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

File No. * SR 2023 - * 11

Amendment No. (req. for Amendments *)

Filing by Nasdaq GEMX, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	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)	Submit with link to Prefiling or Request for Waiver option
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

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 *).

Amend Options 3, Section 13

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 * Last Name *

Title *

E-mail *

Telephone * Fax


Signature

Pursuant to the requirements of the Securities Exchange of 1934, Nasdaq GEMX, LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date (Title *)

By
(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.



Date: 2023.09.08
15:26:21 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-GEMX-2023-11 19b-4.doc

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 *

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SR-GEMX-2023-11 Exhibit 1.doc

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 Advanced 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 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

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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

Exhibit 4 - Marked Copies

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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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SR-GEMX-2023-11 Exhibit 5.doc

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”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 11, Auction Mechanisms; and Options 3, Section 13, Price Improvement Mechanism for Crossing Transactions.

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”). 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:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
215-496-5692

¹ 15 U.S.C. 78s(b)(1).

² 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 Exchange proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 11, Auction Mechanisms; and Options 3, Section 13, Price Improvement Mechanism for Crossing Transactions. Each change is described below.

Options 3, Section 7

Opening Only

The Exchange proposes to amend Options 3, Section 7(t), Opening Sweep³ and Supplementary Material .02(e) to Options 3, Section 7 related to Opening Only⁴ or “OPG” orders. The proposed rule text was adopted as part of a planned System migration.⁵ Options 3, Section 7(t) currently provides that an Opening Sweep would not be subject to any protections listed in Options 3, Section 15, except Automated Quotation Adjustments in Options 3, Section 15. Supplementary Material .02(e) to Options 3, Section 7 currently provides that an OPG Order would not be subject to any protections listed in Options 3, Section 15, except Size Limitation. At this time, the Exchange

³ An Opening Sweep is a one-sided order entered by a Market Maker through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8(b)(1) and will be cancelled upon the open if not executed. See Options 3, Section 7(t).

⁴ An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route. See Supplementary Material .02(e) to Options 3, Section 7.

⁵ See Securities Exchange Act Release No. 96817(February 6, 2023), 88 FR 8922 (February 10, 2023) (SR-GEMX-2023-02) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) (“SR-GEMX-2023-02”).

proposes to amend the rule text to specify that an Opening Sweep and an OPG Order would be subject to the Market Wide Risk Protection in Options 3, Section 15.

The Market Wide Risk Protection in Options 3, Section 15(a)(1)(C) automatically removes Member orders when certain firm-set thresholds are met. Specifically, the Market Wide Risk Protection requires all Members to provide parameters for the order entry and execution rate protections. The Market Wide Risk Protection would apply to an Opening Sweep and an OPG Order because it captures the order entry and execution rate for both Opening Sweeps and OPG Orders that are entered in the Opening Process as described in Options 3, Section 8. The Exchange believes the availability of the Market Wide Risk Protection during the Opening Process would assist Members in managing their pre-open risk by allowing Members to adhere to their firm thresholds. The Exchange notes that other risk protections within Options 3, Section 15 do not apply to either an Opening Sweep or an Opening Only Order because the risk protection either relies on the BBO, which is available after the Opening Process, or the risk protection is optional. Finally, the Exchange also proposes a technical amendment to capitalize the word “orders” in Supplementary Material .02(e) to Options 3, Section 7.

Options 3, Sections 11 and 13

The Exchange proposes to amend Options 3, Section 11(b)(4)(i) related to the Facilitation Mechanism. Currently, the last sentence in Options 3, Section 11(b)(4)(i) provides that a facilitation order will be cancelled at the end of an exposure period if an execution would take place at a price that is inferior to the best bid (offer) on GEMX. The Exchange proposes to amend this sentence to state, the “Exchange best bid (offer)” and remove the phrase “on Nasdaq GEMX.” Additionally, the Exchange proposes to add

the following rule text to the end of the sentence, “or if there is a Priority Customer order on the same side Exchange best bid (offer) at the same price as the facilitation price unless the Facilitation Order can execute at a price that is better than the same side Priority Customer Order.” Today, a facilitation order must execute at a price that is better than the same side BBO if there is a Priority Customer order on the same side. The proposed rule text is being amended to align to current System functionality which prevents a Facilitation Order from trading ahead of a Priority Customer Order. As such, a Priority Customer order on the same side of the offer must be considered when executing a Facilitation Order. The Exchange proposes to add similar language to the last sentence of Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism. The Exchange notes that these amendments do not amend the current System functionality.

The Exchange proposes to add a new Options 3, Section 11(b)(4)(iv) to describe the allocation percentage that an Electronic Access Member is able to obtain in the Facilitation Mechanism. Today, under the current System operation, the facilitating Electronic Access Member may not receive an allocation percentage, at the final price point, of more than 40% of the original size of the Facilitation Order with one or multiple competing quote(s), order(s), or Response(s), except for rounding,⁶ when competing quotes, orders, or Responses have contracts available for execution. Options 3, Section 11(b)(4)(ii) makes clear that the facilitating Electronic Access Member will be allocated up to forty percent (40%) (or such lower percentage requested by the Member) of the original size of the facilitation order, but only after better-priced Responses, orders and

⁶ GEMX’s System will round up to the nearest whole number during allocation in the Facilitation Mechanism.

quotes, as well as Priority Customer Orders and Priority Customer Responses at the facilitation price, are executed in full at such price point. The proposed rule text expressly notes that the allocation percentage will not be exceeded except for rounding purposes. This language represents current System functionality. The Exchange proposes to add similar language to Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions to note the limitations with respect to allocations.

The Exchange proposes to amend Supplementary Material .04 to Options 3, Section 11 to replace the word “quotes” with “Responses” in the Split Price description. Orders and responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This change to the rule text is intended to utilize the defined term “Response” which pursuant to Options 3, Section 11(b)(3) may be priced at the price of the order to be facilitated or at a better price and will only be considered up to the size of the order to be facilitated.

The Exchange proposes to add a new Supplementary Material .08 to Options 3, Section 11 to provide that, today, if an allocation would result in less than one contract, then one contract will be allocated. The Exchange does not allocate fractional contracts. This language represents the current System functionality. The Exchange proposes to add the same sentence within new Supplementary Material .09 to Options 3, Section 13 regarding a PIM. Phlx has similar language.⁷

The Exchange proposes to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks with language within Nasdaq ISE, LLC’s (“ISE”) PIM, Nasdaq MRX, LLC’s (“MRX”) PIM, Nasdaq Phlx LLC’s (“Phlx”)

⁷ See Phlx Options 3, Section 13(b)(1)(D).

PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions. The Exchange believes that by utilizing similar language, Members will be able to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets.

GEMX proposes to add "a price that is" to the end of Options 3, Section 13(b)(1) and add new subparagraphs (A) and (B) to distinguish opposite and same side checks. The opposite side check is currently spelled out in the current rule text, however the same side check does not specify the NBBO check. Today, if the Agency Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is \$0.01, the Crossing Transaction must be entered at a price that is, on the same side of the Agency Order equal or better than the NBBO and better than any Limit Order or quote on GEMX's order book. The Exchange believes that the addition of the NBBO check will add clarity to the rule text because the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange also proposes to capitalize "Limit Order," remove the word "Nasdaq" before "GEMX" and remove other extraneous words as the sentence has been rearranged.

Next, the Exchange proposes to bifurcate the entry check for Agency Orders of 50 options contracts or more for the account of a Priority Customer from the entry checks for the account of a broker dealer or any other person or entity that is not a Priority Customer similar to other Nasdaq affiliated markets to provide consistent formatting. While the entry checks for new Options 3, Section 13(b)(2) and (b)(3) will not differ, the Exchange believes that retaining the same rule text format across its Nasdaq affiliated markets will allow for an easier comparison. To that end, the Exchange proposes to

amend Options 3, Section 13(b)(2) to format it similar to Options 3, Section 13(b)(1). The Exchange proposes to add “for the account of a Priority Customer” to (b)(2) to distinguish it from (b)(3) which addresses the account of a broker dealer or any other person or entity that is not a Priority Customer. Options 3, Section 13(b)(2)(A) will also add rule text to address the opposite side of the market, which is not explicitly noted. Proposed Options 3, Section 13(b)(2)(A) will provide that if the Agency Order is for the account of a Priority Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is equal to or better than the internal BBO and NBBO on the opposite side of the market from the Agency Order. Further, Options 3, Section 13(b)(2)(B) will explicitly note the entry check on the same side of the market and similar to Options 3, Section 13(b)(1) will include the NBBO check. Proposed Options 3, Section 13(b)(2)(B) will provide that if the Agency Order is for the account of a Priority Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only on the same side of the market as the Agency Order, at a price that is at least \$0.01 better than any Limit Order or quote on the GEMX order book and equal to or better than the NBBO.⁸ The Exchange believes that the addition of the NBBO check will add clarity to the rule text because the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange also proposes to capitalize “Limit Order,” remove

⁸ For example, if the market is 0.98 bid and 0.99 offer, a Priority Customer PIM Order to buy for less than 50 contracts must be stopped at 0.98 cents in this scenario to be accepted into a PIM Auction, provided there is no resting order or quote on the Exchange order book at 0.98 in which case the PIM Order would be rejected.

the word “Nasdaq” before “GEMX” and remove other extraneous words as the sentence has been rearranged.

As noted herein, proposed Options 3, Section 13(b)(3) will mirror Options 3, Section 13(b)(2) except that it will refer to the account of a broker dealer or any other person or entity that is not a Priority Customer. The Exchange also proposes to renumber the remainder of the paragraphs within Options 3, Section 13(b).

Implementation

The Exchange proposes to amend the Opening Sweep and Opening Only rule text only, within Options 3, Section 7, with its planned migration to enhanced Nasdaq functionality. Similar to SR-GEMX-2023-04,⁹ the Exchange intends to begin implementation of the amendments to the Opening Sweep and Opening Only rule text within Options 3, Section 7 prior to December 29, 2023. The Exchange would commence its implementation with a limited symbol migration and continue to migrate symbols over several weeks. The Exchange will issue an Options Trader Alert to Members to provide notification of the symbols that will migrate and the relevant dates. The other rule amendments would be operative 30 days from the effective date.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹¹ in particular, in that it is designed to promote just and equitable principles of trade and to protect

⁹ See Securities Exchange Act Release No. 97126 (March 13, 2023), 88 FR 16485 (March 17, 2023) (SR-GEMX-2023-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Delay the Implementation of Certain Trading Functionality) (“SR-GEMX-2023-04”).

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

investors and the public interest.

Options 3, Section 7

Opening Only

The Exchange's proposal to amend Options 3, Section 7(t), Opening Sweeps and Supplementary Material .02(e) to Options 3, Section 7 related to OPG Orders is consistent with the Act and the protection of investors and the general public because the Market Wide Risk Protection would capture the order entry and execution rate for those Opening Sweeps and OPG Orders entered in the Opening Process, which is described in Options 3, Section 8, and would assist Members in managing their pre-open risk by allowing Members to adhere to their firm thresholds. The Exchange is providing both order and quote risk protections in the Opening Process to allow Members to manage their risk. The Exchange notes that other risk protections within Options 3, Section 15 do not apply to either an Opening Sweep or an Opening Only Order because the risk protection either relies on the BBO, which is available after the Opening Process or the risk protection is optional.

Options 3, Sections 11 and 13

The Exchange's proposal to amend Options 3, Section 11(b)(4)(A) related to the Facilitation Mechanism is consistent with the Act and the protection of investors and the general public because the System ensures that the facilitation order is at a price that is not inferior to the Exchange best bid (offer) or if there is a Priority Customer on the same side Exchange best bid (offer) at the same price as the facilitation price, otherwise the order would be cancelled. This price check ensures that the auction order may not trade at or through the Priority Customer order on the same side. This language represents the

current System functionality. Similar changes are proposed to Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism with respect to the contra-side. These amendments represent current System functionality and similarly ensure that the auction order may not trade at or through the Priority Customer order on the contra side. This is consistent with the treatment of Priority Customer in GEMX's order book allocation, described in Options 3, Section 10, wherein Priority Customer interest is executed within PIM ahead of any other interest of Members.¹²

The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions is consistent with the Act and the protection of investors and the general public by permitting rounding to occur as specified in the Exchange's rules. The proposal states how rounding interacts with the allocation percentages. The Exchange proposes to state that it will not permit an allocation percentage greater than the stated amounts in the auction rules, unless rounding is necessary. This proposed rule text represents the current System functionality.

The Exchange's proposal to amend Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description is consistent with the Act and the protection of investors and the general public because orders and Responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This change to the rule text is intended to utilize the defined term Response which pursuant to Options 3, Section 11(b)(3) may be priced at

¹² See also GEMX Options 3, Section 13(d)(1), "At a given price, 'Priority Customer Interest' (Priority Customer Orders and Improvement Orders from Priority Customers) is executed in full before 'non-Priority Customer Interest' (non-Priority Customer Orders, Improvement Orders from non-Priority Customers and Market Maker quotes)."

the price of the order to be facilitated or at a better price and will only be considered up to the size of the order to be facilitated.

The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that if an allocation would result in less than one contract, then one contract would be allocated is consistent with the Act and the protection of investors and the general public because one contract is the minimum unit in which an option may trade on GEMX. This language represents the current System functionality. Phlx has similar language.¹³

The Exchange's proposal to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks with language within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, is consistent with the Act and the protection of investors and the general public because by utilizing similar language, Members will be able to compare GEMX PIM entry checks with similar mechanisms on Nasdaq affiliated markets.

Amending Options 3, Section 13(b)(1) to add new subparagraphs (A) and (B) to distinguish opposite and same side checks and add within the same side check a reference to the NBBO check, is consistent with the Act and the protection of investors and the general public because the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange believes that the addition of the NBBO check will add clarity to the rule text because the NBBO check is always relevant in the same side check to avoid a trade-through. The remainder of the changes are non-substantive.

¹³ See Phlx Options 3, Section 13(b)(1)(D).

The Exchange's proposal to bifurcate the entry check for Agency Orders of 50 options contracts or more for the account of a Priority Customer from the entry checks for the account of a broker dealer or any other person or entity that is not a Priority Customer into two new paragraphs, a (b)(2) and a (b)(3), is consistent with the Act and the protection of investors and the general public because retaining the same rule text format across its Nasdaq affiliated markets will allow for an easier comparison.

The Exchange's proposal to add "for the account of a Priority Customer" to new subparagraph (b)(2) to explicitly address the opposite side of the market and also note the NBBO entry check on the same side of the market is consistent with the Act and the protection of investors and the general public because the new format will provide the parameters for each check. Further, the NBBO check is always relevant in the same side check to avoid a trade-through. The remainder of the changes are non-substantive. Mirroring the same language within Options 3, Section 13(b)(2)(B), except to note that it is for the account of a broker dealer or any other person or entity that is not a Priority Customer will allow Members to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets.

4. 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.

Options 3, Section 7

Opening Only

The Exchange's proposal to amend Options 3, Section 7(t), Opening Sweeps and Supplementary Material .02(e) to Options 3, Section 7 related to OPG Orders does not

impose an intra-market burden on competition because the Market Wide Risk Protection is available to all Members in the Opening Process. The Exchange's proposal to amend Opening Sweeps and OPG Orders does not impose an inter-market burden on competition because other options exchanges may similarly offer such risk protections on their opening order types.

Options 3, Sections 11 and 13

The Exchange's proposal to amend Options 3, Section 11(b)(4)(A) related to the Facilitation Mechanism and Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism to state that that the order must execute at a price that is better than the same side BBO if these is a Priority Customer on the same side does not impose an intra-market burden on competition because all auction orders in these aforementioned auction mechanisms would be handled in a uniform manner by the System such that those orders would not be permitted to trade at or through the Priority Customer order on the same side. The Exchange's proposal to amend Options 3, Section 11(b)(4)(A) related to the Facilitation Mechanism and Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism to state that that the order must execute at a price that is better than the same side BBO if these is a Priority Customer on the same side does not impose an inter-market burden on competition because other options markets similarly have customer overlay priorities.

The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions does not impose an intra-market burden on competition because the Exchange's rules regarding rounding are applied in a

uniform manner to all Members submitting an order into an auction mechanism. The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions does not impose an inter-market burden on competition because other options exchanges similarly round in excess of allocation percentages such as BX.¹⁴

The Exchange's proposal to amend Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description does not impose an intra-market burden on competition because orders and responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This clarification to the rule text is intended to correct the current language. The Exchange's proposal to amend Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description does not impose an inter-market burden on competition because this rule text change is specific to GEMX's rule language.

The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that, today, if an allocation would result in less than one contract, then one contract will be allocated does not impose an intra-market burden on competition because the System would uniformly allocate contracts with a minimum unit of one contract. The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that, today, if an allocation would result in less than one contract, then one contract will be allocated

¹⁴ See BX Options 3, Section 13(ii)(A)(1).

does not impose an inter-market burden on competition because other options markets similarly specify a minimum unit of rounding such as Phlx.¹⁵

The Exchange's proposal to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, distinguishing opposite and same side checks, and adding the NBBO check reference within the same side check do not impose an intra-market undue burden on competition because harmonizing the language will enable Members to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets. Further, the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange's proposal to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, distinguishing opposite and same side checks, and adding the NBBO check reference within the same side check do not impose an inter-market undue burden on competition because other options markets have their own price improvement auctions and are free to denote their entry checks in a similar fashion and have both same and opposite side entry checks which may differ from GEMX's rule.

5. 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.

¹⁵ See Phlx Options 3, Section 13(b)(1)(D).

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)¹⁶ of the Act and Rule 19b-4(f)(6) thereunder¹⁷ in that it 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.

The Exchange believes its proposal does not significantly affect the protection of investors or the public interest. Amending Options 3, Section 7(t), Opening Sweeps and Supplementary Material .02(e) to Options 3, Section 7 related to OPG Orders does not significantly affect the protection of investors or the public interest because the Market Wide Risk Protection captures the order entry and execution rate for those OPG Orders entered in the Opening Process and would assist Members in managing their pre-open risk. Amending Options 3, Section 11(b)(4)(i) related to the Facilitation Mechanism and Options 3, Section 11(d)(3)(i) related to the Solicited Order Mechanism does not significantly affect the protection of investors or the public interest because the language ensures that an auction order may not trade at or through the Priority Customer order on

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6).

the same side of the market. Amending Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions does not significantly affect the protection of investors or the public interest because it clarifies how rounding interacts with the allocation percentages. Amending Supplementary Material .04 to Options 3, Section 11 to replace the word “quotes” with “Responses” in the Split Price description does not significantly affect the protection of investors or the public interest because orders and responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This clarification to the rule text is intended to correct the current language. Amending Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 does not significantly affect the protection of investors or the public interest because the Exchange is making clear that the minimum unit that will be traded on GEMX is one contract. This is similar to language on Phlx at Options 3, Section 13(b)(1)(D). Amending Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks within ISE’s PIM, MRX’s PIM, Phlx’s PIXL and BX’s PRISM, without changing the substantive operations of these price improvement auctions, distinguishing opposite and same side checks, and adding the NBBO check reference within the same side check does not significantly affect the protection of investors or the public interest because harmonizing the language will enable Members to compare GEMX’s PIM entry checks with similar mechanisms on Nasdaq affiliated markets. Further, the NBBO check is always relevant in the same side check to avoid a trade-through.

The Exchange's proposal does not impose any significant burden on competition. Amending Options 3, Section 7(t), Opening Sweeps and Supplementary Material .02(e) to Options 3, Section 7 related to OPG Orders does not impose any significant burden on competition because the Market Wide Risk Protection is available to all Members in the Opening Process. The Exchange's proposal to amend Options 3, Section 11(b)(4)(i) related to the Facilitation Mechanism and Options 3, Section 11(d)(3)(i) related to the Solicited Order Mechanism to state that the orders must execute at a price that is better than the same side BBO if there is a Priority Customer on the same side does not impose any significant burden on competition because all auction orders in these aforementioned auction mechanisms would be handled in a uniform manner by the System such that those orders would not be permitted to trade at or through the Priority Customer order on the same side. The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions does not impose any significant burden on competition because the Exchange's rules regarding rounding are applied in a uniform manner to all Members submitting an order into an auction mechanism. Amending Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description does not impose any significant burden on competition because orders and responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This clarification to the rule text is intended to correct the current language. Adopting a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that, today, if an allocation would result in less than one contract,

then one contract will be allocated does not impose any significant burden on competition because the System would uniformly allocate contracts with a minimum unit of one contract. Amending Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, distinguishing opposite and same side checks, and adding the NBBO check reference within the same side check does not impose any significant burden on competition harmonizing the language will enable Members to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets. Further, the NBBO check is always relevant in the same side check to avoid a trade-through.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide

that, today, if an allocation would result in less than one contract, then one contract will be allocated is similar to language currently on Phlx at Options 3, Section 13(b)(1)(D).

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-2023-11)

September __, 2023

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 3, Section 13 Related to PIM

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 September 8, 2023, 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 amend Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 11, Auction Mechanisms; and Options 3, Section 13, Price Improvement Mechanism for Crossing Transactions.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/gemx/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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 Exchange proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols; Options 3, Section 11, Auction Mechanisms; and Options 3, Section 13, Price Improvement Mechanism for Crossing Transactions. Each change is described below.

Options 3, Section 7

Opening Only

The Exchange proposes to amend Options 3, Section 7(t), Opening Sweep³ and Supplementary Material .02(e) to Options 3, Section 7 related to Opening Only⁴ or “OPG” orders. The proposed rule text was adopted as part of a planned System

³ An Opening Sweep is a one-sided order entered by a Market Maker through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8(b)(1) and will be cancelled upon the open if not executed. See Options 3, Section 7(t).

⁴ An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route. See Supplementary Material .02(e) to Options 3, Section 7.

migration.⁵ Options 3, Section 7(t) currently provides that an Opening Sweep would not be subject to any protections listed in Options 3, Section 15, except Automated Quotation Adjustments in Options 3, Section 15. Supplementary Material .02(e) to Options 3, Section 7 currently provides that an OPG Order would not be subject to any protections listed in Options 3, Section 15, except Size Limitation. At this time, the Exchange proposes to amend the rule text to specify that an Opening Sweep and an OPG Order would be subject to the Market Wide Risk Protection in Options 3, Section 15.

The Market Wide Risk Protection in Options 3, Section 15(a)(1)(C) automatically removes Member orders when certain firm-set thresholds are met. Specifically, the Market Wide Risk Protection requires all Members to provide parameters for the order entry and execution rate protections. The Market Wide Risk Protection would apply to an Opening Sweep and an OPG Order because it captures the order entry and execution rate for both Opening Sweeps and OPG Orders that are entered in the Opening Process as described in Options 3, Section 8. The Exchange believes the availability of the Market Wide Risk Protection during the Opening Process would assist Members in managing their pre-open risk by allowing Members to adhere to their firm thresholds. The Exchange notes that other risk protections within Options 3, Section 15 do not apply to either an Opening Sweep or an Opening Only Order because the risk protection either relies on the BBO, which is available after the Opening Process, or the risk protection is optional. Finally, the Exchange also proposes a technical amendment to capitalize the word “orders” in Supplementary Material .02(e) to Options 3, Section 7.

⁵ See Securities Exchange Act Release No. 96817(February 6, 2023), 88 FR 8922 (February 10, 2023) (SR-GEMX-2023-02) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) (“SR-GEMX-2023-02”).

Options 3, Sections 11 and 13

The Exchange proposes to amend Options 3, Section 11(b)(4)(i) related to the Facilitation Mechanism. Currently, the last sentence in Options 3, Section 11(b)(4)(i) provides that a facilitation order will be cancelled at the end of an exposure period if an execution would take place at a price that is inferior to the best bid (offer) on GEMX. The Exchange proposes to amend this sentence to state, the “Exchange best bid (offer)” and remove the phrase “on Nasdaq GEMX.” Additionally, the Exchange proposes to add the following rule text to the end of the sentence, “or if there is a Priority Customer order on the same side Exchange best bid (offer) at the same price as the facilitation price unless the Facilitation Order can execute at a price that is better than the same side Priority Customer Order.” Today, a facilitation order must execute at a price that is better than the same side BBO if there is a Priority Customer order on the same side. The proposed rule text is being amended to align to current System functionality which prevents a Facilitation Order from trading ahead of a Priority Customer Order. As such, a Priority Customer order on the same side of the offer must be considered when executing a Facilitation Order. The Exchange proposes to add similar language to the last sentence of Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism. The Exchange notes that these amendments do not amend the current System functionality.

The Exchange proposes to add a new Options 3, Section 11(b)(4)(iv) to describe the allocation percentage that an Electronic Access Member is able to obtain in the Facilitation Mechanism. Today, under the current System operation, the facilitating Electronic Access Member may not receive an allocation percentage, at the final price

point, of more than 40% of the original size of the Facilitation Order with one or multiple competing quote(s), order(s), or Response(s), except for rounding,⁶ when competing quotes, orders, or Responses have contracts available for execution. Options 3, Section 11(b)(4)(ii) makes clear that the facilitating Electronic Access Member will be allocated up to forty percent (40%) (or such lower percentage requested by the Member) of the original size of the facilitation order, but only after better-priced Responses, orders and quotes, as well as Priority Customer Orders and Priority Customer Responses at the facilitation price, are executed in full at such price point. The proposed rule text expressly notes that the allocation percentage will not be exceeded except for rounding purposes. This language represents current System functionality. The Exchange proposes to add similar language to Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions to note the limitations with respect to allocations.

The Exchange proposes to amend Supplementary Material .04 to Options 3, Section 11 to replace the word “quotes” with “Responses” in the Split Price description. Orders and responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This change to the rule text is intended to utilize the defined term “Response” which pursuant to Options 3, Section 11(b)(3) may be priced at the price of the order to be facilitated or at a better price and will only be considered up to the size of the order to be facilitated.

The Exchange proposes to add a new Supplementary Material .08 to Options 3, Section 11 to provide that, today, if an allocation would result in less than one contract,

⁶ GEMX’s System will round up to the nearest whole number during allocation in the Facilitation Mechanism.

then one contract will be allocated. The Exchange does not allocate fractional contracts. This language represents the current System functionality. The Exchange proposes to add the same sentence within new Supplementary Material .09 to Options 3, Section 13 regarding a PIM. Phlx has similar language.⁷

The Exchange proposes to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks with language within Nasdaq ISE, LLC's ("ISE") PIM, Nasdaq MRX, LLC's ("MRX") PIM, Nasdaq Phlx LLC's ("Phlx") PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions. The Exchange believes that by utilizing similar language, Members will be able to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets.

GEMX proposes to add "a price that is" to the end of Options 3, Section 13(b)(1) and add new subparagraphs (A) and (B) to distinguish opposite and same side checks. The opposite side check is currently spelled out in the current rule text, however the same side check does not specify the NBBO check. Today, if the Agency Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is \$0.01, the Crossing Transaction must be entered at a price that is, on the same side of the Agency Order equal or better than the NBBO and better than any Limit Order or quote on GEMX's order book. The Exchange believes that the addition of the NBBO check will add clarity to the rule text because the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange also proposes to capitalize "Limit Order," remove the word "Nasdaq" before "GEMX" and remove other extraneous words as the sentence has been rearranged.

⁷ See Phlx Options 3, Section 13(b)(1)(D).

Next, the Exchange proposes to bifurcate the entry check for Agency Orders of 50 options contracts or more for the account of a Priority Customer from the entry checks for the account of a broker dealer or any other person or entity that is not a Priority Customer similar to other Nasdaq affiliated markets to provide consistent formatting. While the entry checks for new Options 3, Section 13(b)(2) and (b)(3) will not differ, the Exchange believes that retaining the same rule text format across its Nasdaq affiliated markets will allow for an easier comparison. To that end, the Exchange proposes to amend Options 3, Section 13(b)(2) to format it similar to Options 3, Section 13(b)(1). The Exchange proposes to add “for the account of a Priority Customer” to (b)(2) to distinguish it from (b)(3) which addresses the account of a broker dealer or any other person or entity that is not a Priority Customer. Options 3, Section 13(b)(2)(A) will also add rule text to address the opposite side of the market, which is not explicitly noted. Proposed Options 3, Section 13(b)(2)(A) will provide that if the Agency Order is for the account of a Priority Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is equal to or better than the internal BBO and NBBO on the opposite side of the market from the Agency Order. Further, Options 3, Section 13(b)(2)(B) will explicitly note the entry check on the same side of the market and similar to Options 3, Section 13(b)(1) will include the NBBO check. Proposed Options 3, Section 13(b)(2)(B) will provide that if the Agency Order is for the account of a Priority Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered

only on the same side of the market as the Agency Order, at a price that is at least \$0.01 better than any Limit Order or quote on the GEMX order book and equal to or better than the NBBO.⁸ The Exchange believes that the addition of the NBBO check will add clarity to the rule text because the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange also proposes to capitalize “Limit Order,” remove the word “Nasdaq” before “GEMX” and remove other extraneous words as the sentence has been rearranged.

As noted herein, proposed Options 3, Section 13(b)(3) will mirror Options 3, Section 13(b)(2) except that it will refer to the account of a broker dealer or any other person or entity that is not a Priority Customer. The Exchange also proposes to renumber the remainder of the paragraphs within Options 3, Section 13(b).

Implementation

The Exchange proposes to amend the Opening Sweep and Opening Only rule text only, within Options 3, Section 7, with its planned migration to enhanced Nasdaq functionality. Similar to SR-GEMX-2023-04,⁹ the Exchange intends to begin implementation of the amendments to the Opening Sweep and Opening Only rule text within Options 3, Section 7 prior to December 29, 2023. The Exchange would commence its implementation with a limited symbol migration and continue to migrate symbols over several weeks. The Exchange will issue an Options Trader Alert to Members to provide notification of the symbols that will migrate and the relevant dates.

⁸ For example, if the market is 0.98 bid and 0.99 offer, a Priority Customer PIM Order to buy for less than 50 contracts must be stopped at 0.98 cents in this scenario to be accepted into a PIM Auction, provided there is no resting order or quote on the Exchange order book at 0.98 in which case the PIM Order would be rejected.

⁹ See Securities Exchange Act Release No. 97126 (March 13, 2023), 88 FR 16485 (March 17, 2023) (SR-GEMX-2023-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Delay the Implementation of Certain Trading Functionality) (“SR-GEMX-2023-04”).

The other rule amendments would be operative 30 days from the effective date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹¹ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 3, Section 7

Opening Only

The Exchange's proposal to amend Options 3, Section 7(t), Opening Sweeps and Supplementary Material .02(e) to Options 3, Section 7 related to OPG Orders is consistent with the Act and the protection of investors and the general public because the Market Wide Risk Protection would capture the order entry and execution rate for those Opening Sweeps and OPG Orders entered in the Opening Process, which is described in Options 3, Section 8, and would assist Members in managing their pre-open risk by allowing Members to adhere to their firm thresholds. The Exchange is providing both order and quote risk protections in the Opening Process to allow Members to manage their risk. The Exchange notes that other risk protections within Options 3, Section 15 do not apply to either an Opening Sweep or an Opening Only Order because the risk protection either relies on the BBO, which is available after the Opening Process or the risk protection is optional.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

Options 3, Sections 11 and 13

The Exchange's proposal to amend Options 3, Section 11(b)(4)(A) related to the Facilitation Mechanism is consistent with the Act and the protection of investors and the general public because the System ensures that the facilitation order is at a price that is not inferior to the Exchange best bid (offer) or if there is a Priority Customer on the same side Exchange best bid (offer) at the same price as the facilitation price, otherwise the order would be cancelled. This price check ensures that the auction order may not trade at or through the Priority Customer order on the same side. This language represents the current System functionality. Similar changes are proposed to Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism with respect to the contra-side. These amendments represent current System functionality and similarly ensure that the auction order may not trade at or through the Priority Customer order on the contra side. This is consistent with the treatment of Priority Customer in GEMX's order book allocation, described in Options 3, Section 10, wherein Priority Customer interest is executed within PIM ahead of any other interest of Members.¹²

The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions is consistent with the Act and the protection of investors and the general public by permitting rounding to occur as specified in the Exchange's rules. The proposal states how rounding interacts with the allocation percentages. The Exchange proposes to state that it will not permit an

¹² See also GEMX Options 3, Section 13(d)(1), "At a given price, 'Priority Customer Interest' (Priority Customer Orders and Improvement Orders from Priority Customers) is executed in full before 'non-Priority Customer Interest' (non-Priority Customer Orders, Improvement Orders from non-Priority Customers and Market Maker quotes)."

allocation percentage greater than the stated amounts in the auction rules, unless rounding is necessary. This proposed rule text represents the current System functionality.

The Exchange's proposal to amend Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description is consistent with the Act and the protection of investors and the general public because orders and Responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This change to the rule text is intended to utilize the defined term Response which pursuant to Options 3, Section 11(b)(3) may be priced at the price of the order to be facilitated or at a better price and will only be considered up to the size of the order to be facilitated.

The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that if an allocation would result in less than one contract, then one contract would be allocated is consistent with the Act and the protection of investors and the general public because one contract is the minimum unit in which an option may trade on GEMX. This language represents the current System functionality. Phlx has similar language.¹³

The Exchange's proposal to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks with language within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, is consistent with the Act and the protection of investors and the general public because by utilizing similar language, Members will be able to compare GEMX PIM entry checks with similar mechanisms on Nasdaq affiliated markets.

¹³ See Phlx Options 3, Section 13(b)(1)(D).

Amending Options 3, Section 13(b)(1) to add new subparagraphs (A) and (B) to distinguish opposite and same side checks and add within the same side check a reference to the NBBO check, is consistent with the Act and the protection of investors and the general public because the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange believes that the addition of the NBBO check will add clarity to the rule text because the NBBO check is always relevant in the same side check to avoid a trade-through. The remainder of the changes are non-substantive.

The Exchange's proposal to bifurcate the entry check for Agency Orders of 50 options contracts or more for the account of a Priority Customer from the entry checks for the account of a broker dealer or any other person or entity that is not a Priority Customer into two new paragraphs, a (b)(2) and a (b)(3), is consistent with the Act and the protection of investors and the general public because retaining the same rule text format across its Nasdaq affiliated markets will allow for an easier comparison.

The Exchange's proposal to add "for the account of a Priority Customer" to new subparagraph (b)(2) to explicitly address the opposite side of the market and also note the NBBO entry check on the same side of the market is consistent with the Act and the protection of investors and the general public because the new format will provide the parameters for each check. Further, the NBBO check is always relevant in the same side check to avoid a trade-through. The remainder of the changes are non-substantive.

Mirroring the same language within Options 3, Section 13(b)(2)(B), except to note that it is for the account of a broker dealer or any other person or entity that is not a Priority Customer will allow Members to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets.

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.

Options 3, Section 7

Opening Only

The Exchange's proposal to amend Options 3, Section 7(t), Opening Sweeps and Supplementary Material .02(e) to Options 3, Section 7 related to OPG Orders does not impose an intra-market burden on competition because the Market Wide Risk Protection is available to all Members in the Opening Process. The Exchange's proposal to amend Opening Sweeps and OPG Orders does not impose an inter-market burden on competition because other options exchanges may similarly offer such risk protections on their opening order types.

Options 3, Sections 11 and 13

The Exchange's proposal to amend Options 3, Section 11(b)(4)(A) related to the Facilitation Mechanism and Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism to state that that the order must execute at a price that is better than the same side BBO if these is a Priority Customer on the same side does not impose an intra-market burden on competition because all auction orders in these aforementioned auction mechanisms would be handled in a uniform manner by the System such that those orders would not be permitted to trade at or through the Priority Customer order on the same side. The Exchange's proposal to amend Options 3, Section 11(b)(4)(A) related to the Facilitation Mechanism and Options 3, Section 11(d)(3)(A) related to the Solicited Order Mechanism to state that that the order must execute at a price that is better than the same

side BBO if these is a Priority Customer on the same side does not impose an inter-market burden on competition because other options markets similarly have customer overlay priorities.

The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions does not impose an intra-market burden on competition because the Exchange's rules regarding rounding are applied in a uniform manner to all Members submitting an order into an auction mechanism. The Exchange's proposal to amend new Options 3, Section 11(b)(4)(iv) related to the Facilitation Mechanism and Options 3, Section 13(d)(7) related to the Price Improvement Mechanism for Crossing Transactions does not impose an inter-market burden on competition because other options exchanges similarly round in excess of allocation percentages such as BX.¹⁴

The Exchange's proposal to amend Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description does not impose an intra-market burden on competition because orders and responses in the market that receive the benefit of the facilitation price may receive executions at Split Prices. This clarification to the rule text is intended to correct the current language. The Exchange's proposal to amend Supplementary Material .04 to Options 3, Section 11 to replace the word "quotes" with "Responses" in the Split Price description does not impose an inter-market burden on competition because this rule text change is specific to GEMX's rule language.

¹⁴ See BX Options 3, Section 13(ii)(A)(1).

The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that, today, if an allocation would result in less than one contract, then one contract will be allocated does not impose an intra-market burden on competition because the System would uniformly allocate contracts with a minimum unit of one contract. The Exchange's proposal to add a new Supplementary Material .08 to Options 3, Section 11 and a new Supplementary Material .09 to Options 3, Section 13 to provide that, today, if an allocation would result in less than one contract, then one contract will be allocated does not impose an inter-market burden on competition because other options markets similarly specify a minimum unit of rounding such as Phlx.¹⁵

The Exchange's proposal to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, distinguishing opposite and same side checks, and adding the NBBO check reference within the same side check do not impose an intra-market undue burden on competition because harmonizing the language will enable Members to compare GEMX's PIM entry checks with similar mechanisms on Nasdaq affiliated markets. Further, the NBBO check is always relevant in the same side check to avoid a trade-through. The Exchange's proposal to amend Options 3, Section 13(b)(1) through (3) to harmonize the language within the PIM entry checks within ISE's PIM, MRX's PIM, Phlx's PIXL and BX's PRISM, without changing the substantive operations of these price improvement auctions, distinguishing opposite and same side checks, and adding the NBBO check reference within the same side check do not impose an inter-

¹⁵ See Phlx Options 3, Section 13(b)(1)(D).

market undue burden on competition because other options markets have their own price improvement auctions and are free to denote their entry checks in a similar fashion and have both same and opposite side entry checks which may differ from GEMX's rule.

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 Act¹⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁷

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 necessary or appropriate in the public interest, for the protection of investors, or 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.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 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.

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-GEMX-2023-11 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-GEMX-2023-11. This file number should be included on the subject line if email 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 (<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-GEMX-2023-11 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.¹⁸

Sherry R. Haywood,

Assistant Secretary.

¹⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq GEMX, LLC Rules

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Options 3 Options Trading Rules

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Section 7. Types of Orders and Order and Quote Protocols

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(t) **Opening Sweep.** An Opening Sweep is a one-sided order entered by a Market Maker through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments and Market Wide Risk Protection. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8(b)(1) and will be cancelled upon the open if not executed.

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Supplementary Material to Options 3, Section 7

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.02 Time in Force. The term “Time in Force” or “TIF” shall mean the period of time that the System will hold an order for potential execution, and shall include:

* * * * *

(e) **Opening Only.** An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation and Market Wide Risk Protection. Any portion of the order that is not executed during the Opening Process is cancelled. OPG [o]Orders may not route.

* * * * *

Section 11. Auction Mechanisms

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(b) **Facilitation Mechanism.** The Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size order it represents as agent.

Electronic Access Members must be willing to execute the entire size of orders entered into the Facilitation Mechanism.

* * * * *

(4) At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) Unless there is sufficient size to execute the entire facilitation order at a better price, Priority Customer Orders and Priority Customer Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Non-Priority Customer Orders and non-Priority Customer Responses to buy (sell) and Market Maker quotes at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the order being facilitated a better price for the number of contracts associated with such higher bids (lower offers). The facilitation order will be cancelled at the end of the exposure period if an execution would take place at a price that is inferior to the Exchange best bid (offer)[on Nasdaq GEMX], or if there is a Priority Customer Order on the same side Exchange best bid (offer) at the same price as the facilitation price unless the Facilitation Order can execute at a price that is better than the same side Priority Customer Order.

* * * * *

(iv) Under no circumstances will the facilitating Electronic Access Member receive an allocation percentage, at the final price point, of more than 40% of the original size of the Facilitation Order with one or multiple competing quote(s), order(s), or Response(s), except for rounding, when competing quotes, orders, or Responses have contracts available for execution.

* * * * *

(d) Solicited Order Mechanism. The Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it solicited. Each order entered into the Solicited Order Mechanism shall be designated as all-or-none.

* * * * *

(3) At the end of the period given Members to enter Responses, the Agency Order will be automatically executed in full or cancelled.

(i) If at the time of execution there is insufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed against the solicited order at the proposed execution price so long as, at the time of execution: (A) the execution price is equal to or better than the best bid or offer on the Exchange, and (B) there are no Priority Customer Orders or Priority Customer Responses on the Exchange

that are priced equal to the proposed execution price. If there are Priority Customer Orders or Priority Customer Responses on the Exchange on the opposite side of the Agency Order at the proposed execution price and there is sufficient size to execute the entire size of the Agency Order, the Agency Order will be executed against the bid or offer, and the solicited order will be cancelled. The aggregate size of all orders, quotes and Responses at the bid or offer will be used to determine whether the entire Agency Order can be executed. Both the solicited order and Agency Order will be cancelled if an execution would take place at a price: (1) that is inferior to the best bid or offer on the Exchange[,]; [or] (2) if there is a Priority Customer Order or Priority Customer Response on the [book]Exchange at the proposed execution price, but there is insufficient size on the Exchange to execute the entire Agency Order; (3) if there is a Priority Customer Order on the same side Exchange best bid (offer) at the same price as the solicitation price unless the Solicitation Order can execute at a price that is better than the same side Priority Customer Order.

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Supplementary Material to Options 3, Section 11

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.04 Split Prices. Orders and Responses may be entered into the Facilitation and Solicitation Mechanisms and receive executions at the mid-price between the standard minimum trading increments for the options series (“Split Prices”). This means that orders and Responses for options with a minimum increment of 5 cents may be entered into the Facilitation and Solicitation Mechanisms and receive executions in 2.5 cent increments (e.g., \$1.025, \$1.05, \$1.075, etc.), and that orders and Responses for options with a minimum increment of 10 cents may be entered into the Facilitation and Solicitation Mechanism and receive executions at 5 cent increments (e.g., \$4.05, \$4.10, \$4.15, etc.). Orders and [quotes]Responses in the market that receive the benefit of the facilitation price under paragraph (b) may also receive executions at Split Prices.

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.08 If an allocation would result in less than one contract, then one contract will be allocated.

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Section 13. Price Improvement Mechanism for Crossing Transactions

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(b) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the “Agency Order”) and a counter-side order for the full size of the Agency Order (the “Counter-Side Order”). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(1) If the Agency Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer (“NBBO”) or the difference between the internal best bid and the internal best offer is \$0.01, the Crossing Transaction must be entered at a price that is:

(A) \$0.01 better than the NBBO and the internal BBO on the **opposite side** of the market from the Agency Order and

(B) on the **same side** of the market as the Agency Order,

(i) equal to or better than the NBBO and

(ii) better than [the]any [1]Limit [o]Order or quote on the [Nasdaq]GEMX order book[on the same side of the Agency Order].

(2) If the Agency Order is for the account of a Priority Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is:

(A) equal to or better than the internal BBO and NBBO **on the opposite side** of the market from the Agency Order, and

(B) on the **same side** of the market as the Agency Order,

(i) at least \$0.01 better than [the]any [1]Limit [o]Order or quote on the [Nasdaq]GEMX order book[on the same side of the Agency Order], and

(ii) equal to or better than the NBBO.

(3) If the Agency Order is for the account of a broker dealer or any other person or entity that is not a Priority Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered at a price that is:

(A) equal to or better than the internal BBO or the NBBO on the **opposite side** of the market from the Agency Order, and

(B) on the **same side** of the market as the Agency Order,

(i) at least \$0.01 better than any Limit Order or quote on the GEMX order book, and

(ii) equal to or better than the NBBO.

([3]4) The Crossing Transaction may be priced in one-cent increments.

([4]5) The Crossing Transaction may not be canceled or modified, but the price of the Counter-Side Order may be improved during the exposure period.

([5]6) Crossing Transactions submitted at or before the opening of trading are not eligible to initiate an auction and will be rejected.

* * * * *

(d) **Execution.** At the end of the exposure period the Agency Order will be executed in full at the best prices available, taking into consideration orders and quotes in the Exchange market, Improvement Orders, and the Counter-Side Order. The Agency Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

* * * * *

(7) Under no circumstances will the initiating Member receive an allocation percentage, at the final price point, of more than 40% of the original size of the PIM Order with one or multiple competing quote(s), order(s), or Improvement Order(s), except for rounding, when competing quotes, orders, or Improvement Orders have contracts available for execution.

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Supplementary Material to Options 3, Section 13

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.09 If an allocation would result in less than one contract, then one contract will be allocated.

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