

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85671; File No. SR-MRX-2019-08]

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

April 17, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 12, 2019, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt Complex Order Functionality.<sup>3</sup> 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://nasdaqmrxcchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The 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”<sup>4</sup> and capitalize references to “system” to reflect the defined term “System.”<sup>5</sup> 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.

##### 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.<sup>6</sup>

##### 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.

<sup>4</sup> The term “Member” means an organization that has been approved to exercise trading rights associated with Exchange Rights. See Rule 100(a)(30).

<sup>5</sup> 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).

<sup>6</sup> 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.

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

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

<sup>3</sup> 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”).

### 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 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.<sup>7</sup>

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 contained in this

<sup>7</sup> 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.

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<sup>8</sup> 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 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

<sup>8</sup> 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."

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<sup>9</sup> to Rule 716 to renumber it .03. The Exchange proposes to renumber Supplementary Material .06<sup>10</sup> 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<sup>11</sup> 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

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

<sup>10</sup> 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").

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

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 Mechanism exposes paired orders to all Members for a specified period of time<sup>12</sup> 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 1,000 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.<sup>13</sup> 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.<sup>14</sup> 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.<sup>15</sup> 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).

<sup>13</sup> Pursuant to current Rule 715(j), Qualified Contingent Cross Orders are orders to buy or sell at least 1,000 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.

<sup>14</sup> See also proposed Rule 722(b)(15).

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

#### 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.

#### 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

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

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.<sup>16</sup> Pursuant to this proposal, a Box spread is a four legged Complex Order with certain characteristics.<sup>17</sup> 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.

#### 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<sup>18</sup> 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<sup>19</sup> 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).

<sup>18</sup> 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.

<sup>19</sup> 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.

#### 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.

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")<sup>20</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>21</sup> in particular, in that it is designed

<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> 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.

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

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.<sup>22</sup> 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.<sup>23</sup>

#### *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, 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.<sup>24</sup>

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.

<sup>22</sup> 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.

<sup>23</sup> See note 3 above.

<sup>24</sup> See note 22 above.

### **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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (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:

#### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto: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 email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for

inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MRX-2019-08 and should be submitted on or before May 14, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-85678; File No. SR-BOX-2019-11]

### **Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule on the BOX Options Market LLC ("BOX") Facility To Modify Its Strategy QOO Order Fee Cap and Rebate**

April 17, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 4, 2019, BOX Exchange LLC (the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change**

The Exchange is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule to amend

<sup>25</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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