Nasdaq GEMX Rulebook

1. Definitions

Rule 100. Definitions

(a) No change.

(1) – (27) No change.

(28) [Reserved.] The term "in-the-money" shall mean the following: for call options, all strike prices at or below the offer in the underlying security on the primary listing market; for put options, all strike prices at or above the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Rules 701 and 803.

(29) – (40) No change.

(41) [Reserved.] The term "out-of-the-money" shall mean the following: for call options, all strike prices above the offer in the underlying security on the primary listing market; for put options, all strike prices below the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Rules 701 and 803.

Rule 701. Opening

(a) No change.

(1) – (7) No change.

(8) A "Valid Width Quote" is a two-sided electronic quotation submitted by a Market Maker that [consists of a bid/ask differential that is compliant with Rule 803(b)(4)] meets the following requirements: differentials shall be no more than $.25 between the bid and offer for each options contract for which the bid is less than $2, no more than $.40 where the bid is at least $2 but does not exceed $5, no more than $.50 where the bid is more than $5 but does not exceed $10, no more than $.80 where the bid is more than $10 but does not exceed $20, and no more than $1 where the bid is $20 or greater, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. The bid/ask differentials for in-the-money options series may be as wide as the quotation for the underlying security on the primary market, or its
decimal equivalent rounded down to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options.

(9) No change.

(b) – (l) No change.

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Rule 713. Priority of Quotes and Orders

(a) Definitions.

As provided in Rule 100(a)([46]) and (a)([34]38), a "bid" is a quotation or limit order to buy options contracts and an "offer" is a quotation or limit order to sell options contracts. "Quotations," which are defined in Rule 100(a)([48]57), may only be entered on the Exchange by market makers in the options classes to which they are appointed under Rule 802. Limit orders may be entered by market makers in certain circumstances as provided in the Rules and by Electronic Access Members (either as agent or as principal). "Priority Customer Orders" and "Professional Orders" are defined in Rule 100(a)([43B]51) and ([43C]52).

(b) – (e) No change.

Supplementary Material to Rule 713

No change.

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

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

(a) Definitions.

(1) Customer. For purposes of this Rule, Customer has the same definition as Priority Customer in Rule 100(a)([43A]51).
(2) – (4) No change.

(b) – (k) No change.

Supplementary Material to Rule 720
No change.

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Rule 803. Obligations of Market Makers

(a) No change.

(b) No change.

(1) – (3) No change.

(4) To price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than $5 between the bid and offer following the opening rotation in an equity or index options contract. [Prior to the opening rotation, spread differentials shall be no more than $.25 between the bid and offer for each options contract for which the bid is less than $2, no more than $.40 where the bid is at least $2 but does not exceed $5, no more than $.50 where the bid is more than $5 but does not exceed $10, no more than $.80 where the bid is more than $10 but does not exceed $20, and no more than $1 where the bid is $20 or greater, provided that the Exchange may establish differences other than the above for one or more options series.] The Exchange may establish differences other than the above for one or more series or classes of options.

(i) - (ii) No change.

(c) - (d) No change.

Supplementary Material to Rule 803
No change.

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