

OMB APPROVAL	
OMB Number:	3235-0045
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Page 1 of \* 30

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

File No.\* SR - 2018 - \* 26

Amendment No. (req. for Amendments \*)

Filing by Nasdaq GEMX, 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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934		
Section 806(e)(1) *		Section 806(e)(2) *	Section 3C(b)(2) *		
<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>		

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 codify the definitions of the protocols that Members can use to enter quotes and orders on the Exchange.

### 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 *	Sun	Last Name *	Kim
Title *	Associate General Counsel		
E-mail *	Sun.Kim@nasdaq.com		
Telephone *	(212) 231-5106	Fax	<input type="text"/>

### 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.

(Title \*)

Date 07/16/2018

Executive Vice President and General Counsel

By Edward S. Knight

(Name \*)

edward.knight@nasdaq.com

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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDDS website.

**Form 19b-4 Information \***

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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 \***

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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**

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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**

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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**

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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 GEMX, LLC (“GEMX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to codify the definitions of the protocols that Members can use to enter quotes and orders on the Exchange.

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 senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) on September 19, 2017. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Sun Kim  
Associate General Counsel  
Nasdaq, Inc.  
212-231-5106

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 purpose of the proposed rule change is to codify the definitions of the protocols that Members use to enter quotes and orders on the Exchange, specifically, the Specialized Quote Feed (“SQF”), Ouch to Trade Options (“OTTO”), Financial Information eXchange (“FIX”), and Nasdaq Precise (“Precise”). On April 27, 2017, the Exchange filed a proposed rule change that established the ports that Members use to connect to the Exchange, including ports used for quote and order entry – i.e., SQF, OTTO and FIX.<sup>3</sup> The Exchange has also filed proposed rule changes that briefly describe the availability of Precise, which is the Exchange’s proprietary front-end interface used by Electronic Access Members (“EAMs”) and their Sponsored Customers<sup>4</sup> to send orders to the Exchange and perform other related functions.<sup>5</sup> The protocols used by Members to submit quotes and orders play an important role in the operation of the trading system as critical Exchange functionality used by Members to transact in options

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<sup>3</sup> See Securities Exchange Act Release No. 80649 (May 10, 2017), 82 FR 22595 (May 16, 2017) (SR-GEMX-2017-07).

<sup>4</sup> A “Sponsored Customer” is a non-member of the Exchange that trades under a sponsoring member’s execution and clearing identity pursuant to a sponsorship arrangement between such non-member and sponsoring member, as set forth in Supplementary Material to Rule 706. Market makers must connect to the Exchange via SQF, which is the Exchange’s quoting protocol, and are therefore not eligible to use Precise.

<sup>5</sup> See Securities Exchange Act Release No. 81109 (July 10, 2017), 82 FR 32594 (July 14, 2017) (SR-GEMX-2017-28) (proposed rule change regarding how Immediate-or-Cancel Orders will be handled); and Securities Exchange Act Release No. 81970 (October 27, 2017), 82 FR 50910 (November 2, 2017) (SR-GEMX-2017-50) (proposed rule change related to the Kill Switch risk protection).

is offered through these protocols. The Exchange therefore believes that codifying definitions of these protocols in its rules will increase transparency around its operations.

As it relates to FIX, OTTO, and SQF, the proposed language is substantially similar to the language included in SR-GEMX-2017-07 with changes to more clearly and accurately reflect the certain information included on each protocol, such as by separating out different categories of messages (e.g., auction orders, auction notifications, and auction responses). Furthermore, the proposed definitions will be harmonized where appropriate with definitions to be included in the rules of the Exchange’s affiliated options markets, including by using consistent terms to define the buckets of information transmitted, or the features available, on each protocol.<sup>6</sup> Although the Exchange is changing how it categorizes various features included on FIX, OTTO, and SQF as part of its harmonization effort, the list of features included in the proposed definitions are intended to be exhaustive with respect to the buckets of information provided on each protocol. The Exchange also seeks to memorialize Precise to reflect the specific categories of features that are available on the Precise front-end today (e.g., order and execution management, market data, and risk management). Overall, the Exchange believes that the proposed changes will allow Members to more easily understand what information is available on which protocol.

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<sup>6</sup> The Exchange’s affiliates – i.e., Nasdaq ISE, LLC (“ISE”), Nasdaq MRX, LLC (“MRX”), Nasdaq PHLX LLC (“Phlx”), Nasdaq Options Market (“NOM”), and Nasdaq BX, LLC (“BX”) – intend to file similar rule changes as part of this exercise.

As proposed, Supplementary Material .03 to Rule 715 (i.e., Types of Orders) will provide that the Exchange offers Members the following protocols for entering orders and quotes respectively:

**A. Financial Information eXchange Ports**

When the Exchange initially filed to adopt order and quote entry protocols, it described the FIX protocol as follows: “FIX is an interface that allows market participants to connect and send orders and auction orders into the Exchange. Data includes the following: (1) Options Symbol Directory Messages; (2) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (3) Option Trading Action Messages (e.g., halts, resumes); (4) Execution Messages; (5) Order Messages (order messages, risk protection triggers or purge notifications).”

The Exchange now proposes to codify the following definition of FIX in its rulebook: “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.

**B. Ouch to Trade Options Ports**

When the Exchange initially filed to adopt order and quote entry protocols, it described the OTTO protocol as follows: “OTTO is an interface that allows market participants to connect and send orders, auction orders and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory

Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (5) Option Trading Action Messages (e.g., halts, resumes); (6) Execution Messages; (7) Order Messages (order messages, risk protection triggers or purge notifications).”

The Exchange now proposes to codify the following definition of OTTO in its rulebook: “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 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.

### C. Specialized Quote Feed Ports

When the Exchange initially filed to adopt order and quote entry protocols, it described the SQF protocol as follows: “SQF is an interface that allows market makers to connect and send quotes, sweeps and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., opening imbalance, Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (4) Option Trading Action Messages (e.g., halts, resumes); (5) Execution Messages; (6) Quote Messages (quote/sweep messages, risk protection triggers or purge notifications).”

The Exchange now proposes to codify the following definition of SQF in its rulebook: “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 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.<sup>7</sup>

#### D. Nasdaq Precise

“Nasdaq Precise” or “Precise” is a front-end interface that allows Electronic Access Members and their Sponsored Customers to send orders to the Exchange and perform other related functions. Features include the following: (1) order and execution management: enter, modify, and cancel orders on the Exchange, and manage executions (e.g., parent/child orders, inactive orders, and post-trade allocations); (2) market data: access to real-time market data (e.g., NBBO and Exchange BBO); (3) risk management: set customizable risk parameters (e.g., kill switch); and (4) book keeping and reporting:

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<sup>7</sup> All of the notification messages available on SQF ports as described above (i.e., options symbol directory messages, system event messages, trading action messages, etc.) are configurable in that market makers can select the specific types of notifications they wish to receive on their SQF ports. As such, SQF Purge Interface ports are a subpart of SQF ports that have been configured to only receive and notify of purge requests.

comprehensive audit trail of orders and trades (e.g., order history and done away trade reports).

Precise is a software application that is offered by the Exchange to EAMs and their Sponsored Customers. Use of Precise is completely voluntary. The Exchange makes Precise available to EAMs and their Sponsored Customers as a convenience for entering and managing orders, but the protocol is not an exclusive means for any user to send orders to GEMX. Precise is merely a front-end interface to the Exchange's existing trading system, and is designed as an alternative to the Exchange's other protocols (i.e., FIX, OTTO, and SQF) for the sending of orders to GEMX. Precise is also an alternative to similar front-end order and execution management systems currently offered by other technology providers as well as other exchanges.<sup>8</sup>

Precise provides users with access to GEMX's regular order book. The protocol offers order and execution features that allow users to send, modify, and cancel their orders, and manage executions. For example, the protocol offers users the capability to stage larger orders and divide them into smaller orders for execution (i.e., parent/child orders), or stage multiple orders to send for execution at a later time (i.e., inactive orders). Precise also offers post trade allocation, including the capability for users to directly adjust clearing information on the front-end protocol. Precise users can also access and display real-time market data such as the National Best Bid and Offer ("NBBO") and the Exchange Best Bid and Offer ("Exchange BBO").

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<sup>8</sup> For example, Cboe Exchange, Inc. currently offers a similar front-end order and execution management system called PULSe<sup>SM</sup> that allows users to send orders to Cboe Options Exchange, C2 Options, Cboe Futures Exchange, and other U.S. options and stock exchanges. See <https://www.cboe.org/hybrid/pulsesalesheet.pdf>.

Precise also provides risk management capabilities that allow users to set customizable risk parameters.<sup>9</sup> For example, Precise supports the kill switch risk protection feature, which is an optional tool that enables members to initiate a message(s) to the Exchange’s trading system to promptly cancel orders and restrict entry of new orders until re-entry has been enabled.<sup>10</sup> Lastly, Precise provides a comprehensive audit trail of orders and trades through its book keeping and reporting features, including order history reports and done away trade reports.<sup>11</sup>

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

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<sup>9</sup> The Exchange is characterizing the risk protections on Precise under a broader category of risk management compared to the risk protection categories on the other protocols because Precise also supports administrator capability for accessing and setting risk parameters for multiple users within a member firm.

<sup>10</sup> See Rule 711(d). Precise is able to send a message to the Exchange to initiate the kill switch through Precise.

<sup>11</sup> Done away trade reports allow Precise users to record orders and executions, including executions on a different venue than the Exchange.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it codifies the protocols used to connect to the Exchange's trading system. As discussed above, the Exchange previously filed to establish FIX, OTTO, and SQF in SR-GEMX-2017-07. These protocols will now be codified in the Exchange's rulebook. In addition, the Exchange has briefly described Precise in various proposed rule changes filed with the Commission. In the interest of transparency, the Exchange has included a more fulsome description of the functionalities offered via Precise in this proposed rule change, and is codifying language in its rules that would describe this protocol.

While no functional changes to the protocols are proposed in this filing, the Exchange believes that including a description of the protocols in its rulebook will benefit Members by increasing transparency around the operation of the Exchange. Furthermore, the proposed definitions being included in the rulebook will more clearly and accurately reflect the information included on the protocols, and will be harmonized with language to be included in the rules of its affiliated exchanges to the extent that the protocols operate in the same manner. The protocols described in this filing provide a range of important features to Members, including the ability to submit quotes and orders, and perform other functions necessary to manage trading on the Exchange. The Exchange believes codifying the quote and order entry protocols will increase transparency to the Members that use these protocols to connect to the Exchange.

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

In accordance with Section 6(b)(8) of the Act,<sup>14</sup> the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As explained above, the Exchange is codifying the quote and order entry protocols that Members use to connect to the Exchange's trading system. The Exchange does not believe that codifying these protocols in the rulebook will have any competitive impact. FIX, OTTO, and SQF were established in SR-GEMX-2017-07, and are already available to Members, who use these protocols to connect and manage their trading activity on the Exchange. Adding rule language that describes these Exchange offerings will increase transparency around the operation of the Exchange without having any impact on intermarket or intramarket competition. Furthermore, Precise is a voluntary piece of functionality that EAMs and their Sponsored Customers may use as a convenience for entering and managing orders and executions, as an alternative to the Exchange's other protocols (i.e., FIX, OTTO, and SQF). Precise is also an alternative to similar front-end order and execution management systems currently offered by other technology providers as well as other exchanges (e.g., PULSe). If market participants believe that other products available in the marketplace are more beneficial than Precise, they will simply use those products instead. For the foregoing reasons, the Exchange does not believe that its proposal to codify Precise will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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<sup>14</sup> 15 U.S.C. 78f(b)(8).

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A) of the Act,<sup>15</sup> and Rule 19b-4(f)(6)<sup>16</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. 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.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

The Exchange believes that the proposed rule change is consistent with the public interest and the protection of investors, and will not impose any significant burden on competition as it codifies quote and order entry protocols used to connect to the Exchange's trading system. FIX, OTTO and SQF have already been established pursuant to SR-GEMX-2017-07, and all of those protocols, as well as Precise, are used by Members to connect to the Exchange today. The Exchange is codifying the protocols as part of an effort to increase transparency, and the operation of the protocols will remain unchanged. Furthermore as discussed above, Precise is an alternative to similar front-end order and execution management systems currently offered by other technology providers as well as other exchanges (e.g., PULSe). Like the other protocols described in this proposed rule change, Precise is already available and used in the marketplace today, and this proposed rule change merely memorializes this functionality in the Exchange's rulebook. The Exchange therefore believes that the proposed rule change qualifies for immediate effectiveness as a "non-controversial" rule change.

Furthermore, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange requests that the Commission waive the five business day pre-filing requirement, as set forth in Rule 19b-4(f)(6).

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-GEMX-2018-26)

July \_\_, 2018

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Codify the Protocol Definitions that Members Use to Enter Quotes and Orders on the Exchange

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 16, 2018, Nasdaq GEMX, LLC (“GEMX” 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 codify the definitions of the protocols that Members can use to enter quotes and orders on the Exchange.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqgemx.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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to codify the definitions of the protocols that Members use to enter quotes and orders on the Exchange, specifically, the Specialized Quote Feed (“SQF”), Ouch to Trade Options (“OTTO”), Financial Information eXchange (“FIX”), and Nasdaq Precise (“Precise”). On April 27, 2017, the Exchange filed a proposed rule change that established the ports that Members use to connect to the Exchange, including ports used for quote and order entry – i.e., SQF, OTTO and FIX.<sup>3</sup> The Exchange has also filed proposed rule changes that briefly describe the availability of Precise, which is the Exchange’s proprietary front-end interface used by Electronic Access Members (“EAMs”) and their Sponsored Customers<sup>4</sup> to send orders to the Exchange and perform other related functions.<sup>5</sup> The protocols used

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<sup>3</sup> See Securities Exchange Act Release No. 80649 (May 10, 2017), 82 FR 22595 (May 16, 2017) (SR-GEMX-2017-07).

<sup>4</sup> A “Sponsored Customer” is a non-member of the Exchange that trades under a sponsoring member’s execution and clearing identity pursuant to a sponsorship arrangement between such non-member and sponsoring member, as set forth in Supplementary Material to Rule 706. Market makers must connect to the Exchange via SQF, which is the Exchange’s quoting protocol, and are therefore not eligible to use Precise.

<sup>5</sup> See Securities Exchange Act Release No. 81109 (July 10, 2017), 82 FR 32594 (July 14, 2017) (SR-GEMX-2017-28) (proposed rule change regarding how Immediate-or-Cancel Orders will be handled); and Securities Exchange Act Release No. 81970 (October 27, 2017), 82 FR 50910 (November 2, 2017) (SR-

by Members to submit quotes and orders play an important role in the operation of the trading system as critical Exchange functionality used by Members to transact in options is offered through these protocols. The Exchange therefore believes that codifying definitions of these protocols in its rules will increase transparency around its operations.

As it relates to FIX, OTTO, and SQF, the proposed language is substantially similar to the language included in SR-GEMX-2017-07 with changes to more clearly and accurately reflect the certain information included on each protocol, such as by separating out different categories of messages (e.g., auction orders, auction notifications, and auction responses). Furthermore, the proposed definitions will be harmonized where appropriate with definitions to be included in the rules of the Exchange's affiliated options markets, including by using consistent terms to define the buckets of information transmitted, or the features available, on each protocol.<sup>6</sup> Although the Exchange is changing how it categorizes various features included on FIX, OTTO, and SQF as part of its harmonization effort, the list of features included in the proposed definitions are intended to be exhaustive with respect to the buckets of information provided on each protocol. The Exchange also seeks to memorialize Precise to reflect the specific categories of features that are available on the Precise front-end today (e.g., order and execution management, market data, and risk management). Overall, the Exchange

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GEMX-2017-50) (proposed rule change related to the Kill Switch risk protection).

<sup>6</sup> The Exchange's affiliates – i.e., Nasdaq ISE, LLC (“ISE”), Nasdaq MRX, LLC (“MRX”), Nasdaq PHLX LLC (“Phlx”), Nasdaq Options Market (“NOM”), and Nasdaq BX, LLC (“BX”) – intend to file similar rule changes as part of this exercise.

believes that the proposed changes will allow Members to more easily understand what information is available on which protocol.

As proposed, Supplementary Material .03 to Rule 715 (i.e., Types of Orders) will provide that the Exchange offers Members the following protocols for entering orders and quotes respectively:

**A. Financial Information eXchange Ports**

When the Exchange initially filed to adopt order and quote entry protocols, it described the FIX protocol as follows: “FIX is an interface that allows market participants to connect and send orders and auction orders into the Exchange. Data includes the following: (1) Options Symbol Directory Messages; (2) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (3) Option Trading Action Messages (e.g., halts, resumes); (4) Execution Messages; (5) Order Messages (order messages, risk protection triggers or purge notifications).”

The Exchange now proposes to codify the following definition of FIX in its rulebook: “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.

**B. Ouch to Trade Options Ports**

When the Exchange initially filed to adopt order and quote entry protocols, it described the OTTO protocol as follows: “OTTO is an interface that allows market participants to connect and send orders, auction orders and auction responses into the

Exchange. Data includes the following: (1) Options Auction Notifications (e.g., Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (5) Option Trading Action Messages (e.g., halts, resumes); (6) Execution Messages; (7) Order Messages (order messages, risk protection triggers or purge notifications).”

The Exchange now proposes to codify the following definition of OTTO in its rulebook: “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 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.

### C. Specialized Quote Feed Ports

When the Exchange initially filed to adopt order and quote entry protocols, it described the SQF protocol as follows: “SQF is an interface that allows market makers to connect and send quotes, sweeps and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., opening imbalance, Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (4) Option Trading Action Messages (e.g., halts, resumes);

(5) Execution Messages; (6) Quote Messages (quote/sweep messages, risk protection triggers or purge notifications).”

The Exchange now proposes to codify the following definition of SQF in its rulebook: “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 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.<sup>7</sup>

#### D. Nasdaq Precise

“Nasdaq Precise” or “Precise” is a front-end interface that allows Electronic Access Members and their Sponsored Customers to send orders to the Exchange and perform other related functions. Features include the following: (1) order and execution management: enter, modify, and cancel orders on the Exchange, and manage executions (e.g., parent/child orders, inactive orders, and post-trade allocations); (2) market data: access to real-time market data (e.g., NBBO and Exchange BBO); (3) risk management: set customizable risk parameters (e.g., kill switch); and (4) book keeping and reporting:

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<sup>7</sup> All of the notification messages available on SQF ports as described above (i.e., options symbol directory messages, system event messages, trading action messages, etc.) are configurable in that market makers can select the specific types of notifications they wish to receive on their SQF ports. As such, SQF Purge Interface ports are a subpart of SQF ports that have been configured to only receive and notify of purge requests.

comprehensive audit trail of orders and trades (e.g., order history and done away trade reports).

Precise is a software application that is offered by the Exchange to EAMs and their Sponsored Customers. Use of Precise is completely voluntary. The Exchange makes Precise available to EAMs and their Sponsored Customers as a convenience for entering and managing orders, but the protocol is not an exclusive means for any user to send orders to GEMX. Precise is merely a front-end interface to the Exchange's existing trading system, and is designed as an alternative to the Exchange's other protocols (i.e., FIX, OTTO, and SQF) for the sending of orders to GEMX. Precise is also an alternative to similar front-end order and execution management systems currently offered by other technology providers as well as other exchanges.<sup>8</sup>

Precise provides users with access to GEMX's regular order book. The protocol offers order and execution features that allow users to send, modify, and cancel their orders, and manage executions. For example, the protocol offers users the capability to stage larger orders and divide them into smaller orders for execution (i.e., parent/child orders), or stage multiple orders to send for execution at a later time (i.e., inactive orders). Precise also offers post trade allocation, including the capability for users to directly adjust clearing information on the front-end protocol. Precise users can also access and display real-time market data such as the National Best Bid and Offer ("NBBO") and the Exchange Best Bid and Offer ("Exchange BBO").

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<sup>8</sup> For example, Cboe Exchange, Inc. currently offers a similar front-end order and execution management system called PULSe<sup>SM</sup> that allows users to send orders to Cboe Options Exchange, C2 Options, Cboe Futures Exchange, and other U.S. options and stock exchanges. See <https://www.cboe.org/hybrid/pulsesalesheet.pdf>.

Precise also provides risk management capabilities that allow users to set customizable risk parameters.<sup>9</sup> For example, Precise supports the kill switch risk protection feature, which is an optional tool that enables members to initiate a message(s) to the Exchange’s trading system to promptly cancel orders and restrict entry of new orders until re-entry has been enabled.<sup>10</sup> Lastly, Precise provides a comprehensive audit trail of orders and trades through its book keeping and reporting features, including order history reports and done away trade reports.<sup>11</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it codifies the protocols used to connect

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<sup>9</sup> The Exchange is characterizing the risk protections on Precise under a broader category of risk management compared to the risk protection categories on the other protocols because Precise also supports administrator capability for accessing and setting risk parameters for multiple users within a member firm.

<sup>10</sup> See Rule 711(d). Precise is able to send a message to the Exchange to initiate the kill switch through Precise.

<sup>11</sup> Done away trade reports allow Precise users to record orders and executions, including executions on a different venue than the Exchange.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

to the Exchange's trading system. As discussed above, the Exchange previously filed to establish FIX, OTTO, and SQF in SR-GEMX-2017-07. These protocols will now be codified in the Exchange's rulebook. In addition, the Exchange has briefly described Precise in various proposed rule changes filed with the Commission. In the interest of transparency, the Exchange has included a more fulsome description of the functionalities offered via Precise in this proposed rule change, and is codifying language in its rules that would describe this protocol.

While no functional changes to the protocols are proposed in this filing, the Exchange believes that including a description of the protocols in its rulebook will benefit Members by increasing transparency around the operation of the Exchange. Furthermore, the proposed definitions being included in the rulebook will more clearly and accurately reflect the information included on the protocols, and will be harmonized with language to be included in the rules of its affiliated exchanges to the extent that the protocols operate in the same manner. The protocols described in this filing provide a range of important features to Members, including the ability to submit quotes and orders, and perform other functions necessary to manage trading on the Exchange. The Exchange believes codifying the quote and order entry protocols will increase transparency to the Members that use these protocols to connect to the Exchange.

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

In accordance with Section 6(b)(8) of the Act,<sup>14</sup> the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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<sup>14</sup> 15 U.S.C. 78f(b)(8).

As explained above, the Exchange is codifying the quote and order entry protocols that Members use to connect to the Exchange's trading system. The Exchange does not believe that codifying these protocols in the rulebook will have any competitive impact. FIX, OTTO, and SQF were established in SR-GEMX-2017-07, and are already available to Members, who use these protocols to connect and manage their trading activity on the Exchange. Adding rule language that describes these Exchange offerings will increase transparency around the operation of the Exchange without having any impact on intermarket or intramarket competition. Furthermore, Precise is a voluntary piece of functionality that EAMs and their Sponsored Customers may use as a convenience for entering and managing orders and executions, as an alternative to the Exchange's other protocols (i.e., FIX, OTTO, and SQF). Precise is also an alternative to similar front-end order and execution management systems currently offered by other technology providers as well as other exchanges (e.g., PULSe). If market participants believe that other products available in the marketplace are more beneficial than Precise, they will simply use those products instead. For the foregoing reasons, the Exchange does not believe that its proposal to codify Precise will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed,

or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>15</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup>

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](mailto:rule-comments@sec.gov). Please include File Number SR-GEMX-2018-26 on the subject line.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>16</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-GEMX-2018-26. 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-GEMX-2018-26 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.<sup>17</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>17</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Deleted text is [bracketed]. New text is underlined.

**Nasdaq GEMX Rulebook**

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***Supplementary Material to Rule 715***

.01 – .02 No change.

.03 The Exchange offers Members the following protocols for entering orders and quotes respectively:

(a) “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.

(b) “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 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.

(c) “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 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.

(d) “Nasdaq Precise” or “Precise” is a front-end interface that allows Electronic Access Members and their Sponsored Customers to send orders to the Exchange and perform other related functions. Features include the following: (1) order and execution management: enter, modify, and cancel orders on the Exchange, and manage executions (e.g., parent/child orders, inactive orders, and post-trade allocations); (2) market data: access to real-time market data (e.g., NBBO and Exchange BBO); (3) risk management: set customizable risk parameters (e.g., kill switch); and (4) book keeping and reporting:

comprehensive audit trail of orders and trades (e.g., order history and done away trade reports).

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