

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-96120; File No. SR-MRX-2022-21)

October 21, 2022

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 7 In Connection with a Technology Migration

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 October 12, 2022, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend MRX’s Pricing Schedule at Options 7.³

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/mrx/rules>, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange initially filed the proposed pricing changes on September 30, 2022 as SR-MRX-2022-17. On October 12, 2022, the instant filing replaced SR-MRX-2022-17.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

MRX proposes to amend its Pricing Schedule at Options 7. Specifically, MRX proposes to: (1) add the defined term “Exposed Order” within Options 7, Section 1(c); and (2) amend Options 7, Section 6 to offer certain free ports in connection with an upcoming technology migration. Each change is described below.

Options 7, Section 1

The Exchange proposes to define an Exposed Order for purposes of pricing within Options 7. The Exchange introduced the concept of an “exposure” in a recent rule change amending MRX’s routing rules.⁴ In that rule change, the Exchange noted that for purposes of MRX’s Options 5, Section 4 routing rule, “exposure” or “exposing” an order means a notification sent to Members with the price, size, and side of interest that is available for execution.⁵ The order exposure will apply to both routed orders and non-routed or “DNR

⁴ See Securities Exchange Act Release No. 94897 (May 12, 2022), 87 FR 30294 (May 18, 2022) (SR-ISE-2022-11) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Routing Functionality in Connection With a Technology Migration). MRX’s Options 5 rules are incorporated by reference to Nasdaq ISE, LLC Options 5 rules. This rule change was done in connection with a technology migration. SR-ISE-2022-11 will become operative for MRX prior to December 23, 2022. The Exchange proposes to announce the exact date when it will commence a limited symbol migration in an Options Trader Alert.

⁵ See MRX Options 5, Section 4(a) which is effective but not yet operative. See also Securities Exchange Act Release No. 94897 (May 12, 2022), 87 FR 30294 (May 18, 2022) (SR-ISE-2022-11) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Routing Functionality in Connection With a Technology Migration).

Orders.” The order exposure process permits the Exchange to apply a Route Timer⁶ prior to the initial and subsequent routing of an order and allows routing of the order after exposure occurs (during open trading) every time an order becomes marketable against the ABBO.⁷

At this time, the Exchange proposes to amend Options 7, Section 1(c) to provide, An “**Exposed Order**” is an order that is broadcast via an order exposure alert as described within Options 5, Section 4 (Order Routing). Unless otherwise noted in Options 7, Section 3 pricing, Exposed Orders will be assessed the applicable “Taker” Fee and any order or quote that executes against an Exposed Order during a Route Timer will be paid/assessed the applicable “Maker” Rebate/Fee.

As proposed, the defined term would apply a Taker Fee, where applicable, to an executed Exposed Order. If an order or quote allocates against the Exposed Order during the Route Timer described within Options 5, Section 4, the Exchange would pay/assess the applicable Maker Rebate and/or Maker Fee. The Exchange believes that its proposal should provide increased opportunities for participation in executions on the Exchange, facilitating the ability of the Exchange to bring together participants and encourage more robust competition for orders.

⁶ For purposes of Options 5, Section 4, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer.

⁷ See MRX Options 5, Section 4 which is effective but not yet operative. See also Securities Exchange Act Release No. 94897 (May 12, 2022), 87 FR 30294 (May 18, 2022) (SR-ISE-2022-11) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Routing Functionality in Connection With a Technology Migration).

Options 7, Section 6

In connection with a technology migration⁸, Members may request new FIX Ports,⁹ SQF Ports,¹⁰ SQF Purge Ports,¹¹ OTTO Ports,¹² CTI Ports,¹³ and FIX DROP Ports,¹⁴ at no additional

⁸ MRX is migrating its technology to an enhanced Nasdaq, Inc. functionality which results in higher performance, scalability, and more robust architecture. The technology migration would commence in November 2022.

⁹ “Financial Information eXchange” or “FIX” is an interface that allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders to the Exchange. Features include the following: (1) execution messages; (2) order messages; (3) risk protection triggers and cancel notifications; and (4) post trade allocation messages. See Supplementary Material .03(a) to Options 3, Section 7.

¹⁰ “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 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) 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. Market Makers may only enter interest into SQF in their assigned options series. See Supplementary Material .03(c) to Options 3, Section 7.

¹¹ SQF Purge is a specific port for the SQF interface that only receives and notifies of purge requests from the Market Maker. Dedicated SQF Purge Ports enable Market Makers to seamlessly manage their ability to remove their quotes in a swift manner.

¹² “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. See Supplementary Material .03(b) to Options 3, Section 7.

¹³ Clearing Trade Interface (“CTI”) is a real-time cleared trade update message that is sent to a Member after an execution has occurred and contains trade details specific to that Member. The information includes, among other things, the following: (i) The Clearing Member Trade Agreement (“CMTA”) or The Options Clearing Corporation (“OCC”) number; (ii) badge or mnemonic; (iii) account number; (iv) information which identifies

cost, from November 1, 2022 through December 30, 2022 (“Transition Period”) which are duplicative of the type and quantity of their legacy ports. These second set of new ports would allow Members time to test ports to the new environment as well as provide continuous connection to the Exchange’s match engine during the Transition Period.¹⁵ During the Transition Period, Members will be required to utilize their new ports on the new MRX platform for symbols that have migrated to the new platform, while continuing to leverage legacy ports for symbols that have not yet migrated to the new platform.¹⁶ For example, an MRX Member with 3 legacy SQF Ports, 1 legacy SQF Purge Port, 1 legacy FIX DROP Port, 1 legacy OTTO Port, and 1 legacy CTI Port on November 1, 2022 could request the equivalent quantity and type of new ports (3 SQF Ports, 1 SQF Purge Port, 1 FIX DROP Port, 1 OTTO Port, and 1 CTI Port) for the new MRX environment during the Transition Period at no additional cost. During the Transition Period, the MRX Member would be assessed only for legacy ports and would not be assessed for the new ports, which are duplicative of the legacy ports.

A Member may acquire additional legacy ports during the Transition Period and would be assessed the charges indicated in the current Pricing Schedule at Options 7, Section 6, respectively, for those additional legacy ports.

the transaction type (e.g., auction type) for billing purposes; and (v) market participant capacity. See Option 3, Section 23(b)(1).

¹⁴ FIX DROP is a real-time order and execution update message that is sent to a Member after an order been received/modified or an execution has occurred and contains trade details specific to that Member. The information includes, among other things, the following: (i) executions; (ii) cancellations; (iii) modifications to an existing order; and (iv) busts or post-trade corrections. See Options 3, Section 23(b)(3).

¹⁵ Members would contact Market Operations to acquire new duplicative ports.

¹⁶ Options Trader Alert #2022-34 describes the symbol migration schedule which will begin in November 2022.

The technology migration does not require a Member to acquire any additional legacy ports or any specific number of new ports, rather the technology migration requires a new port to connect to the new MRX environment. As is the case today, a Member may decide the number of ports they desire to subscribe to on the new technology platform.¹⁷

Of note, only MRX Members may utilize ports on MRX and only one port is necessary to submit orders to MRX. Similarly, a Market Maker quoting on MRX only requires 1 SQF Port.¹⁸ A Member may also obtain any number of order and execution ports, such as a SQF Purge Ports, FIX DROP Ports and CTI Ports and any number of market data ports.¹⁹ Members are able to elect the quantity and type of ports they purchase based on that Member's business model.²⁰

This proposal is not intended to impose any additional fees on any MRX Member. Rather, this proposal is intended to permit an MRX Member to utilize the new environment with the same type and quantity of legacy ports, at no additional cost, during the Transition Period.

MRX will sunset legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports on December 30, 2022. After December 30, 2022, each Member would only be able to utilize the new ports for the new environment. Starting in January 2023, the port fees in Options 7, Section 6 would apply to any substituted ports that a Member continues to subscribe to after the Transition Period.

¹⁷ The technology migration is 1:1 and therefore would not require a Member to acquire an additional quantity of new ports, nor would it reduce the total number of ports needed to connect to the match engine.

¹⁸ SQF Ports are utilized solely by Market Makers who are the only Members permitted to quote on MRX.

¹⁹ MRX does not assess fees for the market data ports within Options 7, Section 6(iii). Members may acquire any number of market data ports at no cost.

²⁰ For example, a Member may desire to utilize multiple FIX or OTTO Ports for accounting purposes, to measure performance, for regulatory reasons or other determinations that are specific to that Member.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,²² in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed changes to the Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for order flow, which constrains its pricing determinations. The fact that the market for order flow is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated, “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”²³

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention to determine prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current

²¹ See 15 U.S.C. 78f(b).

²² See 15 U.S.C. 78f(b)(4) and (5).

²³ See NetCoalition, 615 F.3d at 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues, and also recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”²⁴

Congress directed the Commission to “rely on ‘competition, whenever possible, in meeting its regulatory responsibilities for overseeing the SROs and the national market system.’”²⁵ As a result, the Commission has historically relied on competitive forces to determine whether a fee proposal is equitable, fair, reasonable, and not unreasonably or unfairly discriminatory. “If competitive forces are operative, the self-interest of the exchanges themselves will work powerfully to constrain unreasonable or unfair behavior.”²⁶ Accordingly, “the existence of significant competition provides a substantial basis for finding that the terms of an exchange’s fee proposal are equitable, fair, reasonable, and not unreasonably or unfairly discriminatory.”²⁷

Options 7, Section 1

The Exchange’s proposal to define an Exposed Order for purposes of pricing within Options 7, Section 1(c) is reasonable because it will provide Members information as to the manner in which pricing will be applied to both the Exposed Order as well as an order or quote

²⁴ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

²⁵ See NetCoalition, 615 F.3d at 534-35; see also H.R. Rep. No. 94-229 at 92 (1975) (“[I]t is the intent of the conferees that the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed.”).

²⁶ See Securities Exchange Act Release No. 59039 (December 2, 2008), 73 Fed. Reg. 74,770 (December 9, 2008) (SR-NYSEArca-2006-21).

²⁷ Id.

that allocates against the Exposed Order.²⁸ As proposed, the applicable Taker Fee would apply to an executed Exposed Order and the applicable Maker Rebate and/or Maker Fee would apply to an order or quote that allocated against the Exposed Order during the Route Timer. The Exchange believes the proposed pricing should provide increased opportunities for participation in executions on the Exchange, facilitating the ability of the Exchange to bring together participants and encourage more robust competition for orders. Order exposure has the potential to result in more efficient executions for participants as responses to exposed orders could result in faster executions. Order exposure assures that such exposed orders will only receive executions at a price at least as good as the price disseminated by the best away market at the time the order was received.

The Exchange's proposal to define an Exposed Order for purposes of pricing within Options 7, Section 1(c) is equitable and not unfairly discriminatory as the proposed pricing for Exposed Orders would be uniformly applied to all orders subject to the Exchange's Route Timer, as described in Options 5, Section 4.

Options 7, Section 6

The proposed amendments to Options 7, Section 6 to permit Members to acquire a second set of FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports, at no cost, as part of the technology migration are reasonable because they will permit MRX Members to migrate to the new platform without a pricing impact. Specifically, the proposal is intended to permit MRX Members to migrate their legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports to new ports at no additional cost

²⁸ See Option 5, Section 4.

during the Transition Period. This proposal will allow Members to test their ports and maintain continuous connection to the Exchange's match engine during the Transition Period.

The proposed amendments to Options 7, Section 6 to permit Members to acquire a second set of FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports, at no cost, as part of the technology migration are equitable and not unfairly discriminatory because no Member would have a pricing impact as a result of this proposal, provided the Member did not obtain additional new ports to connect to the MRX environment beyond the quantity and type the Member had on November 1, 2022 or additional legacy ports. No Member would be assessed a fee for the new second set of ports, provided they acquired a new second set of ports commiserate with the type and quantity of ports they subscribed to as of November 1, 2022. A Member obtaining additional legacy ports, beyond the current type and quantity of ports they have as of November 1, 2022, would be assessed the fees noted in Options 7, Section 6 as applicable. MRX will sunset legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports on December 30, 2022, so no Member would have a second type or quantity of a particular port as of December 30, 2022. Starting in January 2023, the port fees in Options 7, Section 6 would apply to any substituted ports that a Member continues to subscribe to after the Transition Period.

The technology migration does not require a Member to acquire any additional quantity of new ports, nor would it reduce the total number of ports needed to connect to the match engine. Rather the technology migration requires a new port to replace any legacy port provided the Member desired to maintain the same number of ports on the new MRX technology platform. Of note, only MRX Members may utilize ports on MRX and only one port is necessary to submit

orders to MRX. Similarly, a Market Maker quoting on MRX only requires 1 SQF Port.²⁹ A Member may also obtain any number of order and execution ports, such as a SQF Purge Ports, FIX DROP Ports and CTI Ports and any number of market data ports.³⁰ Members are able to elect the quantity and type of ports they purchase based on that Member's business model.³¹

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

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

The Exchange believes its proposal remains competitive with other options markets, and will offer market participants with another choice of venue to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

²⁹ SQF Ports are utilized solely by Market Makers who are the only Members permitted to quote on MRX.

³⁰ MRX does not assess fees for the market data ports within Options 7, Section 6(iii). Members may acquire any number of market data ports at no cost.

³¹ For example, a Member may desire to utilize multiple FIX or OTTO Ports for accounting purposes, to measure performance, for regulatory reasons or other determinations that are specific to that Member.

Intramarket Competition

Options 7, Section 1

The Exchange's proposal to define an Exposed Order for purposes of pricing within Options 7, Section 1(c) does not impose an undue burden on competition because the proposed pricing for Exposed Orders would be uniformly applied to all orders subject to the Exchange's Route Timer, as described in Options 4, Section 5.

Options 7, Section 6

The proposed amendments to Options 7, Section 6 to permit Members to acquire a second set of FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports, at no cost, as part of the technology migration do not impose an undue burden on competition because no Member would have a pricing impact as a result of this proposal, provided the Member did not obtain additional new ports to connect to the MRX environment beyond the quantity and type the Member had on November 1, 2022 or additional legacy ports. No Member would be assessed a fee for the new second set of ports, provided they acquired a new second set of ports commiserate with the type and quantity of ports they subscribed to as of November 1, 2022. A Member obtaining additional legacy ports, beyond the current type and quantity of ports they have as of November 1, 2022, would be assessed the fees noted in Options 7, Section 6 as applicable. MRX will sunset legacy FIX Ports, SQF Ports, SQF Purge Ports, OTTO Ports, CTI Ports and FIX DROP Ports on December 30, 2022, so no Member would have a second type or quantity of a particular port as of December 30, 2022. Starting in January 2023, the port fees in Options 7, Section 6 would apply to any substituted ports that a Member continues to subscribe to after the Transition Period.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.³² At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2022-21 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.

³² 15 U.S.C. 78s(b)(3)(A)(ii).

All submissions should refer to File Number SR-MRX-2022-21. 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 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-2022-21 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.³³

J. Matthew DeLesDernier,
Deputy Secretary

³³ 17 CFR 200.30-3(a)(12).