executed in full before Professional interest (i.e., Professional Complex Orders and Improvement Complex Orders) on the Complex Order Book.

(ii) After Priority Customer interest on the Complex Order Book at a given net price, Professional interest on the Complex Order Book will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of such interest.

(iii) In the case where the Counter-Side Complex Order is at the same net price as Professional interest on the Complex Order Book in (ii) above, the Counter-Side Complex Order will be allocated the greater of one (1) contract or forty percent (40%) (or such lower percentage requested by the Member) of the initial size of the Agency Complex Order before other Professional interest on the Complex Order Book are executed. Upon entry of Counter-Side Complex Orders, Members can elect to automatically match the price and size of Complex Orders, Improvement Complex Orders received on the Complex Order Book during the exposure period up to a specified limit net price or without specifying a limit net price. This election will also automatically match the net price available from the MRX best bids and offers on the individual legs for the full size of the order; provided that with notice to Members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a Member elects to auto-match, the Counter-Side Complex Order will be allocated its full size at each price point, or at each price point within its limit net price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the Counter-Side Complex Order shall be allocated the greater of one contract or forty percent (40%) (or such lower percentage requested by the Member) of the original size of the Agency Complex Order, but only after Priority Customer Complex Orders and Improvement Complex Orders at such price point are executed in full. Thereafter, all Professional Complex Orders and Improvement Complex Orders at the price point will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of the Professional Complex Order or Improvement Complex Order on the Complex Order Book.

(iv) When a marketable Complex Order on the opposite side of the Agency Complex Order ends the exposure period, it will participate in the execution of the Agency Complex Order at the price that is mid-way between the best counter-side interest and the same side best bid or offer on the Complex Order Book or net price from MRX best bid or offer on individual legs, whichever is better, so that both the marketable Complex Order and the Agency Complex Order receive price improvement.

(v) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Price Improvement Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Complex Price Improvement Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Improvement Complex Orders on the Complex Order Book and, for Complex Options Orders, the MRX best bids and offers on the individual legs, the Agency Complex Order will be executed against such interest.

Supplementary Material to Rule 723

.01 - .06 No change.

[.07 Reserved.]

[.08].07 Counter-Side Orders and Improvement Orders entered into the Price Improvement Mechanism only will execute against the Agency Order, and any unexecuted interest will be automatically cancelled.

[.09 Reserved.]

[.10].08 PIM ISO Order. A PIM ISO order (PIM ISO) is the transmission of two orders for crossing pursuant to Rule 723 without regard for better priced Protected Bids or Protected Offers (as defined in Rule 1900) because the Member transmitting the PIM ISO to the Exchange has, simultaneously with the routing of the PIM ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PIM auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIM order.

Rule 724 Complex Order Risk Protections.

The following are Complex Order risk protections on MRX:

(a) **Price limits for Complex Orders.** As provided in Rule 722(d)(2), the legs of a complex strategy may be executed at prices that are inferior to the prices available on other exchanges trading the same options series. Notwithstanding, the System will not permit any leg of a complex strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series or underlying basis. A Member can also include an instruction on a Complex Order that each leg of the Complex Order is to be executed only at a price that is equal to or better than the NBBO for the options series or any stock component, as applicable.

> (1) The System will reject orders for a complex strategy where all legs are to buy if entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg of the complex strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1).

(b) **Strategy Protections**. The following protections will apply throughout the trading day, including pre-market, during the Opening Process and during a trading halt. The protections will not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism, and Price Improvement Mechanism and will not apply to Customer Cross Orders pursuant to Rule 721(a).

> (1) **Vertical Spread Protection**. The Vertical Spread Protection will apply to a vertical spread. A vertical spread is an order to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price).

(A) The System will reject a Vertical Spread order when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is less than zero (minus a pre-set value) when entered as a Market Order to sell. The Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(B) The System will reject a Vertical Spread order when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a Market Order to buy. The pre-set value used by the vertical spread check will be the lesser of (1) an absolute amount not to exceed $1.00 and (2) a percentage of the difference between the strike prices not to exceed 10% to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(2) **Calendar Spread Protection**. The Calendar Spread Protection will apply to a Calendar Spread. A calendar spread is an order to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price.

(A) The System will reject a Calendar Spread order when entered with a net price of less than zero (minus a preset value), and will prevent the execution of a Calendar Spread order at a price that is less than zero (minus a pre-set value) when entered as a Market Complex Order to sell. The Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(3) **Butterfly Spread Protection**. The Butterfly Spread Protection will apply to a butterfly spread. A butterfly spread is a three legged Complex Order with the following: (1) two legs to buy (sell) the same number of calls (puts); (2) one leg to sell (buy) twice the number of calls (puts) with a strike price at mid-point of the two legs to buy (sell); (3) all legs have the same expiration; and (4) each leg strike price is equidistant from the next sequential strike price.

(A) A Butterfly Spread Limit Order that is priced higher than the Maximum Value or lower than the Minimum Value will be rejected. A Butterfly Spread Market Order (or Butterfly Spread Limit Order entered with a net price inside the Butterfly Spread Protection Range) to buy (sell) will be restricted from executing by legging into the single leg market with a net price higher (lower) than the Maximum (Minimum) Value. The

Butterfly Spread Protection Range is the absolute difference between the Minimum Value and the Maximum Value.

(i) The Initial Maximum Value is the distance between the strike price of the leg with the mid-point strike and either of the outer leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(ii) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(4) **Box Spread Protection**. The Box Spread Protection will apply to a box spread. A box spread is a four legged Complex Order with the following: (1) one pair of legs with the same strike price with one leg to buy a call (put) and one leg to sell a put (call); (2) a second pair of legs with a different strike price from the pair described in (1) with one leg to sell a call (put) and one leg to buy a put (call); (3) all legs have the same expiration; and (4) all legs have equal volume.

(A) A Box Spread Limit Order that is priced higher than the Maximum Value or lower than the Minimum Value will be rejected. A Box Spread Market Order (or Box Spread Limit Order entered with a net price inside the Box Spread Protection Range) to buy (sell) will be restricted from executing by legging into the single leg market with a net price higher (lower) than the Maximum (Minimum) Value. The Box Spread Protection Range is the absolute difference between the Minimum Value and the Maximum Value.

(i) The Initial Maximum Value is the distance between the strike prices of each pair of leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(ii) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(c) Other Price Protections which apply to Complex Orders.

(1) **Limit Order Price Protection**. There is a limit on the amount by which the net price of an incoming Limit Complex Order to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price of an incoming Limit Complex Order to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex Orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for Limit Complex Orders to buy (sell) as the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg plus (minus) the greater of: (i) an absolute amount not to exceed $2.00, or (ii) a percentage of the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg not to exceed 10%.

(2) **Size Limitation**. There is a limit on the number of contracts (and shares in the case of a Stock-Option Strategy or Stock-Complex Strategy) any single leg of an incoming Complex Order may specify. Orders that exceed the maximum number of contracts (or shares) are rejected. The maximum number of contracts (or shares), which shall not be less than 10,000 (or 100,000 shares), is established by the Exchange from time-to-time.

(3) **Price Level Protection**. There is a limit on the number of price levels at which an incoming Complex Order to sell (buy) will be executed automatically with the bids or offers of each component leg when there are no bids (offers) from other exchanges at any price for the options series. Complex Orders are executed at each successive price level until the maximum number of price levels is reached on any component leg where the protection has been triggered, and any balance is canceled. The number of price levels for the component leg, which may be from one (1) to ten (10), is determined by the Exchange from time-to-time on a class-by-class basis.

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Options 7 Pricing Schedule

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Section 6. Ports and Other Services

The below charges are assessed by MRX for connectivity to MRX.

A port is a logical connection or session that enables a market participant to send inbound messages and/or receive outbound messages from the Exchange using various communication protocols. Fees are assessed in full month increments and are not prorated.

(i) and (ii) No change.

(iii) The following data ports fees apply in connection with data subscriptions pursuant to MRX Rules at Section 7. These ports are available to non-MRX Members and MRX Members.

(1)– (4) No change.

(5) **Nasdaq MRX Spread Feed Port** $0 per port, per month

(iv) No change.

Section 7. Market Data

(1) – (4) No change

(5) **Nasdaq MRX Spread Feed** $0 per month

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