

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-88022; File No. SR-MRX-2020-02)

January 23, 2020

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend MRX Pricing Schedule

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 January 13, 2020, 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 amend MRX’s Pricing Schedule. Specifically, the Exchange proposes to amend Options 7, Section 3, titled “Regular Order Fees and Rebates.”

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.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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, Section 3, titled “Regular Order Fees and Rebates.” There are two changes that are proposed to Options 7, Section 3: (1) an amendment to the Tier 2 Market Maker Penny and Non-Penny Symbol Regular Order Fees in Table 1; and (2) an amendment to the Qualifying Tier Thresholds in Table 3. Each proposed amendment will be discussed below.

The Exchange originally filed the proposed pricing changes on January 2, 2020 (SR-MRX-2020-01). On January 13, 2020, the Exchange withdrew that filing and submitted this filing.

Market Maker Fees

Today, the Exchange assesses the following Penny Symbol Regular Order Fees and Rebates within Table 1 of Options 7, Section 3:

Penny Symbols

Market Participant	Maker Fee Tier 1	Maker Fee Tier 2	Taker Fee Tier 1	Taker Fee Tier 2
Market Maker ⁽¹⁾	\$0.20	\$0.00	\$0.50 ⁽²⁾	\$0.50 ⁽²⁾
Non-Nasdaq MRX Market Maker (FarMM)	\$0.47	\$0.47	\$0.50	\$0.50
Firm Proprietary / Broker-Dealer	\$0.47	\$0.47	\$0.50	\$0.50
Professional Customer	\$0.47	\$0.47	\$0.50	\$0.50
Priority Customer	\$0.00	\$0.00	\$0.00	\$0.00

Today, the Exchange assesses the following Non-Penny Symbol Regular Order Fees and Rebates within Table 1 of Options 7, Section 3:

Non-Penny Symbols

Market Participant	Maker	Maker	Taker	Taker
	Fee	Fee	Fee	Fee
	Tier 1	Tier 2	Tier 1	Tier 2
Market Maker ⁽¹⁾	\$0.20	\$0.00	\$0.90 ⁽²⁾	\$0.90 ⁽²⁾
Non-Nasdaq MRX Market Maker (FarMM)	\$0.90	\$0.90	\$0.90	\$0.90
Firm Proprietary / Broker-Dealer	\$0.90	\$0.90	\$0.90	\$0.90
Professional Customer	\$0.90	\$0.90	\$0.90	\$0.90
Priority Customer	\$0.00	\$0.00	\$0.00	\$0.00

Today, the Tier 2 Market Maker³ Fee for both Penny and Non-Penny Symbols is currently \$0.00 per contract. The Exchange proposes to increase this fee from \$0.00 to \$0.10 per contract. The Exchange is not proposing to amend other fees within Table 1 other than the Market Maker fees. Non-Nasdaq Market Makers (FarMM), Firm Proprietary/Broker-Dealer and Professional Customers are assessed a fee of \$0.47 per contract for Penny Symbols and \$0.90 per contract for Non-Penny Symbols. Priority Customers do not pay any fees for transacting Penny or Non-Penny Symbols on MRX. Also, the Exchange is continuing to offer Market Makers the opportunity to reduce its Maker Fee if it qualifies for Tier 2. The Market Maker Fee for Tier 1 remains at \$0.20 for both Penny and Non-Penny Pilot Symbols and is not being amended. The Exchange believes its fees remain competitive and will continue to attract order flow.

Tier 2

Today the Exchange has two tiers as part of its Qualifying Tier Thresholds in Table 3 of Options 7, Section 3 as follows:

³ This fee also applies to Market Maker orders sent to the Exchange by Electronic Access Members. See Options 7, Section 3 at note 1 of the Pricing Schedule.

Table 3

Qualifying Tier Thresholds

Tier	Total Affiliated and/or Appointed Member ADV⁴
Tier 1	0-49,999
Tier 2	50,000 or more

All market participants can qualify for Tiers 1 and 2, provided they meet the requisite volume thresholds specified in Table 3 above. The maker and taker fees for all market participants represented in Table 1, displayed above, are dependent on qualifying for a particular tier (either Tier 1 or Tier 2). With respect to these tiers, the highest tier threshold attained applies retroactively in a given month to all eligible traded contracts and applies to all eligible market participants.⁵

The Exchange proposes to amend the current Qualifying Tier Thresholds by replacing the ADV thresholds with total industry percentage thresholds. Specifically, a member would be eligible for Tier 1 if it executes 0.00%-0.7499% of Customer Total Consolidated Volume, and Tier 2 if it executes 0.75% or more of Customer Total Consolidated Volume. The Exchange also proposes to note that for purposes of measuring Total Affiliated and/or Appointed Member ADV, Customer Total Consolidated Volume means the total volume cleared at The Options Clearing Corporation in the Customer range in equity and ETF options in that month. The Exchange notes that these new volume tiers are more stringent.⁶ The Exchange is proposing to

⁴ Total Affiliated and/or Appointed Member ADV means all average daily volume (“ADV”) executed on the Exchange in all symbols and order types, including volume executed by Affiliated Members and/or Appointed Members.

⁵ The Exchange proposes to amend the word “Tier” in Table 3 of Options 7, Section 3 to “Tiers.”

⁶ For example, 0.75% of Customer Total Consolidated Volume is approximately 115,000 contracts per day.

effectively raise the volume requirements to align with increasing member activity on MRX over time. While the proposed tiers are more stringent, the proposed pricing is intended to continue to reward members that bring order flow to the Exchange and thereby increase liquidity and trading opportunities for all members. The Total Affiliated Member ADV category includes all volume executed on the Exchange in all symbols and order types, as is the case today.

While the maker/taker fees will remain the same for Non-Nasdaq MRX Market Maker orders, Firm Proprietary / Broker-Dealer orders, and Professional Customer orders regardless of the tier achieved,⁷ the proposed volume requirements will impact Market Makers that are eligible to qualify for the lower Tier 2 maker fee.⁸ Nonetheless, the Exchange believes that the proposed fee structure will remain attractive to Market Makers as they will continue to be charged substantially lower maker fees based on their contributions to the market.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁰ 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.

⁷ In particular, these market participants will continue to be uniformly charged the same \$0.47 per contract (Penny Symbols) and \$0.90 per contract (Non-Penny Symbols) maker fees for Tier 1 and Tier 2. Priority Customer orders currently do not get charged any maker/taker fees, which will not change under this proposal.

⁸ Currently, Market Makers are charged maker fees of \$0.20 per contract for Tier 1 and \$0.00 per contract for Tier 2. As proposed above, the Tier 2 maker fee for Market Makers will be increased from \$0.00 to \$0.10 per contract.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

Market Maker Fees

The Exchange's proposal to increase the Tier 2 Market Maker Fee for both Penny and Non-Penny Symbols from \$0.00 to \$0.10 per contract is reasonable. While the Exchange is proposing to increase these fees for Market Makers in Tier 2, it continues to remain competitive and will continue to attract order flow. MRX is continuing to offer Market Makers the opportunity to reduce the Penny and Non-Penny Symbol Market Maker Fee if it qualifies for Tier 2 (\$0.20 per contract as compared to the proposed \$0.10 per contract).¹¹ This discount will reward Market Makers that bring more order flow to the Exchange. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

The Exchange's proposal to increase the Tier 2 Market Maker Fee for both Penny and Non-Penny Symbols from \$0.00 to \$0.10 per contract is equitable and not unfairly discriminatory. Market Makers would continue to pay a lower fee as compared to fees for orders from other non-Priority Customers. Non-Nasdaq Market Makers (FarMM), Firm Proprietary/Broker-Dealer and Professional Customers are assessed a fee of \$0.47 per contract for Penny Symbols and \$0.90 per contract for Non-Penny Symbols. Market Makers add value to MRX through quoting obligations¹² and their commitment of capital, unlike other market participants, and are therefore entitled to the lower fee. Priority Customers do not pay any fees for transacting Penny or Non-Penny Symbols on MRX. Priority Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An

¹¹ The Market Maker Fee for Tier 1 remains at \$0.20 for both Penny and Non-Penny Pilot Symbols.

¹² See Options 3, Section 5.

increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

Tier 2

The Exchange's proposal to amend the current Qualifying Tier Thresholds by amending Tier 1 from Total Affiliated and/or Appointed Member ADV of 0-49,999 contracts to 0.00%-0.7499% of Customer Total Consolidated Volume¹³ and amending Tier 2 from Total Affiliated and/or Appointed Member ADV of 50,000 or more to 0.75% or more of Customer Total Consolidated Volume is reasonable. The Exchange is proposing to base Tiers 1 and 2 on a percentage of industry volume in recognition of the fact that the volume executed by a member may rise or fall with industry volume. A percentage of industry volume calculation allows the Exchange's tiers to be calibrated to current market volumes rather than requiring the same amount of volume regardless of market conditions. While the amount of volume required by the proposed tiers may change in any given month due to increases or decreases in industry volume, the Exchange believes that the proposed tier requirements are set at appropriate levels. While the proposed percentage of industry volume tier requirements are more stringent than the current ADV requirements,¹⁴ the Exchange is proposing to effectively raise the volume thresholds for the Qualifying Tier Thresholds to align with MRX's growth as a venue (and corresponding increased member activity) over time. While the proposed tiers are more stringent, the maker/taker tiered fee structure is intended to continue to reward members, and in particular,

¹³ For purposes of measuring Total Affiliated and/or Appointed Member ADV, Customer Total Consolidated Volume means the total volume cleared at The Options Clearing Corporation in the Customer range in equity and ETF options in that month. The Exchange notes that these new volume tiers are more stringent.

¹⁴ See supra note 6.

Market Makers who will continue to get charged lower maker fees, to bring more order flow to the Exchange and thereby increase liquidity and trading opportunities for all members.

The Exchange's proposal to amend the current Qualifying Tier Thresholds is equitable and not unfairly discriminatory. The proposed tiers will be applied uniformly to all market participants. Furthermore, the Exchange believes that the qualifying tier thresholds are equitable and not unfairly discriminatory as all market participants may qualify for a higher tier by executing the required volume of contracts, either through the Member, its affiliates, or an Appointed Member, as is the case today. As noted above, the proposed volume requirements will primarily impact Market Makers that are eligible to qualify for the lower Tier 2 maker fee¹⁵ while all other market participants (other than Priority Customers that get the benefit of free executions) will continue to be charged the same fees regardless of the tier achieved.¹⁶ The Exchange, however, anticipates minimal member impact with the proposed changes to Tier 1 and Tier 2 as no members, including Market Makers, meet the current Tier 2 ADV requirements and thus would not fall out of the higher tier as a result of this change. While the proposal effectively increases the volume requirements for Tier 1 and Tier 2, Market Makers will continue to be charged substantially lower maker fees than other non-Priority Customers for both tiers based on their contribution to the market. The Exchange does not believe that continuing to provide lower maker fees for Market Makers is unfairly discriminatory as Market Makers are subject to additional requirements and obligations (such as quoting requirements) that other market participants are not.

¹⁵ Currently, Market Makers are charged maker fees of \$0.20 per contract for Tier 1 and \$0.00 per contract for Tier 2. As proposed above, the Tier 2 maker fee for Market Makers will be increased from \$0.00 to \$0.10 per contract.

¹⁶ In particular, other non-Priority Customers will continue to be uniformly charged the same \$0.47 per contract (Penny Symbols) and \$0.90 per contract (Non-Penny Symbols) maker fees for Tier 1 and Tier 2.

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.

Inter-market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where 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. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges that have been exempted from compliance with the statutory standards applicable to exchanges. 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.

Intra-market Competition

The proposed fee do not impose an undue burden on intra-market competition.

Market Maker Fees

The Exchange's proposal to increase the Tier 2 Market Maker Fee for both Penny and Non-Penny Symbols from \$0.00 to \$0.10 per contract does not impose an undue burden on intra-market competition. Market Makers would continue to pay a lower fee as compared to fees for orders from other non-Priority Customers. Non-Nasdaq Market Makers (FarMM), Firm Proprietary/Broker-Dealer and Professional Customers are assessed a fee of \$0.47 per contract for Penny Symbols and \$0.90 per contract for Non-Penny Symbols. Makers add value to MRX

through quoting obligations¹⁷ and their commitment of capital, unlike other market participants, and are therefore entitled to the lower fee. Priority Customers do not pay any fees for transacting Penny or Non-Penny Symbols on MRX. Priority Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

Tier 2

The Exchange's proposal to amend the current Qualifying Tier Thresholds does not impose an undue burden on intra-market competition. The tiers will be applied uniformly to all market participants. Furthermore, all market participants can qualify for a higher tier by executing the required volume of contracts, either through the member, its affiliates, or an appointed member, as is the case today. As noted above, the proposed volume requirements will primarily impact Market Makers that are eligible to qualify for the lower Tier 2 maker fee while all other market participants (other than Priority Customers that get the benefit of free executions) will continue to be charged the same maker/taker fees regardless of the tier achieved. The Exchange, however, anticipates minimal member impact with the proposed changes to Tier 1 and Tier 2 as no members, including Market Makers, meet the current Tier 2 ADV requirements and thus would not fall out of the higher tier as a result of this change. Furthermore, while the proposal effectively increases the volume requirements for Tier 1 and Tier 2, Market Makers will continue to be charged substantially lower maker fees than other non-Priority Customers for both tiers. For the foregoing reasons, the Exchange does not believe that its proposal will have an undue burden on intramarket competition.

¹⁷ See Options 3, Section 5.

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,¹⁸ and Rule 19b-4(f)(2)¹⁹ thereunder. 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-2020-02 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.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁹ 17 CFR 240.19b-4(f)(2).

All submissions should refer to File Number SR-MRX-2020-02. 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-2020-02 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.²⁰

Jill M. Peterson
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).