

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 33	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2021 - * 07	Amendment No. (req. for Amendments *)	
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"/>
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)		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>		Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>			
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *).  A proposal to amend Options 2, Section 4, Obligations of Market Makers. The Exchange also proposes to add a new Options 4C.					
<b>Contact Information</b> 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					
<b>Signature</b> 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 06/15/2021 By John Zecca (Name *) EVP and Chief Legal Counsel  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.  john.zecca@nasdaq.com					

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

Add Remove View

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 \***

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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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**

Add Remove View

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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Options 2, Section 4, Obligations of Market Makers. The Exchange also proposes to add a new Options 4C.

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 of the Exchange (the “Board”) on November 5, 2020. 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

---

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

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

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

a. Purpose

The Exchange proposes to amend Options 2, Section 4, Obligations of Market Makers. The Exchange also proposes to add a new Options 4C.

Options 2, Section 4(a)

The Exchange proposes to remove the following rule text from Options 2, Section 4(a), which has been in place since MRX’s inception:<sup>3</sup>

...Ordinarily, Market Makers are expected to:

(1) Refrain from purchasing a call option or a put option at a price more than \$0.25 below parity, although a larger amount may be appropriate considering the particular market conditions. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security.

(2) The \$0.25 amount above may be increased, or the provisions of this Rule may be waived, by the Exchange on a series-by-series basis.

This proposed rule text also previously existed on Cboe Exchange, Inc. within prior Rule 8.7<sup>4</sup> and was removed from Cboe’s Rulebook in 2019.<sup>5</sup> The Exchange likewise desires

---

<sup>3</sup> See Securities Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (August 1, 2013) (Application of Topaz Exchange, LLC for Registration as a National Securities Exchange; Findings, Opinion, and Order of the Commission).

<sup>4</sup> Prior Interpretation and Policy .02 to Rule 8.7 provided, “Market-Makers are expected ordinarily to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity, although a larger amount may be appropriate considering the particular market conditions. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security. The \$0.25 amount above may be increased, or the provisions of this Interpretation may be waived, by the Exchange on a series-by-series basis.”

<sup>5</sup> Cboe’s rule change merely noted, with respect to the removal of Cboe’s parity rule, that the filing makes non-substantive changes to the rule governing a Market-Maker’s general obligations (current Rule 8.7, in part), most of which

to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>6</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). The Exchange proposes to remove this rule text from Options 2, Section 4 as the Exchange does not desire to enforce this provision in the future. The Exchange believes that this market maker provision is no longer necessary. Today, MRX incentivizes Market Makers through allocation<sup>7</sup> to quote tightly in their assigned options series. Primary Market Makers and Competitive Market Makers also have other obligations with respect to market making<sup>8</sup> in addition to other quoting

---

remove redundant provisions that are already covered under the umbrella of a Market-Maker's obligation to engage in dealing to maintain fair and orderly markets. No specific argument is provided with respect to removing this provision. See Securities Exchange Act 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Certain Rules Relating To Market-Makers Upon Migration to the Trading System Used by Cboe Affiliated Exchanges).

<sup>6</sup> See Nasdaq Phlx LLC, The Nasdaq Options Market LLC and Nasdaq BX, Inc. at Options 2, Section 4 (Obligations of Market Makers).

<sup>7</sup> See Options 3, Section 10 (Priority of Quotes and Orders). Primary Market Makers are offered an enhanced allocation provided the Primary Market Maker is quoting at same price as a non- Priority Customer Order or Market Maker quote.

<sup>8</sup> See Options 2, Section 4. MRX Market Makers must for example: (1) compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed; (2) make markets that, absent changed market conditions, will be honored for the number of contracts entered into the Exchange's System in all series of options classes to which the Market Maker is appointed; (3) update market quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed; and (4) price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer following the opening rotation in an equity or index options contract. See Options 2, Section 4(b).

obligations<sup>9</sup> that they must abide by when quoting on MRX. Also, since the adoption of the rule, the Exchange has adopted the obvious error rule<sup>10</sup> which permits the Exchange to review a transaction as potentially erroneous based on a theoretical price. Also, MRX orders are subject to trade-through compliance, thereby limiting the prices at which orders may execute.<sup>11</sup> Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact with the order flow. The Exchange believes that the obligation to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity places yet another obligation on MRX Market Makers that is not required on Cboe or other Nasdaq markets. The Exchange believes that this additional obligation is not necessary to maintain fair and orderly markets and notes the Exchange has waived this obligation.

#### Bid/Ask Differentials

The Exchange proposes to amend Options 2, Section 4(b)(4) and Options 4A, Section 12(b)(i) to centralize the bid/ask differentials. Specifically, the Exchange proposes to state within new Options 2, Section 4(b)(4)(iii) that,

Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for equity options and exchange-traded products. Bid/ask differentials shall not apply to any options series until the time to expiration is less than twelve (12) months for index options.

---

<sup>9</sup> See Options 2, Section 5 (Electronic Market Maker Obligations and Quoting Requirements). Further, Options 3, Section 8(c)(3) requires Primary Market Makers to submit a Valid Width Quote during the Opening Process.

<sup>10</sup> See Options 3, Section 20 (Nullification and Adjustment of Options Transactions including Obvious Errors).

<sup>11</sup> See Options 3, Section 4(b)(6).

Currently, MRX Options 4 and Options 4A rules are incorporated by reference to Nasdaq ISE, LLC (“ISE”). The Exchange recently filed a rule change<sup>12</sup> to amend ISE Options 4 and Options 4A rules to relocate text concerning bid/ask differentials for long-term option series from ISE Options 4, Section 8(a)<sup>13</sup> and ISE Options 4A, Section 12(b)(i).<sup>14</sup> The ISE Rule Change added citations to Options 2, Section 4(b)(4)(iii) to ISE Options 4, Section 8(a) and ISE Options 4A, Section 12(b)(i). The ISE Rule Change indicated that ISE believes relocating the bid/ask differentials to Options 2, Section 4(b)(4)(iii) will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements.

#### Business Continuity and Disaster Recovery Plan

The Exchange proposes to relocate Supplementary Material .02 to Options 2, Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved. The Exchange proposes to title General 2, Section 12 as “Business Continuity and Disaster Recovery Plan Testing Requirements for Members Pursuant to Regulation SCI.” The rule text is being relocated without change. The Exchange proposes to relocate this rule text to harmonize MRX’s rules with that of Nasdaq PHLX LLC (“Phlx”), Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located within General 2,

---

<sup>12</sup> See SR-ISE-2021-14 (“ISE Rule Change”).

<sup>13</sup> ISE Options 4, Section 8(a) describes the bid/ask differentials for long-term options series for equity options and exchange-traded funds.

<sup>14</sup> ISE Options 4A, Section 12(b)(i) describes the bid/ask differentials for long-term options series for indexes.

Section 12 of their respective rulebooks.<sup>15</sup> The Exchange also proposes to reserve Sections 7-11 and 13-22 within General 2. Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market.

#### Technical Amendments

The Exchange proposes to add new Options 4C and mark it as reserved. Phlx added a 4C to its Rulebook and this rule change will harmonize MRX's Rulebook structure to Phlx's Rulebook Structure.<sup>16</sup>

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>17</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>18</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

#### Options 2, Section 4(a)

The Exchange's proposal to remove certain rule text from Options 2, Section 4(a) that refrains Market Makers from purchasing a call option or a put option at a price more

---

<sup>15</sup> Similar rule changes will also be made for Nasdaq ISE, LLC and Nasdaq MRX, LLC.

<sup>16</sup> See Securities Exchange Act Release No. 91488 (April 6, 2021), 86 FR 19037 (April 12, 2021) (SR-Phlx-2021-14) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Phlx Options Rules at Options 4 Under the Options 4 Title in the Exchanges Rulebooks Shell Structure).

<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(5).



than \$0.25 below parity is consistent with the Act. The Exchange desires to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>19</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). The Exchange believes that this market maker provision is no longer necessary. Today, MRX incentivizes Market Makers through allocation<sup>20</sup> to quote tightly in their assigned options series. Primary Market Makers and Competitive Market Makers also have other obligations with respect to market making<sup>21</sup> in addition to other quoting obligations<sup>22</sup> that they must abide by when quoting on MRX. Also, since the adoption of the rule, the Exchange has adopted the obvious error rule<sup>23</sup> which permits the Exchange to review a transaction as potentially erroneous based on a theoretical price. Also, MRX orders are subject to trade-through compliance, thereby limiting the prices at which orders may execute.<sup>24</sup> Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact with the order flow. The Exchange believes that the obligation to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity places yet another obligation on MRX Market Makers that is not required on Cboe or other Nasdaq markets. The Exchange believes that this additional obligation is not necessary to maintain fair and orderly markets and notes the Exchange has waived this obligation and the removal of

---

<sup>19</sup> See supra note 6.

<sup>20</sup> See supra note 7.

<sup>21</sup> See supra note 8.

<sup>22</sup> See supra note 9.

<sup>23</sup> See supra note 10.

this provision would remove an impediment to and perfect the mechanism of a free and open market and a national market system.

#### Bid/Ask Differentials

The Exchange's proposal to amend Options 2, Section 4(b)(4)(i) and Options 4A, Section 12(b)(i) to centralize the bid/ask differentials is consistent with the Act. Currently, MRX Options 4 and Options 4A rules are incorporated by reference to ISE. The Exchange recently filed a rule change<sup>25</sup> to amend ISE Options 4 and Options 4A rules to relocate text concerning bid/ask differentials for long-term option series from ISE Options 4, Section 8(a) and ISE Options 4A, Section 12(b)(i). The ISE Rule Change added citations to Options 2, Section 4(b)(4)(i) to ISE Options 4, Section 8(a) and ISE Options 4A, Section 12(b)(i). MRX believes centralizing the bid/ask differentials within new Options 2, Section 4(b)(4)(i) will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements.

#### Business Continuity and Disaster Recovery Plan

The Exchange's proposal to relocate Supplementary Material .02 to Options 2, Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved, is consistent with the Act. This rule text will harmonize MRX's rules with that of Phlx, Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located

---

<sup>24</sup> See supra note 11.

<sup>25</sup> See supra note 12.

within General 2, Section 12 of their respective rulebooks.<sup>26</sup> Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market. The Exchange also proposes to reserve Sections 7-10 and 13-22 within General 2. These changes are non-substantive as the rule text is not being amended.

#### Technical Amendments

Adding Options 4C and reserving it is a non-substantive amendment which will harmonize MRX's Rulebook structure to Phlx's Rulebook Structure.<sup>27</sup>

#### 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 2, Section 4(a)

The Exchange's proposal to remove certain rule text from Options 2, Section 4(a) that refrains Market Makers from purchasing a call option or a put option at a price more than \$0.25 below parity does not impose an undue burden on competition. The Exchange desires to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>28</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact

---

<sup>26</sup> See supra note 15.

<sup>27</sup> See supra note 16.

<sup>28</sup> See supra note 5.

with the order flow. The Exchange believes that the obligation to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity places yet another obligation on MRX Market Makers that is not required on Cboe or other Nasdaq markets. The Exchange believes that this additional obligation is not necessary to maintain fair and orderly markets and notes the Exchange has waived this obligation.

#### Bid/Ask Differentials

The Exchange's proposal to amend Options 2, Section 4(b)(4) and Options 4A, Section 12(b)(i) to relocate text concerning bid/ask differentials for long-term option series does not impose an undue burden on competition. The Exchange's proposal will centralize the bid/ask differentials within new Options 2, Section 4(b)(4)(iii) and add a sentence to both Options 4, Section 8(a) and Options 4A, Section 12(b)(i) that cites to Options 2, Section 4(b)(4)(iii) for information on bid/ask differentials for the various products. The Exchange believes that this relocation will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements.

#### Business Continuity and Disaster Recovery Plan

The Exchange's proposal to relocate Supplementary Material .02 to Options 2, Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved, does not impose an undue burden on competition. This rule text will harmonize MRX's rules with that of Phlx, Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located within General 2, Section 12 of their respective rulebooks.<sup>29</sup>

---

<sup>29</sup> See supra note 6.

Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market.

This change is non-substantive as the rule text is not being amended.

#### Technical Amendments

Adding Options 4C and reserving it is a non-substantive amendment which will harmonize MRX's Rulebook structure to Phlx's Rulebook Structure.<sup>30</sup>

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>31</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>32</sup> 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.

---

<sup>30</sup> See supra note 16.

<sup>31</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>32</sup> 17 CFR 240.19b-4(f)(6).

The Exchange's proposal to remove certain rule text from Options 2, Section 4(a) that refrains Market Makers from purchasing a call option or a put option at a price more than \$0.25 below parity does not significantly affect the protection of investors or the public interest. The Exchange desires to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>33</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). The Exchange believes that this market maker provision is no longer necessary. Today, MRX incentivizes Market Makers through allocation<sup>34</sup> to quote tightly in their assigned options series. Primary Market Makers and Competitive Market Makers also have other obligations with respect to market making<sup>35</sup> in addition to other quoting obligations<sup>36</sup> that they must abide by when quoting on MRX. Also, since the adoption of the rule, the Exchange has adopted the obvious error rule<sup>37</sup> which permits the Exchange to review a transaction as potentially erroneous based on a theoretical price. Also, MRX orders are subject to trade-through compliance, thereby limiting the prices at which orders may execute.<sup>38</sup> Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact with the order flow. The Exchange believes that this

---

<sup>33</sup> See supra note 6.

<sup>34</sup> See supra note 7.

<sup>35</sup> See supra note 8.

<sup>36</sup> See supra note 9.

<sup>37</sup> See supra note 10.

<sup>38</sup> See supra note 11.

additional obligation is not necessary to maintain fair and orderly markets. The Exchange believes that the bid/ask differential requirements<sup>39</sup> are effective in encouraging tighter markets. The proposal does not impose any significant burden on competition as it would uniformly not apply to any Primary Market Maker or Competitive Market Maker. The Exchange's proposal to amend Options 2, Section 4(b)(4) and Options 4A, Section 12(b)(i) to relocate text concerning bid/ask differentials for long-term option series does not significantly affect the protection of investors or the public interest. The Exchange's proposal will centralize the bid/ask differentials within Options 2, Section 4(b)(4)(iii). The Exchange believes that this relocation will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements. This non-substantive amendment does not impose any significant burden on competition. The Exchange's proposal to relocate Supplementary Material .02 to Options 2, Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved does not significantly affect the protection of investors or the public interest. This rule text will harmonize MRX's rules with that of Phlx, Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located within General 2, Section 12 of their respective rulebooks.<sup>40</sup> Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market. The Exchange also proposes to reserve Sections 7-11 and 13-22 within General 2. These non-substantive

---

<sup>39</sup> Options 2, Section 4(b)(4).

<sup>40</sup> See supra note 6.

amendments do not impose any significant burden on competition. The remainder of the proposals are non-substantive.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>41</sup> 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 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.

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.

---

<sup>41</sup> 17 CFR 240.19b-4(f)(6)(iii).



**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_; File No. SR-MRX-2021-07)

June \_\_, 2021

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Options 2, Section 4, Obligations of Market Makers

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 15, 2021, 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 Options 2, Section 4, Obligations of Market Makers. The Exchange also proposes to add a new Options 4C.

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

---

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

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

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Options 2, Section 4, Obligations of Market Makers. The Exchange also proposes to add a new Options 4C.

Options 2, Section 4(a)

The Exchange proposes to remove the following rule text from Options 2, Section 4(a), which has been in place since MRX's inception:<sup>3</sup>

...Ordinarily, Market Makers are expected to:

(1) Refrain from purchasing a call option or a put option at a price more than \$0.25 below parity, although a larger amount may be appropriate considering the particular market conditions. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security.

(2) The \$0.25 amount above may be increased, or the provisions of this Rule may be waived, by the Exchange on a series-by-series basis.

This proposed rule text also previously existed on Cboe Exchange, Inc. within prior Rule

---

<sup>3</sup> See Securities Exchange Act Release No. 70050 (July 26, 2013), 78 FR 46622 (August 1, 2013) (Application of Topaz Exchange, LLC for Registration as a National Securities Exchange; Findings, Opinion, and Order of the Commission).

8.7<sup>4</sup> and was removed from Cboe's Rulebook in 2019.<sup>5</sup> The Exchange likewise desires to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>6</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). The Exchange proposes to remove this rule text from Options 2, Section 4 as the Exchange does not desire to enforce this provision in the future. The Exchange believes that this market maker provision is no longer necessary. Today, MRX incentivizes Market Makers through allocation<sup>7</sup> to quote tightly in their assigned options series. Primary Market Makers and Competitive Market Makers also

---

<sup>4</sup> Prior Interpretation and Policy .02 to Rule 8.7 provided, "Market-Makers are expected ordinarily to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity, although a larger amount may be appropriate considering the particular market conditions. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security. The \$0.25 amount above may be increased, or the provisions of this Interpretation may be waived, by the Exchange on a series-by-series basis."

<sup>5</sup> Cboe's rule change merely noted, with respect to the removal of Cboe's parity rule, that the filing makes non-substantive changes to the rule governing a Market-Maker's general obligations (current Rule 8.7, in part), most of which remove redundant provisions that are already covered under the umbrella of a Market-Maker's obligation to engage in dealing to maintain fair and orderly markets. No specific argument is provided with respect to removing this provision. See Securities Exchange Act 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Certain Rules Relating To Market-Makers Upon Migration to the Trading System Used by Cboe Affiliated Exchanges).

<sup>6</sup> See Nasdaq Phlx LLC, The Nasdaq Options Market LLC and Nasdaq BX, Inc. at Options 2, Section 4 (Obligations of Market Makers).

<sup>7</sup> See Options 3, Section 10 (Priority of Quotes and Orders). Primary Market Makers are offered an enhanced allocation provided the Primary Market Maker is quoting at same price as a non- Priority Customer Order or Market Maker quote.

have other obligations with respect to market making<sup>8</sup> in addition to other quoting obligations<sup>9</sup> that they must abide by when quoting on MRX. Also, since the adoption of the rule, the Exchange has adopted the obvious error rule<sup>10</sup> which permits the Exchange to review a transaction as potentially erroneous based on a theoretical price. Also, MRX orders are subject to trade-through compliance, thereby limiting the prices at which orders may execute.<sup>11</sup> Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact with the order flow. The Exchange believes that the obligation to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity places yet another obligation on MRX Market Makers that is not required on Cboe or other Nasdaq markets. The Exchange believes that this additional obligation is not necessary to maintain fair and orderly markets and notes the Exchange has waived this obligation.

---

<sup>8</sup> See Options 2, Section 4. MRX Market Makers must for example: (1) compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed; (2) make markets that, absent changed market conditions, will be honored for the number of contracts entered into the Exchange's System in all series of options classes to which the Market Maker is appointed; (3) update market quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed; and (4) price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer following the opening rotation in an equity or index options contract. See Options 2, Section 4(b).

<sup>9</sup> See Options 2, Section 5 (Electronic Market Maker Obligations and Quoting Requirements). Further, Options 3, Section 8(c)(3) requires Primary Market Makers to submit a Valid Width Quote during the Opening Process.

<sup>10</sup> See Options 3, Section 20 (Nullification and Adjustment of Options Transactions including Obvious Errors).

<sup>11</sup> See Options 3, Section 4(b)(6).

### Bid/Ask Differentials

The Exchange proposes to amend Options 2, Section 4(b)(4) and Options 4A, Section 12(b)(i) to centralize the bid/ask differentials. Specifically, the Exchange proposes to state within new Options 2, Section 4(b)(4)(iii) that,

Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for equity options and exchange-traded products. Bid/ask differentials shall not apply to any options series until the time to expiration is less than twelve (12) months for index options.

Currently, MRX Options 4 and Options 4A rules are incorporated by reference to Nasdaq ISE, LLC (“ISE”). The Exchange recently filed a rule change<sup>12</sup> to amend ISE Options 4 and Options 4A rules to relocate text concerning bid/ask differentials for long-term option series from ISE Options 4, Section 8(a)<sup>13</sup> and ISE Options 4A, Section 12(b)(i).<sup>14</sup> The ISE Rule Change added citations to Options 2, Section 4(b)(4)(iii) to ISE Options 4, Section 8(a) and ISE Options 4A, Section 12(b)(i). The ISE Rule Change indicated that ISE believes relocating the bid/ask differentials to Options 2, Section 4(b)(4)(iii) will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements.

---

<sup>12</sup> See SR-ISE-2021-14 (“ISE Rule Change”).

<sup>13</sup> ISE Options 4, Section 8(a) describes the bid/ask differentials for long-term options series for equity options and exchange-traded funds.

<sup>14</sup> ISE Options 4A, Section 12(b)(i) describes the bid/ask differentials for long-term options series for indexes.

### Business Continuity and Disaster Recovery Plan

The Exchange proposes to relocate Supplementary Material .02 to Options 2, Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved. The Exchange proposes to title General 2, Section 12 as “Business Continuity and Disaster Recovery Plan Testing Requirements for Members Pursuant to Regulation SCI.” The rule text is being relocated without change. The Exchange proposes to relocate this rule text to harmonize MRX’s rules with that of Nasdaq PHLX LLC (“Phlx”), Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located within General 2, Section 12 of their respective rulebooks.<sup>15</sup> The Exchange also proposes to reserve Sections 7-11 and 13-22 within General 2. Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market.

### Technical Amendments

The Exchange proposes to add new Options 4C and mark it as reserved. Phlx added a 4C to its Rulebook and this rule change will harmonize MRX’s Rulebook structure to Phlx’s Rulebook Structure.<sup>16</sup>

#### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>17</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>18</sup> in particular,

---

<sup>15</sup> Similar rule changes will also be made for Nasdaq ISE, LLC and Nasdaq MRX, LLC.

<sup>16</sup> See Securities Exchange Act Release No. 91488 (April 6, 2021), 86 FR 19037 (April 12, 2021) (SR-Phlx-2021-14) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Phlx Options Rules at Options 4 Under the Options 4 Title in the Exchanges Rulebooks Shell Structure).

in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

Options 2, Section 4(a)

The Exchange's proposal to remove certain rule text from Options 2, Section 4(a) that refrains Market Makers from purchasing a call option or a put option at a price more than \$0.25 below parity is consistent with the Act. The Exchange desires to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>19</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). The Exchange believes that this market maker provision is no longer necessary. Today, MRX incentivizes Market Makers through allocation<sup>20</sup> to quote tightly in their assigned options series. Primary Market Makers and Competitive Market Makers also have other obligations with respect to market making<sup>21</sup> in addition to other quoting obligations<sup>22</sup> that they must abide by when quoting on MRX. Also, since the adoption of the rule, the Exchange has adopted the obvious error rule<sup>23</sup> which permits the Exchange to review a transaction as potentially erroneous based on a theoretical price. Also, MRX orders are subject to trade-through compliance, thereby limiting the prices at

---

<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> See supra note 6.

<sup>20</sup> See supra note 7.

<sup>21</sup> See supra note 8.

<sup>22</sup> See supra note 9.

<sup>23</sup> See supra note 10.

which orders may execute.<sup>24</sup> Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact with the order flow. The Exchange believes that the obligation to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity places yet another obligation on MRX Market Makers that is not required on Cboe or other Nasdaq markets. The Exchange believes that this additional obligation is not necessary to maintain fair and orderly markets and notes the Exchange has waived this obligation and the removal of this provision would remove an impediment to and perfect the mechanism of a free and open market and a national market system.

#### Bid/Ask Differentials

The Exchange's proposal to amend Options 2, Section 4(b)(4)(i) and Options 4A, Section 12(b)(i) to centralize the bid/ask differentials is consistent with the Act. Currently, MRX Options 4 and Options 4A rules are incorporated by reference to ISE. The Exchange recently filed a rule change<sup>25</sup> to amend ISE Options 4 and Options 4A rules to relocate text concerning bid/ask differentials for long-term option series from ISE Options 4, Section 8(a) and ISE Options 4A, Section 12(b)(i). The ISE Rule Change added citations to Options 2, Section 4(b)(4)(i) to ISE Options 4, Section 8(a) and ISE Options 4A, Section 12(b)(i). MRX believes centralizing the bid/ask differentials within new Options 2, Section 4(b)(4)(i) will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements.

---

<sup>24</sup> See supra note 11.

<sup>25</sup> See supra note 12.



### Business Continuity and Disaster Recovery Plan

The Exchange's proposal to relocate Supplementary Material .02 to Options 2, Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved, is consistent with the Act. This rule text will harmonize MRX's rules with that of Phlx, Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located within General 2, Section 12 of their respective rulebooks.<sup>26</sup> Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market. The Exchange also proposes to reserve Sections 7-10 and 13-22 within General 2. These changes are non-substantive as the rule text is not being amended.

### Technical Amendments

Adding Options 4C and reserving it is a non-substantive amendment which will harmonize MRX's Rulebook structure to Phlx's Rulebook Structure.<sup>27</sup>

#### 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 2, Section 4(a)

The Exchange's proposal to remove certain rule text from Options 2, Section 4(a) that refrains Market Makers from purchasing a call option or a put option at a price more

---

<sup>26</sup> See supra note 15.

<sup>27</sup> See supra note 16.

than \$0.25 below parity does not impose an undue burden on competition. The Exchange desires to remove this restriction on Market Makers which does not exist on Cboe or other Nasdaq affiliated markets.<sup>28</sup> The proposed rule text is currently waived on MRX pursuant to Options 2, Section 4(a)(2). Market Makers are relied upon to provide liquidity on MRX, which benefits other Members who have the opportunity to interact with the order flow. The Exchange believes that the obligation to refrain from purchasing a call option or a put option at a price more than \$0.25 below parity places yet another obligation on MRX Market Makers that is not required on Cboe or other Nasdaq markets. The Exchange believes that this additional obligation is not necessary to maintain fair and orderly markets and notes the Exchange has waived this obligation.

#### Bid/Ask Differentials

The Exchange's proposal to amend Options 2, Section 4(b)(4) and Options 4A, Section 12(b)(i) to relocate text concerning bid/ask differentials for long-term option series does not impose an undue burden on competition. The Exchange's proposal will centralize the bid/ask differentials within new Options 2, Section 4(b)(4)(iii) and add a sentence to both Options 4, Section 8(a) and Options 4A, Section 12(b)(i) that cites to Options 2, Section 4(b)(4)(iii) for information on bid/ask differentials for the various products. The Exchange believes that this relocation will provide Primary Market Makers and Competitive Market Makers with centralized information regarding their bid/ask differential requirements.

#### Business Continuity and Disaster Recovery Plan

The Exchange's proposal to relocate Supplementary Material .02 to Options 2,

---

<sup>28</sup> See supra note 5.

Section 4, concerning business continuity and disaster recovery plans, to General 2, Section 12, which is currently reserved, does not impose an undue burden on competition. This rule text will harmonize MRX's rules with that of Phlx, Nasdaq BX, Inc. and The Nasdaq Stock Market LLC which all have business continuity and disaster recovery plans located within General 2, Section 12 of their respective rulebooks.<sup>29</sup> Harmonizing the rule locations of the rules of the Nasdaq affiliated markets will make it easier for market participants to review and compare the rules of each Nasdaq market. This change is non-substantive as the rule text is not being amended.

#### Technical Amendments

Adding Options 4C and reserving it is a non-substantive amendment which will harmonize MRX's Rulebook structure to Phlx's Rulebook Structure.<sup>30</sup>

#### 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

---

<sup>29</sup> See supra note 6.

<sup>30</sup> See supra note 16.

to Section 19(b)(3)(A)(iii) of the Act<sup>31</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>32</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is 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.

#### IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MRX-2021-07 on the subject line.

---

<sup>31</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>32</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

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

All submissions should refer to File Number SR-MRX-2021-07. 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-2021-07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>33</sup>

J. Matthew DeLesDernier  
Assistant Secretary

---

<sup>33</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

*New text is underlined; deleted text is in brackets.*

**Nasdaq MRX, LLC Rules**

\* \* \* \* \*

**General 2 Organization and Administration**

\* \* \* \* \*

[Section 5. Reserved

Section 6. Reserved]

**Sections 5-10 Reserved**

\* \* \* \* \*

**Section 12. Business Continuity and Disaster Recovery Plan Testing Requirements for Members Pursuant to Regulation SCI**

With respect to the Exchange's business continuity and disaster recovery plans, including its backup systems, the Exchange shall:

(a) Establish standards for the designation of those Members that the Exchange reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of such plans. Such standards may include volume-based and/or market share-based criteria, and may be adjusted from time to time by the Exchange. The Exchange will provide public notice of the standards.

(b) Designate Members pursuant to the standards established in paragraph (a) of this Rule and require participation by such designated Members in scheduled functional and performance testing of the operation of such plans, in the manner and frequency specified by the Exchange, provided that such frequency shall not be less than once every 12 months. The Exchange will provide at least six months prior notice to Members that are designated for mandatory testing, and participation of such Members is a condition of membership.

**Sections 13-22 Reserved**

\* \* \* \* \*

**Options 2 Options Market Participants**

\* \* \* \* \*

**Section 4. Obligations of Market Makers**

(a) *General.* Transactions of a Market Maker should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers

should not make bids or offers or enter into transactions that are inconsistent with such a course of dealings. [Ordinarily, Market Makers are expected to:

- (1) Refrain from purchasing a call option or a put option at a price more than \$0.25 below parity, although a larger amount may be appropriate considering the particular market conditions. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security.
- (2) The \$0.25 amount above may be increased, or the provisions of this Rule may be waived, by the Exchange on a series-by-series basis.]

(b) *Appointment.* With respect to each options class to which a Market Maker is appointed under Options 2, Section 3, the Market Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular options contract, or a temporary distortion of the price relationships between options contracts of the same class. Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

- (1) To compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed.
- (2) To make markets that, absent changed market conditions, will be honored for the number of contracts entered into the Exchange's System in all series of options classes to which the Market Maker is appointed.
- (3) To update market quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed.
- (4) *Intra-day Bid/Ask Differentials* To price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer following the opening rotation in an equity or index options contract. The Exchange may establish differences other than the above for one or more series or classes of options.

(i) The bid/offer differentials stated in subparagraph (b)(4) of this Rule shall not apply to in-the-money options series where the underlying securities market is wider than the differentials set forth above. For these series, the bid/ask differential may be as wide as the spread between the national best bid and offer in the underlying security.

(ii) The Exchange or its authorized agent may calculate bids and asks for various indices for the sole purpose of determining permissible bid/ask differentials on options on these indices. These values will be calculated by determining the weighted average of the bids and asks for the components of the corresponding index. These bids and asks will be disseminated by the Exchange at least every fifteen (15) seconds during the trading day solely for the purpose of determining the permissible bid/ask differential that market-



makers may quote on an in-the-money option on the indices. For in-the-money series in index options where the calculated bid/ask differential is wider than the applicable differential set out in subparagraph (b)(4) of this Rule, the bid/ask differential in the index options series may be as wide as the calculated bid/ask differential in the underlying index. The Exchange will not make a market in the basket of stock comprising the indices and is not guaranteeing the accuracy or the availability of the bid/ask values.

(iii) Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for equity options and exchange-traded products. Bid/ask differentials shall not apply to any options series until the time to expiration is less than twelve (12) months for index options.

\* \* \* \* \*

### **Supplementary Material to Options 2, Section 4**

.01 A Primary Market Maker must act with due diligence in handling orders of Public Customers and must accord priority to such orders addressed pursuant to paragraph (c) of this Rule over the Primary Market Maker's principal orders.

[.02 With respect to the Exchange's business continuity and disaster recovery plans, including its backup systems, the Exchange shall:

(a) Establish standards for the designation of those Members that the Exchange reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of such plans. Such standards may include volume-based and/or market share-based criteria, and may be adjusted from time to time by the Exchange. The Exchange will provide public notice of the standards.

(b) Designate Members pursuant to the standards established in paragraph (a) of this Rule and require participation by such designated Members in scheduled functional and performance testing of the operation of such plans, in the manner and frequency specified by the Exchange, provided that such frequency shall not be less than once every 12 months. The Exchange will provide at least six months prior notice to Members that are designated for mandatory testing, and participation of such Members is a condition of membership.]

\* \* \* \* \*

### **Options 4C Reserved.**

\* \* \* \* \*