

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100721; File No. SR-MRX-2024-30)

August 13, 2024

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Pricing Schedule at Options 7, Section 3

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 July 31, 2024, 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 the Exchange's Pricing Schedule at Options 7, Section 3. While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on August 1, 2024.

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.

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 purpose of the proposed rule change is to amend the Exchange’s Pricing Schedule at Options 7, Section 3.

Maker/Taker Pricing

Today, as set forth in Table 1 of Options 7, Section 3, the Exchange assesses Market Makers³ and Priority Customers⁴ the below tiered maker/taker fees and rebates in Penny and Non-Penny Symbols that are based on increasing volume requirements set forth in Table 3 of Options 7, Section 3.⁵

Penny Symbols

Market Participant	Maker Fee Tier 1	Maker Fee Tier 2	Maker Fee Tier 3	Maker Fee Tier 4	Taker Fee/Rebate Tier 1	Taker Fee/Rebate Tier 2	Taker Fee/Rebate Tier 3	Taker Fee/Rebate Tier 4
Market Maker	\$0.50	\$0.50	\$0.50	\$0.50	\$0.35	\$0.35	\$0.35	\$0.35
Priority Customer	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.31)	(\$0.36)	(\$0.41)	(\$0.44)

³ A "Market Maker" is a market maker as defined in Nasdaq MRX Rule Options 1, Section 1(a)(21).

⁴ A "Priority Customer" is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in Nasdaq MRX Options 1, Section 1(a)(36).

⁵ The tiered volume requirements are based on Total Customer ADV. Total Customer ADV is Priority Customer Total Consolidated Volume divided by Customer Total Consolidated Volume, including volume executed by Affiliated Members or Affiliated Entities. Priority Customer Total Consolidated Volume is a Member’s total Priority Customer volume executed on MRX in that month, including volume executed by Affiliated Members or Affiliated Entities. All eligible volume from Affiliated Members or an Affiliated Entity will be aggregated in determining applicable tiers.

Non-Penny Symbols

Market Participant	Maker Fee Tier 1	Maker Fee Tier 2	Maker Fee Tier 3	Maker Fee Tier 4	Taker Fee/Rebate Tier 1	Taker Fee/Rebate Tier 2	Taker Fee/Rebate Tier 3	Taker Fee/Rebate Tier 4
Market Maker	\$1.25	\$1.25	\$1.25	\$1.25	\$1.10	\$1.10	\$1.10	\$1.10
Priority Customer	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.80)	(\$0.90)	(\$1.00)	(\$1.10)

Additionally, for SPY, QQQ, and IWM, the Exchange currently assesses \$0.00 per contract for Market Maker Tier 1 through Tier 4 Maker Fees and Priority Customer Tier 1 through Tier 4 Taker Fees/Rebates in Penny Symbols.⁶ In other words, Market Makers can provide liquidity in these symbols at no cost (instead of paying the \$0.50 Tiers 1-4 Maker Fee in Penny Symbols), and Priority Customers can remove liquidity in these symbols at no cost (instead of receiving the Tiers 1-4 Taker Rebates in Penny Symbols ranging from \$0.31 - \$0.44 per contract).

The Exchange now proposes to amend the pricing for SPY, QQQ, and IWM as described above to begin charging \$0.02 per contract for Market Maker Tier 1 through Tier 4 Maker Fees in these symbols. Further, the Exchange proposes to begin providing \$0.02 per contract for Priority Customer Tier 1 through Tier 4 Taker Rebates in these symbols. As proposed, note 6 will provide: “Market Maker Tier 1 through Tier 4 Maker Fees in Penny Symbols will be \$0.02 per contract for the following option symbols: SPY, QQQ and IWM. Priority Customer Tier 1 through Tier 4 Taker Rebates in Penny Symbols will be (\$0.02) per contract for the following option symbols: SPY, QQQ and IWM.”

⁶ See note 6, Options 7, Section 3, Table 1.

The Exchange also proposes to modify the Priority Customer Tiers 1-4 Taker Rebates in Penny and Non-Penny Symbols as described above. Specifically, the Exchange proposes in new note 7 of Options 7, Section 3, Table 1 that Priority Customer orders will not receive any Taker Rebates in Penny and Non-Penny Symbols for trades executed against another Priority Customer order. Instead, the Priority Customer order will be assessed \$0.00 per contract.

PIM Break-up Rebates

Today, as set forth in Options 7, Section 3.A, the Exchange pays a PIM break-up rebate to an originating Priority Customer PIM order that executes with a response (order or quote), other than the PIM contra-side order, of \$0.25 per contract in Penny Symbols and \$0.60 per contract in Non-Penny Symbols.⁷ The Exchange also offers additional break-up rebates in note 3 of Options 7, Section 3.A for Members that meet certain volume requirements or alternatively, that enter into Affiliated Member⁸ or Affiliated Entity⁹ relationships. In particular, note 3 currently provides: "Break-up Rebates are provided for an originating Priority Customer PIM Order that executes with any response (order or quote) other than the PIM contra-side order. Members that are not in an Affiliated Member or Affiliated Entity relationship and that execute

⁷ Break-up rebates apply only to regular PIM orders of 500 or fewer contracts and to complex PIM orders where the largest leg is 500 or fewer contracts.

⁸ An "Affiliated Member" is a Member that shares at least 75% common ownership with a particular Member as reflected on the Member's Form BD, Schedule A.

⁹ An "Affiliated Entity" is a relationship between an Appointed Market Maker and an Appointed OFP for purposes of qualifying for certain pricing specified in the Pricing Schedule. Market Makers and OFPs are required to send an email to the Exchange to appoint their counterpart, at least 3 business days prior to the last day of the month to qualify for the next month. The Exchange will acknowledge receipt of the emails and specify the date the Affiliated Entity is eligible for applicable pricing, as specified in the Pricing Schedule. Each Affiliated Entity relationship will commence on the 1st of a month and may not be terminated prior to the end of any month. An Affiliated Entity relationship will automatically renew each month until or unless either party terminates earlier in writing by sending an email to the Exchange at least 3 business days prior to the last day of the month to terminate for the next month. Affiliated Members may not qualify as a counterparty comprising an Affiliated Entity. Each Member may qualify for only one (1) Affiliated Entity relationship at any given time.

0.05% or greater of Customer Total Consolidated Volume¹⁰ which adds liquidity in non-PIM Priority Customer contracts within a month will receive an additional rebate of: (i) \$0.20 per contract in Penny Symbols for Complex PIM Orders only, (ii) \$0.15 per contract in Penny Symbols for Regular PIM Orders only, and (iii) \$0.45 per contract in Non-Penny Symbols for both Regular and Complex PIM Orders. Alternatively, Affiliated Members or Affiliated Entities will be eligible to receive the rebates in this note 3 without any additional volume requirements. The Exchange will provide the rebate to the OFP arm of an Affiliated Member relationship, or the Appointed OFP arm of an Affiliated Entity relationship.”

The Exchange now proposes to modify the note 3 rebate qualifications only for those Members that are not in Affiliated Member or Affiliated Entity relationships. Under this proposal, Affiliated Members or Affiliated Entities will continue to be eligible to receive the note 3 rebates without any additional volume requirements. Specifically, the Exchange proposes to require Members not in Affiliated Member or Affiliated Entity relationships to execute 0.04% or greater of Customer Total Consolidated Volume which adds liquidity in non-PIM Priority Customer contracts in regular orders within a month to receive the additional rebates in note 3.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹² in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among

¹⁰ "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.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4) and (5).

members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposed changes to its schedule of credits are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: “[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’....”¹³

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current 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.”¹⁴

¹³ NetCoalition v. SEC, 615 F.3d 525, 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)).

¹⁴ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options security transaction services. The Exchange is only one of seventeen options exchanges to which market participants may direct their order flow. Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

Maker/Taker Pricing

The Exchange believes that the proposed changes to the maker/taker pricing for Market Makers and Priority Customers in the manner described above are reasonable, equitable and not unfairly discriminatory for the reasons that follow.

SPY, QQQ, IWM Pricing

The Exchange believes that it is reasonable to begin charging \$0.02 per contract for Market Maker Tier 1 through Tier 4 Maker Fees in SPY, QQQ, and IWM, and to begin providing \$0.02 per contract for Priority Customer Tier 1 through Tier 4 Taker Rebates in these symbols. As it relates to Market Makers, the Exchange notes that it is only increasing the Tier 1 through Tier 4 Maker Fees by a small amount (i.e., from \$0.00 to \$0.02). Further, Market Makers will continue to be charged significantly less for adding liquidity in SPY, QQQ, and IWM (\$0.02) than for adding liquidity in other Penny Symbols (\$0.50). As it relates to Priority Customers, the Exchange will begin providing Tier 1 through Tier 4 Taker Rebates of \$0.02 whereas today, Priority Customers do not receive any Taker Rebates for removing liquidity in SPY, QQQ, and IWM. The Exchange therefore believes that with the proposed changes, Market Makers and Priority Customers will continue to be incentivized to bring SPY, QQQ, and IWM

order flow to MRX, which benefits all market participants by providing more trading opportunities. The Exchange also believes that assessing different pricing for SPY, QQQ and IWM, as compared to other symbols, is reasonable because trading in SPY, QQQ and IWM is different from trading in other symbols in that they are more liquid, have higher volume and competition for executions is more intense.

The Exchange believes that the proposed changes to the SPY, QQQ, and IWM pricing for Market Makers and Priority Customers are equitable and not unfairly discriminatory because they will apply uniformly to similarly situated market participants (i.e., the proposed Tier 1 through Tier 4 Maker Fees in SPY, QQQ, and IWM will apply uniformly to Market Makers and the proposed Tier 1 through Tier 4 Taker Rebates in SPY, QQQ, and IWM will apply uniformly to Priority Customers). The Exchange believes that it is equitable and not unfairly discriminatory to apply the proposed changes to only Market Makers and Priority Customers. As it relates to Market Makers, the Exchange notes that they have different requirements and additional obligations that other market participants do not (such as quoting requirements).¹⁵ As such, the proposed Maker Fees of \$0.02 per contract (which continue to be significantly lower than the \$0.50 per contract Market Maker Maker Fees assessed for other Penny Symbols) are designed to continue to incentivize Market Maker add liquidity activity in SPY, QQQ, and IWM. As it relates to Priority Customers, the Exchange notes that these market participants have historically received more favorable pricing on the Exchange.¹⁶ Further, an increase in the activity of Priority Customers benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market

¹⁵ See Options 2, Section 5.

¹⁶ See, e.g., maker/taker pricing for Priority Customers in Options 7, Section 3, Table 1; and complex order fees for Priority Customers in Options 7, Section 4.

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

Priority Customer Taker Pricing

As discussed above, the Exchange proposes in new note 7 of Options 7, Section 3, Table 1 that Priority Customer orders will not receive the Tier 1 through Tier 4 Taker Rebates in Penny and Non-Penny Symbols for trades executed against another Priority Customer order. Instead, the Priority Customer order will be assessed \$0.00 per contract. The Exchange believes that its proposal is reasonable because Priority Customers will continue to receive more favorable pricing for removing liquidity in Penny and Non-Penny Symbols compared to Non-Priority Customers.¹⁷ Specifically, as set forth in Table 1 of Options 7, Section 3, all Non-Priority Customers currently pay a \$0.35 Taker Fee in Tiers 1-4 for removing liquidity in Penny Symbols, and a \$1.10 Taker Fee in Tiers 1-4 for removing liquidity in Non-Penny Symbols. Additionally, Priority Customers will continue to receive the generous Taker Rebates in Penny and Non-Penny Symbols for trades executed against Non-Priority Customers. The Exchange notes that other options exchanges, including for example its affiliate Nasdaq GEMX (“GEMX”), assess different taker pricing depending on the counterparty.¹⁸

The Exchange believes that its proposal is equitable and not unfairly discriminatory because it will apply uniformly to all Priority Customers. The Exchange does not believe it is unfairly discriminatory to apply the proposed changes to only Priority Customers because Priority Customers will continue to receive more favorable pricing for removing liquidity in Penny and Non-Penny Symbols compared to Non-Priority Customers, as discussed above. The

¹⁷ "Non-Priority Customers" include Market Makers, Non-Nasdaq MRX Market Makers (FarMMs), Firm Proprietary / Broker-Dealers, and Professional Customers.

¹⁸ See GEMX Pricing Schedule at Options 7, Section 3, note 16.

Exchange has historically provided more favorable pricing to Priority Customers.¹⁹

Furthermore, Priority Customer order flow enhances liquidity on the Exchange for the benefit of all market participants by providing more trading opportunities, which in turn attracts Market Makers and other market participants that may trade with this order flow.

PIM Break-up Rebates

The Exchange believes that the proposed changes to the qualifications for receiving the additional PIM break-up rebates in note 3 of Options 7, Section 3.A are reasonable, equitable, and not unfairly discriminatory for the reasons that follow. As discussed above, the Exchange is proposing to require Members not in Affiliated Member or Affiliated Entity relationships to execute 0.04% or greater of Customer Total Consolidated Volume which adds liquidity in non-PIM Priority Customer contracts in regular orders within a month to receive the additional rebates in note 3. With the proposed changes, the Exchange is effectively lowering the volume requirement and narrowing the scope of the rebate qualifications to regular orders. The Exchange believes that the lower volume requirement of 0.04% (versus the current 0.05%) is reasonable because it will further incentivize Members to bring liquidity adding non-PIM regular order flow for execution on the Exchange for the same rebate amounts, which the Exchange believes may result in tighter spreads, thereby making the Exchange a more attractive trading venue to the benefit of all market participants. The Exchange also believes it is reasonable to narrow the scope of the rebate qualifications in note 3 to only non-PIM regular orders because the Exchange believes that market participants are already sufficiently incentivized to bring

¹⁹ See supra note 16.

Priority Customer non-PIM complex order flow to MRX through the Exchange's existing pricing schedule.²⁰

The Exchange also believes that the proposed changes to the additional PIM break-up rebate qualifications are equitable and not unfairly discriminatory because the changes will apply uniformly to all similarly situated market participants. While the rebates will continue to apply only to Priority Customers, the Exchange believes that the application of this rebate program is equitable and not unfairly discriminatory because the Exchange has historically provided more favorable pricing for Priority Customers.²¹ Furthermore, Priority Customer order flow 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, to the benefit of all market participants.

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.

In terms of intra-market competition, the Exchange does not believe that its proposal will place any category of market participants at a competitive disadvantage. The Exchange believes that all of the changes proposed above will incentivize market participants to direct more order flow to the Exchange, to the benefit of all market participants who may interact with this order flow. While some aspects of the proposal apply directly to Market Makers (through the Market Maker Tier 1 through Tier 4 Maker Fees for SPY, QQQ, and IWM) or Priority Customers

²⁰ Specifically, the Exchange does not assess any complex order fees for Priority Customers today. See Options 7, Section 4.

²¹ See supra note 16.

(through the Priority Customer Tier 1 through Tier 4 Taker Rebates for SPY, QQQ, and IWM; the \$0.00 Taker Fee in Penny and Non-Penny Symbols when trading against another Priority Customer order; and the PIM break-up rebate qualification changes), the Exchange believes that the proposed changes taken together will fortify and encourage activity, especially Market Maker and Priority Customer activity, on the Exchange. As discussed above, all market participants will benefit from any increase in market activity that the proposal effectuates.

In terms of inter-market competition, 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 options 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. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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.²² 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MRX-2024-30 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-2024-30. This file number should be included on the subject line if email is used. To help the Commission process and review

²² 15 U.S.C. 78s(b)(3)(A)(ii).

your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MRX-2024-30 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Sherry R. Haywood,

Assistant Secretary.

²³ 17 CFR 200.30-3(a)(12).