

Required fields are shown with yellow backgrounds and asterisks.

Filing by Nasdaq MRX, 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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input 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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend its Pricing Schedule at Options 7, Section 5, Other Options Fees and Rebates, in connection with the pricing for orders entered into the Exchanges Price Improvement Mechanism

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 * Angela Last Name * Dunn
 Title * Principal Associate General Counsel
 E-mail * angela.dunn@nasdaq.com
 Telephone * (215) 496-5692 Fax

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 07/01/2020
 By John Zecca
 (Name *)

EVP and Chief Legal Officer

john.zecca@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 EFFS 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

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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

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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

Add Remove View

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 MRX, LLC (“MRX” 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 (“SEC” or “Commission”) a proposal to amend its Pricing Schedule at Options 7, Section 5, Other Options Fees and Rebates, in connection with the pricing for orders entered into the Exchange’s Price Improvement Mechanism (“PIM”).³ The Exchange also proposes an amendment to Options 7, Section 1, General Provisions.

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 25, 2019. 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:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ PIM is a process by which an Electronic Access Member (“EAM”) can provide price improvement opportunities for a transaction wherein the EAM seeks to facilitate an order it represents as agent, and/or a transaction wherein the EAM solicited interest to execute against an order it represents as agent. See Options 3, Section 13.

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

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 its Pricing Schedule at Options 7, Section 5, Other Options Fees and Rebates. Specifically, the Exchange proposes to amend Options 7, Section 5E, PIM Pricing for Regular and Complex Orders, to lower the Fees for PIM Contra-Side Orders, in both Penny Symbols and Non-Penny Symbols, for all market participants. The Exchange also proposes to eliminate note 1 within Options 7, Section 5E. Finally, the Exchange proposes to amend Options 7, Section 1, General Provisions. These changes will be described in greater detail below.

Options 7, Section 5E

For regular and complex PIM orders, the Exchange currently charges a PIM originating fee in Penny and Non-Penny Symbols of \$0.20 per contract for Non-Priority Customers⁴ and \$0.00 per contract for Priority Customers.⁵ The Exchange also charges all market participants a PIM contra-side fee in Penny and Non-Penny Symbols of \$0.05 per contract. Members that execute an average daily volume (“ADV”) of 10,000 PIM originating contracts or greater within a month are eligible for a reduced PIM contra-side

⁴ Non-Priority Customers consist of Market Makers (including Market Maker orders sent to the Exchange by EAMs), Non-Nasdaq MRX Market Makers (FarMM), Firm Proprietary / Broker-Dealers, and Professional Customers.

⁵ A “Priority Customer” is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in Nasdaq MRX Options 1, Section 1(a)(36).

fee of \$0.02 per contract (in lieu of \$0.05 per contract). In addition, the Exchange presently charges PIM response fees of \$0.50 per contract in Penny Symbols and \$1.10 per contract in Non-Penny Symbols.

The Exchange proposes to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract, for all market participants.⁶ In connection with lowering this fee, the Exchange proposes to eliminate note 1 within Options 7, Section 5E, which today provides, “Members that execute an ADV of 10,000 PIM originating contracts or greater within a month will be assessed a fee of \$0.02 per contract on the contra-side of a PIM auction (in lieu of \$0.05 per contract).” This incentive is no longer necessary as all market participants would be entitled to receive the lower regular and complex Fee for PIM Contra-Side Orders of \$0.02 per contract for both Penny Symbols and Non-Penny Symbols.

Options 7, Section 1

The Exchange proposes an amendment to Options 7, Section 1, General Provisions. The Exchange proposes to replace the term “Penny Pilot Program” with “Penny Interval Program.” On April 1, 2020 the Commission approved the amendment to the OLPP to make permanent the Pilot Program (the “OLPP Program”).⁷ The

⁶ Today, Market Makers, Non-Nasdaq MRX Market Makers (FarMM), Firm Proprietary/Broker Dealers, Professional Customers and Priority Customers are assessed the same regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols of \$0.05 per contract. These market participants have the opportunity to lower that fee to \$0.02 per contract, pursuant to note 1 of Options 7, Section 5E, provided they execute the requisite volume.

⁷ See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545 (April 7, 2020) (File No. 4-443) (“Approval Order”).

Exchange recently filed a proposal to amend MRX Options 3, Section 3 to conform the rule to Section 3.1 of the Plan for the Purpose of Developing and Implementing Procedures Designed to Facilitate the Listing and Trading of Standardized Options (the “OLPP”).⁸ The Exchange’s proposal amended MRX Options 3, Section 3 to refer to a Penny Interval Program instead of a Penny Pilot Program. This proposed change to Options 7, Section 1 conforms the name of the program.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange’s proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing

⁸ See Securities Exchange Act Release No. 89163 (June 26, 2020) (SR-MRX-2020-13).

⁹ 15 U.S.C. 78 f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”¹¹

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹²

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

¹¹ NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

¹² Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

Options 7, Section 5E

The Exchange's proposal to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract for all market participants, and eliminate note 1¹³ within Options 7, Section 5E is reasonable.¹⁴ Lowering the regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 to \$0.02 per contract, will incentivize Members to execute a greater number of PIM contracts on the Exchange. All market participants will benefit from a greater number of PIM contracts in that they will be able to interact with that order flow either by responding directly to a PIM or by submitting unrelated orders in the Order Book.

The Exchange's proposal to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract for all market participants, and eliminate note 1 within Options 7, Section 5E is equitable and not unfairly discriminatory. All market participants will be uniformly assessed a regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, of \$0.02 per contract.

Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to replace the term

¹³ Options 7, Section 5E at note 1 provides, "Members that execute an ADV of 10,000 PIM originating contracts or greater within a month will be assessed a fee of \$0.02 per contract on the contra-side of a PIM auction (in lieu of \$0.05 per contract)."

¹⁴ Today, Market Makers, Non-Nasdaq MRX Market Makers (FarMM), Firm Proprietary/Broker Dealer, Professional Customer and Priority Customers are assessed the same regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols of \$0.05 per contract.

“Penny Pilot Program” with “Penny Interval Program” is reasonable, equitable and not unfairly discriminatory. This amendment seeks to conform the name of the program which governs the listing of certain standardized options.

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.

In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other options exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and rebate changes. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing order execution venues to maintain their competitive standing in the financial markets.

Options 7, Section 5E

In terms of intra-market competition, the Exchange does not believe that its proposal will place any category of Exchange market participant at a competitive disadvantage. The proposed change is designed to incentivize market participants to direct PIM order flow to the Exchange. Specifically, the Exchange's proposal to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract for all market participants, and eliminate note 1 within Options 7, Section 5E does not impose an undue burden on competition. All market participants would be uniformly assessed a regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, of \$0.02 per contract.

Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to replace the term "Penny Pilot Program" with "Penny Interval Program" does not impose an undue burden on competition. This amendment seeks to conform the name of the program which governs the listing of certain standardized options.

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.

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)(ii) of the Act,¹⁵ the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

Not applicable.

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.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-MRX-2020-14)

July __, 2020

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Pricing Schedule at Options 7, Section 5, Other Options Fees and Rebates, in connection with the pricing for orders entered into the Exchanges Price Improvement Mechanism

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on July 1, 2020, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its Pricing Schedule at Options 7, Section 5, Other Options Fees and Rebates, in connection with the pricing for orders entered into the Exchange’s Price Improvement Mechanism (“PIM”).³ The Exchange also proposes an amendment to Options 7, Section 1, General Provisions.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ PIM is a process by which an Electronic Access Member (“EAM”) can provide price improvement opportunities for a transaction wherein the EAM seeks to facilitate an order it represents as agent, and/or a transaction wherein the EAM solicited interest to execute against an order it represents as agent. See Options 3, Section 13.

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

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the 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 its Pricing Schedule at Options 7, Section 5, Other Options Fees and Rebates. Specifically, the Exchange proposes to amend Options 7, Section 5E, PIM Pricing for Regular and Complex Orders, to lower the Fees for PIM Contra-Side Orders, in both Penny Symbols and Non-Penny Symbols, for all market participants. The Exchange also proposes to eliminate note 1 within Options 7, Section 5E. Finally, the Exchange proposes to amend Options 7, Section 1, General Provisions. These changes will be described in greater detail below.

Options 7, Section 5E

For regular and complex PIM orders, the Exchange currently charges a PIM originating fee in Penny and Non-Penny Symbols of \$0.20 per contract for Non-Priority

Customers⁴ and \$0.00 per contract for Priority Customers.⁵ The Exchange also charges all market participants a PIM contra-side fee in Penny and Non-Penny Symbols of \$0.05 per contract. Members that execute an average daily volume (“ADV”) of 10,000 PIM originating contracts or greater within a month are eligible for a reduced PIM contra-side fee of \$0.02 per contract (in lieu of \$0.05 per contract). In addition, the Exchange presently charges PIM response fees of \$0.50 per contract in Penny Symbols and \$1.10 per contract in Non-Penny Symbols.

The Exchange proposes to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract, for all market participants.⁶ In connection with lowering this fee, the Exchange proposes to eliminate note 1 within Options 7, Section 5E, which today provides, “Members that execute an ADV of 10,000 PIM originating contracts or greater within a month will be assessed a fee of \$0.02 per contract on the contra-side of a PIM auction (in lieu of \$0.05 per contract).” This incentive is no longer necessary as all market participants would be entitled to receive the lower regular and complex Fee for

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⁵ A “Priority Customer” is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in Nasdaq MRX Options 1, Section 1(a)(36).

⁶ Today, Market Makers, Non-Nasdaq MRX Market Makers (FarMM), Firm Proprietary/Broker Dealers, Professional Customers and Priority Customers are assessed the same regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols of \$0.05 per contract. These market participants have the opportunity to lower that fee to \$0.02 per contract, pursuant to note 1 of Options 7, Section 5E, provided they execute the requisite volume.

PIM Contra-Side Orders of \$0.02 per contract for both Penny Symbols and Non-Penny Symbols.

Options 7, Section 1

The Exchange proposes an amendment to Options 7, Section 1, General Provisions. The Exchange proposes to replace the term “Penny Pilot Program” with “Penny Interval Program.” On April 1, 2020 the Commission approved the amendment to the OLPP to make permanent the Pilot Program (the “OLPP Program”).⁷ The Exchange recently filed a proposal to amend MRX Options 3, Section 3 to conform the rule to Section 3.1 of the Plan for the Purpose of Developing and Implementing Procedures Designed to Facilitate the Listing and Trading of Standardized Options (the “OLPP”).⁸ The Exchange’s proposal amended MRX Options 3, Section 3 to refer to a Penny Interval Program instead of a Penny Pilot Program. This proposed change to Options 7, Section 1 conforms the name of the program.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not

⁷ See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545 (April 7, 2020) (File No. 4-443) (“Approval Order”).

⁸ See Securities Exchange Act Release No. 89163 (June 26, 2020) (SR-MRX-2020-13).

⁹ 15 U.S.C. 78 f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”¹¹

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹²

¹¹ NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

¹² Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

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

Options 7, Section 5E

The Exchange's proposal to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract for all market participants, and eliminate note 1¹³ within Options 7, Section 5E is reasonable.¹⁴ Lowering the regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 to \$0.02 per contract, will incentivize Members to execute a greater number of PIM contracts on the Exchange. All market participants will benefit from a greater number of PIM contracts in that they will be able to interact with that order flow either by responding directly to a PIM or by submitting unrelated orders in the Order Book.

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¹⁴ Today, Market Makers, Non-Nasdaq MRX Market Makers (FarMM), Firm Proprietary/Broker Dealer, Professional Customer and Priority Customers are assessed the same regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols of \$0.05 per contract.

The Exchange's proposal to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract for all market participants, and eliminate note 1 within Options 7, Section 5E is equitable and not unfairly discriminatory. All market participants will be uniformly assessed a regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, of \$0.02 per contract.

Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to replace the term "Penny Pilot Program" with "Penny Interval Program" is reasonable, equitable and not unfairly discriminatory. This amendment seeks to conform the name of the program which governs the listing of certain standardized options.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other options exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and rebate changes. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing order execution venues to maintain their competitive standing in the financial markets.

Options 7, Section 5E

In terms of intra-market competition, the Exchange does not believe that its proposal will place any category of Exchange market participant at a competitive disadvantage. The proposed change is designed to incentivize market participants to direct PIM order flow to the Exchange. Specifically, the Exchange's proposal to lower the current regular and complex Fees for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, from \$0.05 per contract to \$0.02 per contract for all market participants, and eliminate note 1 within Options 7, Section 5E does not impose an undue burden on competition. All market participants would be uniformly assessed a regular and complex Fee for PIM Contra-Side Orders, for both Penny Symbols and Non-Penny Symbols, of \$0.02 per contract.

Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to replace the term "Penny Pilot Program" with "Penny Interval Program" does not impose an undue burden on competition. This amendment seeks to conform the name of the program which governs the listing of certain standardized options.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹⁵ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MRX-2020-14 on the subject line.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MRX-2020-14. 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-MRX-2020-14 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.¹⁶

J. Matthew DeLesDernier
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

Nasdaq MRX, LLC Rules

* * * * *

Options 7 Pricing Schedule**Section 1. General Provisions**

* * * * *

“**Penny Symbols**” are options overlying all symbols listed on Nasdaq MRX that are in the Penny [Pilot]Interval Program.

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Section 5. Other Options Fees and Rebates

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E. PIM Pricing for Regular and Complex Orders**Penny Symbols**

Market Participant	Fee for PIM Originating Orders	Fee for PIM Contra-Side Orders^[1]	Fee for Responses to PIM Orders	Break-up Rebate⁽²⁾⁽³⁾
Market Maker ⁽⁴⁾	\$0.20	\$0.0[5]2	\$0.50	N/A
Non-Nasdaq MRX Market Maker (FarMM)	\$0.20	\$0.0[5]2	\$0.50	N/A
Firm Proprietary / Broker-Dealer	\$0.20	\$0.0[5]2	\$0.50	N/A
Professional Customer	\$0.20	\$0.0[5]2	\$0.50	N/A
Priority Customer	\$0.00	\$0.0[5]2	\$0.50	(\$0.40)

Non-Penny Symbols

Market Participant	Fee for PIM Originating Orders	Fee for PIM Contra-Side Orders^[1]	Fee for Responses to PIM Orders	Break-up Rebate⁽²⁾⁽³⁾
Market Maker ⁽⁴⁾	\$0.20	\$0.0[5]2	\$1.10	N/A
Non-Nasdaq MRX Market Maker (FarMM)	\$0.20	\$0.0[5]2	\$1.10	N/A
Firm Proprietary / Broker-Dealer	\$0.20	\$0.0[5]2	\$1.10	N/A

Professional Customer	\$0.20	\$0.0[5]2	\$1.10	N/A
Priority Customer	\$0.00	\$0.0[5]2	\$1.10	(\$1.00)

1. Reserved[Members that execute an ADV of 10,000 PIM originating contracts or greater within a month will be assessed a fee of \$0.02 per contract on the contra-side of a PIM auction (in lieu of \$0.05 per contract)].

2. Break-up Rebates apply only to Regular PIM Orders of 500 or fewer contracts and to Complex PIM Orders where the largest leg is 500 or fewer contracts.

3. Break-up Rebates provided for an originating Priority Customer PIM Order that executes with any response (order or quote) other than the PIM contra-side order. Notwithstanding the foregoing, Members that execute an ADV of 10,000 PIM originating contracts or greater within a month will receive a rebate of (i) \$0.45 per contract in Penny Symbols (in lieu of \$0.40 per contract) for Complex PIM Orders only, and (ii) \$1.05 per contract in Non-Penny Symbols (in lieu of \$1.00 per contract) for both Regular and Complex PIM Orders.

4. This fee also applies to Market Maker orders sent to the Exchange by Electronic Access Members.

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