Nasdaq

ADRIAN GRIFFITHS
SENIOR ASSOCIATE GENERAL COUNSEL
ONE LIBERTY PLAZA
165 BROADWAY
NEW YORK, NY 10006
P: [redacted]
E: [redacted]

April 23, 2018

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Amendment No. 1 (SR-MRX-2018-08)

Dear Mr. Fields:

Nasdaq MRX, LLC filed the above-referenced filing on April 23, 2018.

Sincerely,

Adrian Griffiths
Senior Associate General Counsel

OMB APPROVAL

OMB Number: 3235-0045
Estimated average burden
hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23

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

File No.* SR - 2018 - * 08
Amendment No. (req. for Amendments *) 1

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) *
☐	☑	☐	☑	☐	☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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 *).

Proposed Rule Change to Introduce the ATR Protection for Orders that are Routed to Away Markets

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 * Adrian Last Name * Griffiths

Title * Senior Associate General Counsel

E-mail * [redacted]

Telephone * [redacted] 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 04/23/2018

By Edward S. Knight

(Name *)

(Title *)

Executive Vice President and General Counsel

[redacted]

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.

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 introduce its Acceptable Trade Range protection for orders that are routed to away markets pursuant to the Options Order Protection and Locked/Crossed Markets Plan. This Amendment No. 1 supersedes the original filing in its entirety.

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 February 22, 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:

Adrian Griffiths
Senior Associate General Counsel
Nasdaq, Inc.
[redacted]

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

[2] 17 CFR 240.19b-4.

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

a. Purpose

The Exchange offers an Acceptable Trade Range ("ATR") protection that prevents the execution of quotes and orders on the regular order book outside of set thresholds. The purpose of the proposed rule change is to enhance this ATR protection for orders that are routed to away markets pursuant to the Options Order Protection and Locked/Crossed Markets Plan ("Linkage Plan") instead of being executed immediately on the Exchange or resting on the regular order book.

As codified in Rule 714(b)(1), the Exchange's trading system calculates an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute.[3] The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders or quotes).[4] Upon receipt of a new order or quote, the reference price is the national best bid ("NBB") for sell orders/quotes and the national best offer ("NBO") for buy orders/quotes. If an order or quote reaches the outer limit of the Acceptable Trade Range without being fully executed then any unexecuted balance will be cancelled. The ATR protection sets boundaries within which orders and quotes may trade and is designed to prevent the

[3] The ATR protection is not available for All-or-None orders.

[4] There are three categories of options for ATR: (1) Penny Pilot Options trading in one cent increments for options trading at less than $3.00 and increments of five cents for options trading at $3.00 or more, (2) Penny Pilot Options trading in one-cent increments for all prices, and (3) Non-Penny Pilot Options.

System from experiencing dramatic price swings by preventing the execution of orders beyond the thresholds set by the protection.

Currently, the trading system calculates an appropriate reference price for an incoming order or quote when that order or quote rests or trades on the regular order book but not when orders are routed to an away market pursuant to the Linkage Plan without first trading on the Exchange. Orders that trade on the Exchange and are subsequently routed are therefore subject to the ATR protection while orders that are routed to away markets immediately on entry are not and can therefore trade on the away markets at prices that are outside of desired execution bounds. The Exchange now proposes to enhance its ATR protection by applying it to orders that are routed to away markets without first trading on the Exchange. As proposed, Rule 714(a)(1) will continue to provide that the reference price for the ATR protection is the NBB for sell orders/quotes and the NBO for buy orders/quotes. For clarity, however, the Exchange proposes to move this language to a separate bullet under proposed Rule 714(a)(1)(ii). In addition, proposed Rule 714(a)(1)(ii) will indicate that the Acceptable Trade Range is calculated using a reference price taken upon receipt of a new order or quote. Furthermore, for orders routed to away markets pursuant to the Supplementary Material to Rule 1901, if the applicable NBB or NBO price is improved at the time the order is routed, a new Acceptable Trade Range will be calculated based on the reference price at that time.[5]

Although the Exchange will continue to use the NBB or NBO as the reference price for the ATR protection, the Exchange believes that it is appropriate to update the

---

5 The Acceptable Trade Range would not be recalculated by the Exchange after routing if, for example, the routed order is not executed in full by the away market and subsequently trades on the Exchange.

Acceptable Trade Range if the applicable NBB or NBO price is improved at the time an order is routed to an away market pursuant to the Supplementary Material to Rule 1901. Orders that are routed to away markets may be eligible for the "Flash" auction process described in Supplementary Material .02 to Rule 1901. When a Flash auction is initiated, members are given an opportunity to enter responses to trade with the order for a time period established by the Exchange not to exceed one (1) second.[6] Because the applicable NBB or NBO price may change during the Flash auction, the Exchange believes that it is appropriate to recalculate the Acceptable Trade Range based on the reference price at the time the order is actually routed to an away market, if doing so would provide additional protection to the order – i.e., if the NBB or NBO price used as the reference price is improved at that time. Similarly, if a member enters an order pursuant to Supplementary Material .04 - .05 to Rule 1901 that is not subject to a Flash auction,[7] that order must still be processed by the trading system prior to routing, during which time the market may have moved just as it could have during a Flash auction. In such cases, the Exchange will also calculate a new Acceptable Trade Range based on the reference price at that time if the applicable NBB or NBO price is improved at the time of routing. If the NBB or NBO price is not improved, the ATR protection will continue to use the NBB or NBO price on entry as the reference price, thereby providing the maximum protection to the order. The following examples illustrate how the ATR protection will be applied to orders routed to away markets:

---

[6] Currently, the exposure period for the Flash auction is set to 150 milliseconds.

[7] The Flash auction process described in Supplementary Material .02 to Rule 1901 does not apply to "Sweep Orders" entered pursuant to Rule 715(s) and Supplementary Material .05 to Rule 1901, or to Non-Customer Orders that opt out of this process pursuant to Supplementary Material .04 to Rule 1901.

Example 1

1. ATR threshold set to $0.15 for non-penny symbols
2. NBBO is $0.90 (35) x $1.00 (25):
    a. BATS: $0.90 (10) x $1.00 (25)
    b. CBOE: $0.90 (25) x $1.05 (25)
    c. MIAX: $0.85 (25) x $1.15 (25)
    d. MRX: $0.85 (50) x $1.20 (50)
3. Member enters a Limit Order to buy 200 contracts at $1.20
4. Flash auction initiated at a price of $1.00
5. CBOE quote improved establishing a new NBBO of $0.90 (35) x $0.95 (25):
    a. BATS: $0.90 (10) x $1.00 (25)
    b. CBOE: $0.90 (25) x $0.95 (25)
    c. MIAX: $0.85 (25) x $1.15 (25)
    d. MRX: $0.85 (50) x $1.20 (50)
6. No responses entered and Flash auction terminates and routes:
    a. 25 contracts to buy to CBOE at $0.95
    b. 25 contracts to buy to BATS at $1.00
7. Because the NBO is improved at time of routing, the reference price is set to the improved NBO price of $0.95, establishing an Acceptable Trade Range of $1.10
8. The remaining balance of 150 contracts that cannot be executed within the Acceptable Trade Range is cancelled

Example 2

1. ATR threshold set to $0.15 for non-penny symbols
2. NBBO is $0.90 (35) x $1.00 (25):

   a. BATS: $0.90 (10) x $1.00 (25)
   b. CBOE: $0.90 (25) x $1.05 (25)
   c. MIAX: $0.85 (25) x $1.15 (25)
   d. MRX: $0.85 (50) x $1.20 (50)
3. Member enters a Limit Order to buy 200 contracts at $1.20
4. Flash auction initiated at a price of $1.00
5. BATS quote worsened establishing a new NBBO of $0.90 (35) x $1.05 (50):
   a. BATS: $0.90 (10) x $1.05 (25)
   b. CBOE: $0.90 (25) x $1.05 (25)
   c. MIAX: $0.85 (25) x $1.15 (25)
   d. MRX: $0.85 (50) x $1.20 (50)
6. No responses entered and Flash auction terminates and routes:
   a. 25 contracts to buy to BATS at $1.05
   b. 25 contracts to buy to CBOE at $1.05
   c. 25 contracts to buy to MIAX at $1.15
7. Because the NBO is worsened at time of routing, the reference price is set to the initial NBO price of $1.00, establishing an Acceptable Trade Range of $1.15
8. The remaining balance of 125 contracts that cannot be executed within the Acceptable Trade Range is cancelled

Implementation

The Exchange proposes to launch the ATR functionality described in this proposed rule change no later than October 31, 2018. The Exchange will announce the implementation date of this functionality in an Options Trader Alert issued to members prior to the launch date.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[8] in general, and furthers the objectives of Section 6(b)(5) of the Act,[9] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

Specifically, the Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market by enhancing the Exchange's ATR protection. The ATR functionality is designed to ensure that orders and quotes entered on the Exchange are executed at reasonable prices based on the applicable NBBO price on receipt. Currently, the Exchange's ATR protection calculates a reference price at the time an order or quote rests or trades locally but not when an order is routed to an away market pursuant to the Linkage Plan without first trading on the Exchange – i.e., if routed immediately on entry without interacting with the Exchange's order book. To further protect orders that are subject to routing that have not traded on the Exchange, the Exchange is proposing to implement the ATR protection for those orders. The Exchange will continue to use the NBBO as the reference price for the ATR protection but now that the Exchange is protecting orders that are routed away pursuant to the Linkage Plan without trading on the Exchange, the Exchange proposes to use the NBBO price on routing instead of the NBBO on receipt only in those circumstances where the NBBO is improved at the time of routing. As described earlier in this proposed rule

---

8 15 U.S.C. 78f(b).

9 15 U.S.C. 78f(b)(5).

change, the Exchange operates a Flash auction that provides an opportunity for Members to match or improve the NBBO price prior to routing eligible orders to away markets. Since the NBBO price may change during the Flash auction's exposure period, the Exchange believes that the ATR protection should take improved NBBO prices into account when determining whether a particular price is a reasonable execution price. Since the NBBO may move while the Exchange's trading system processes orders that are not eligible for a Flash auction, a new Acceptable Trade Range would similarly be calculated based on improved NBBO prices at the time of routing for those orders as well. The Exchange believes, however, that a worsened NBBO price should not be considered as this would decrease rather than increase the protection provided to such an order. In sum, the proposed changes to the ATR protection will protect investors and the public interest by providing additional protections designed to ensure that quotes and orders entered on the Exchange are executed at reasonable prices, and thereby perfect the mechanism of a free and open market and a national market system.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to enhance the Exchange's ATR protection by extending that protection to orders that are routed to away markets that did not first trade on the Exchange. The proposed protection will apply equally to all orders that are routed to away markets pursuant to the Linkage Plan. The Exchange believes that this change is the result of a competitive market where exchanges must continually improve the functionality offered to market participants in order to remain competitive.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

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

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

Not applicable.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-MRX-2018-08)

April __, 2018

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing of Proposed Rule Change to Introduce the ATR Protection for Orders that are Routed to Away Markets

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 23, 2018, Nasdaq MRX, LLC ("MRX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to introduce its Acceptable Trade Range protection for orders that are routed to away markets pursuant to the Options Order Protection and Locked/Crossed Markets Plan. This Amendment No. 1 supersedes the original filing in its entirety

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.

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

2 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange offers an Acceptable Trade Range ("ATR") protection that prevents the execution of quotes and orders on the regular order book outside of set thresholds. The purpose of the proposed rule change is to enhance this ATR protection for orders that are routed to away markets pursuant to the Options Order Protection and Locked/Crossed Markets Plan ("Linkage Plan") instead of being executed immediately on the Exchange or resting on the regular order book.

As codified in Rule 714(b)(1), the Exchange's trading system calculates an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute.[3] The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders or quotes).[4] Upon

---

3 The ATR protection is not available for All-or-None orders.

4 There are three categories of options for ATR: (1) Penny Pilot Options trading in one cent increments for options trading at less than $3.00 and increments of five cents for options trading at $3.00 or more, (2) Penny Pilot Options trading in one-cent increments for all prices, and (3) Non-Penny Pilot Options.

receipt of a new order or quote, the reference price is the national best bid ("NBB") for sell orders/quotes and the national best offer ("NBO") for buy orders/quotes. If an order or quote reaches the outer limit of the Acceptable Trade Range without being fully executed then any unexecuted balance will be cancelled. The ATR protection sets boundaries within which orders and quotes may trade and is designed to prevent the System from experiencing dramatic price swings by preventing the execution of orders beyond the thresholds set by the protection.

Currently, the trading system calculates an appropriate reference price for an incoming order or quote when that order or quote rests or trades on the regular order book but not when orders are routed to an away market pursuant to the Linkage Plan without first trading on the Exchange. Orders that trade on the Exchange and are subsequently routed are therefore subject to the ATR protection while orders that are routed to away markets immediately on entry are not and can therefore trade on the away markets at prices that are outside of desired execution bounds. The Exchange now proposes to enhance its ATR protection by applying it to orders that are routed to away markets without first trading on the Exchange. As proposed, Rule 714(a)(1) will continue to provide that the reference price for the ATR protection is the NBB for sell orders/quotes and the NBO for buy orders/quotes. For clarity, however, the Exchange proposes to move this language to a separate bullet under proposed Rule 714(a)(1)(ii). In addition, proposed Rule 714(a)(1)(ii) will indicate that the Acceptable Trade Range is calculated using a reference price taken upon receipt of a new order or quote. Furthermore, for orders routed to away markets pursuant to the Supplementary Material to Rule 1901, if the applicable NBB or NBO price is improved at the time the order is routed, a new Acceptable Trade Range will be calculated based on the reference price at that time.[5]

Although the Exchange will continue to use the NBB or NBO as the reference price for the ATR protection, the Exchange believes that it is appropriate to update the Acceptable Trade Range if the applicable NBB or NBO price is improved at the time an order is routed to an away market pursuant to the Supplementary Material to Rule 1901. Orders that are routed to away markets may be eligible for the "Flash" auction process described in Supplementary Material .02 to Rule 1901. When a Flash auction is initiated, members are given an opportunity to enter responses to trade with the order for a time period established by the Exchange not to exceed one (1) second.[6] Because the applicable NBB or NBO price may change during the Flash auction, the Exchange believes that it is appropriate to recalculate the Acceptable Trade Range based on the reference price at the time the order is actually routed to an away market, if doing so would provide additional protection to the order – i.e., if the NBB or NBO price used as the reference price is improved at that time. Similarly, if a member enters an order pursuant to Supplementary Material .04 - .05 to Rule 1901 that is not subject to a Flash auction,[7] that order must still be processed by the trading system prior to routing, during which time the market may have moved just as it could have during a Flash auction. In

---

5 The Acceptable Trade Range would not be recalculated by the Exchange after routing if, for example, the routed order is not executed in full by the away market and subsequently trades on the Exchange.

6 Currently, the exposure period for the Flash auction is set to 150 milliseconds.

7 The Flash auction process described in Supplementary Material .02 to Rule 1901 does not apply to "Sweep Orders" entered pursuant to Rule 715(s) and Supplementary Material .05 to Rule 1901, or to Non-Customer Orders that opt out of this process pursuant to Supplementary Material .04 to Rule 1901.

such cases, the Exchange will also calculate a new Acceptable Trade Range based on the reference price at that time if the applicable NBB or NBO price is improved at the time of routing. If the NBB or NBO price is not improved, the ATR protection will continue to use the NBB or NBO price on entry as the reference price, thereby providing the maximum protection to the order. The following examples illustrate how the ATR protection will be applied to orders routed to away markets:

Example 1

1. ATR threshold set to $0.15 for non-penny symbols
2. NBBO is $0.90 (35) x $1.00 (25):
    a. BATS: $0.90 (10) x $1.00 (25)
    b. CBOE: $0.90 (25) x $1.05 (25)
    c. MIAX: $0.85 (25) x $1.15 (25)
    d. MRX: $0.85 (50) x $1.20 (50)
3. Member enters a Limit Order to buy 200 contracts at $1.20
4. Flash auction initiated at a price of $1.00
5. CBOE quote improved establishing a new NBBO of $0.90 (35) x $0.95 (25):
    a. BATS: $0.90 (10) x $1.00 (25)
    b. CBOE: $0.90 (25) x $0.95 (25)
    c. MIAX: $0.85 (25) x $1.15 (25)
    d. MRX: $0.85 (50) x $1.20 (50)
6. No responses entered and Flash auction terminates and routes:
    a. 25 contracts to buy to CBOE at $0.95
    b. 25 contracts to buy to BATS at $1.00

7. Because the NBO is improved at time of routing, the reference price is set to the improved NBO price of $0.95, establishing an Acceptable Trade Range of $1.10
8. The remaining balance of 150 contracts that cannot be executed within the Acceptable Trade Range is cancelled

Example 2

1. ATR threshold set to $0.15 for non-penny symbols
2. NBBO is $0.90 (35) x $1.00 (25):
    a. BATS: $0.90 (10) x $1.00 (25)
    b. CBOE: $0.90 (25) x $1.05 (25)
    c. MIAX: $0.85 (25) x $1.15 (25)
    d. MRX: $0.85 (50) x $1.20 (50)
3. Member enters a Limit Order to buy 200 contracts at $1.20
4. Flash auction initiated at a price of $1.00
5. BATS quote worsened establishing a new NBBO of $0.90 (35) x $1.05 (50):
    a. BATS: $0.90 (10) x $1.05 (25)
    b. CBOE: $0.90 (25) x $1.05 (25)
    c. MIAX: $0.85 (25) x $1.15 (25)
    d. MRX: $0.85 (50) x $1.20 (50)
6. No responses entered and Flash auction terminates and routes:
    a. 25 contracts to buy to BATS at $1.05
    b. 25 contracts to buy to CBOE at $1.05
    c. 25 contracts to buy to MIAX at $1.15
7. Because the NBO is worsened at time of routing, the reference price is set to the initial NBO price of $1.00, establishing an Acceptable Trade Range of $1.15

8. The remaining balance of 125 contracts that cannot be executed within the Acceptable Trade Range is cancelled

Implementation

The Exchange proposes to launch the ATR functionality described in this proposed rule change no later than October 31, 2018. The Exchange will announce the implementation date of this functionality in an Options Trader Alert issued to members prior to the launch date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[8] in general, and furthers the objectives of Section 6(b)(5) of the Act,[9] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

Specifically, the Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market by enhancing the Exchange's ATR protection. The ATR functionality is designed to ensure that orders and quotes entered on the Exchange are executed at reasonable prices based on the applicable NBBO price on receipt. Currently, the Exchange's ATR protection calculates a reference price at the time an order or quote rests or trades locally but not when an order is routed to an away market pursuant to the Linkage Plan without first trading on the Exchange – i.e., if routed immediately on entry without interacting with the Exchange's order book.

---

8 15 U.S.C. 78f(b).

9 15 U.S.C. 78f(b)(5).

To further protect orders that are subject to routing that have not traded on the Exchange, the Exchange is proposing to implement the ATR protection for those orders. The Exchange will continue to use the NBBO as the reference price for the ATR protection but now that the Exchange is protecting orders that are routed away pursuant to the Linkage Plan without trading on the Exchange, the Exchange proposes to use the NBBO price on routing instead of the NBBO on receipt only in those circumstances where the NBBO is improved at the time of routing. As described earlier in this proposed rule change, the Exchange operates a Flash auction that provides an opportunity for Members to match or improve the NBBO price prior to routing eligible orders to away markets. Since the NBBO price may change during the Flash auction's exposure period, the Exchange believes that the ATR protection should take improved NBBO prices into account when determining whether a particular price is a reasonable execution price. Since the NBBO may move while the Exchange's trading system processes orders that are not eligible for a Flash auction, a new Acceptable Trade Range would similarly be calculated based on improved NBBO prices at the time of routing for those orders as well. The Exchange believes, however, that a worsened NBBO price should not be considered as this would decrease rather than increase the protection provided to such an order. In sum, the proposed changes to the ATR protection will protect investors and the public interest by providing additional protections designed to ensure that quotes and orders entered on the Exchange are executed at reasonable prices, and thereby perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to enhance the Exchange's ATR protection by extending that protection to orders that are routed to away markets that did not first trade on the Exchange. The proposed protection will apply equally to all orders that are routed to away markets pursuant to the Linkage Plan. The Exchange believes that this change is the result of a competitive market where exchanges must continually improve the functionality offered to market participants in order to remain competitive.

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:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2018-08 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-2018-08. 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-2018-08 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.[10]

Eduardo A. Aleman
Assistant Secretary

[10] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is <u>underlined</u>.

Nasdaq MRX, LLC
RULES

* * * * *

Rule 714. Automatic Execution of Orders

* * * * *

(b) Other Order Protections. Subject to the NBBO price protection in (a) above, the following additional order protections are automatically enforced by the System:

(1) Acceptable Trade Range.

(i) The system will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders or quotes). [Upon receipt of a new order or quote, the reference price is the NBB for sell orders/quotes and the NBO for buy orders/quotes.] The Acceptable Trade Range will not be available for all-or-none orders.

<u>**(ii)** The reference price is the NBB for sell orders/quotes and the NBO for buy orders/quotes. The Acceptable Trade Range is calculated using a reference price taken upon receipt of a new order or quote. For orders routed to away markets pursuant to the Supplementary Material to Rule 1901, if the applicable NBB or NBO price is improved at the time the order is routed, a new Acceptable Trade Range is calculated based on the reference price at that time.</u>

(ii<u>i</u>) If an order or quote reaches the outer limit of the Acceptable Trade Range without being fully executed then any unexecuted balance will be cancelled.

([iii]<u>iv</u>) There will be three categories of options for Acceptable Trade Range: (1) Penny Pilot Options trading in one cent increments for options trading at less than $3.00 and increments of five cents for options trading at $3.00 or more, (2) Penny Pilot Options trading in one-cent increments for all prices, and (3) Non-Penny Pilot Options.

* * * * *