

SR-Phlx-2024-20 and should be submitted on or before June 10, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-100138; File No. SR-MRX-2024-11]

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 7, Section 6

May 14, 2024.

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 May 1, 2024, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“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 Rules at Options 7, Section 6.³

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 Options 7, Section 6, Ports and Other Services. Specifically, the Exchange proposes to amend the monthly caps for SQF Ports⁴ and SQF Purge Ports.⁵

Today, MRX assesses \$1,250 per port, per month for an SQF Port as well as an SQF Purge Port. Today, MRX waives one SQF Port fee per Market Maker per month. Also, today, SQF Ports and SQF Purge Ports are subject to a monthly cap of \$17,500, which cap is applicable to Market Makers.

At this time, the Exchange proposes to establish an increased SQF Fee and SQF Purge Port Cap to Primary Market Makers and Market Makers that do not

provide a minimum amount of liquidity on MRX. This proposed increased SQF Fee and SQF Purge Port Cap is intended to incentivize Primary Market Makers and Market Makers to add liquidity on MRX for the benefit of other market participants in order to lower their fees. MRX proposes to increase the SQF Port and SQF Purge Port Cap to \$27,500 a month if a Primary Market Maker or Market Maker does not transact 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month.⁶ Today, MRX caps an SQF Port and SQF Purge Port at \$17,500 a month. With this proposal, the Exchange would not assess Primary Market Makers and Market Makers an SQF Port and SQF Purge Port Cap beyond the monthly cap of \$27,500, instead of \$17,500, once the Member has exceeded the proposed port cap for the respective month. Primary Market Makers and Market Makers who transacts 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month will continue to be subject to the \$17,500 SQF Port and SQF Purge Port Cap.

Pursuant to Supplementary Material .03(c) to Options 3, Section 7, Market Makers may only enter interest into SQF in their assigned options series. Pursuant to Supplementary Material .03(c) to Options 3, Section 7, the SQF interface allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to the Exchange. An SQF Purge is a specific port for the SQF interface that only receives and notifies of purge requests from the Market Maker. A MRX Market Maker requires only one SQF Port to submit quotes in its assigned options series into MRX. While a Market Maker may elect to obtain multiple SQF Ports and SQF Purge Ports to organize its business,⁷ only one SQF Port and SQF Purge Port is necessary for a Market Maker to fulfill its regulatory quoting obligations.⁸

⁶For purposes of this cap, “Total Customer Volume” shall be defined as a percentage of all cleared customer volume at The Options Clearing Corporation in Multiply Listed Equity Options and Exchange-Traded Products (“TCV”).

⁷For example, a Market Maker may desire to utilize multiple SQF Ports for accounting purposes, to measure performance, for regulatory reasons or other determinations that are specific to that Member.

⁸MRX Market Makers have various regulatory requirements as provided for in Options 2, Section 4. Additionally, MRX Market Makers have certain quoting requirements with respect to their assigned options series as provided in Options 2, Section 5. SQF Ports are the only quoting protocol available on MRX and only Market Makers may utilize SQF Ports. The same is true for SQF Purge Ports.

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange initially filed the proposed pricing changes on November 28, 2023 (SR-MRX-2023-23) to be effective on December 1, 2023. On December 5, 2023, the Exchange withdrew SR-MRX-2023-23 and replaced it with SR-MRX-2023-25. On January 16, 2023, the Exchange withdrew SR-MRX-2023-25 and submitted SR-MRX-2024-02. On March 7, 2024, the Exchange withdrew SR-MRX-2024-02 and submitted SR-MRX-2024-07. On May 1, 2024, the Exchange withdrew SR-MRX-2024-07 and submitted this filing.

⁵ SQF Purge is a specific port for the SQF interface that only receives and notifies of purge requests from the Market Maker. Dedicated SQF Purge Ports enable Market Makers to seamlessly manage their ability to remove their quotes in a swift manner. The SQF Purge Port is designed to assist Market Makers in the management of, and risk control over, their quotes. Market Makers may utilize a purge port to reduce uncertainty and to manage risk by purging all quotes in their assigned options series. Of note, Market Makers may only enter interest into SQF in their assigned options series. Additionally, the SQF Purge Port may be utilized by a Market Maker in the event that the Member has a system issue and determines to purge its quotes from the order book.

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

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹² in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed pricing change to increase the SQF Port and SQF Purge Port monthly cap from \$17,500 per month to \$27,500 per month if Primary Market Makers or Market Makers do not transact 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month is reasonable because it will incentivize Primary Market Makers and Market Makers to add liquidity on MRX to lower their costs. The Exchange believes that the total volume required to achieve the cap is reasonable as the Exchange has limited the volume to simple orders, as not all Market Makers transact complex orders. Further, 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month is an achievable number for Market Makers who currently add volume to the Exchange. Additionally, the Exchange believes that an SQF Fee and SQF Purge Port Cap of \$27,500, in lieu of \$17,500, is reasonable because Primary Market Makers and Market Makers are obligated, among other things, to compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed and to update market quotations in response to changed market conditions in all series

of options classes to which the Market Maker is appointed.¹³ The Exchange believes that it is reasonable to increase the SQF Port and SQF Purge Port Cap to \$27,500 for Primary Market Makers and Market Makers that do not transact 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month because the Exchange believes that Primary Market Makers and Market Makers that do not contribute a minimum amount of liquidity on MRX should not be subject to the same opportunities to lower their costs as those Primary Market Makers and Market Makers that do contribute to liquidity and therefore provide the ability for other market participants to engage with that order flow. The Exchange believes that the increase is modest and would serve to encourage Primary Market Makers and Market Makers to submit order flow to MRX in order to lower their cost and would result in additional order competition, which also benefits market participants. The Exchange believes this proposal promotes liquidity, quote competition, and trading opportunities.

SQF Ports and SQF Purge Ports are utilized by Primary Market Makers and Market Makers to quote on MRX. A Market Maker may submit all quotes through one SQF Port and utilize one SQF Purge Port to view its purge requests. While a Market Maker may elect to obtain multiple SQF Ports to organize its business,¹⁴ only one SQF Port is necessary for a Market Maker to fulfill its regulatory quoting obligations.¹⁵ For those Market Makers that elect to organize themselves by obtaining a greater number of SQF Ports or SQF Purge Ports, they will be subject to a cap.¹⁶ For Market Makers that only take 1 SQF Port or only a few SQF Ports or SQF Purge Ports, their costs would be far below the \$27,500 or \$17,500 threshold for the cap.

The proposed pricing change to increase the SQF Fee and SQF Purge Cap for Primary Market Makers and Market Makers to \$27,500 a month if Primary Market Makers or Market Makers do not transact 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month is equitable and not unfairly

discriminatory as all Primary Market Makers and Market Makers would be able to cap their SQF Port and SQF Purge Port costs at \$17,500, provided they transacted the requisite volume, otherwise Primary Market Makers and Market Makers would be uniformly subject to the \$27,500 SQF Port and SQF Purge Port Cap. The Exchange notes that unlike other market participants, Primary Market Makers are obligated to quote in the Opening Process and intra-day.¹⁷ Additionally, Market Makers may enter quotes in the Opening Process to open an option series and they are required to quote intra-day.¹⁸ Further, unlike other market participants, Primary Market Makers and Market Makers have obligations to compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed and to update market quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed.¹⁹ Finally, unlike other market participants, Primary Market Makers and Market Makers incur other costs related to their quoting obligations in addition to other fees paid by other market participants. Market Makers are subject to a number of fees, unlike other market participants. Market Makers pay separate Membership Fees,²⁰ and CMM Trading Right Fees,²¹ in addition to other fees paid by other market participants. These liquidity providers are critical market participants in that they are the only market participants that provide liquidity to MRX and are necessary for opening the market. Allowing Primary Market Makers and Market Makers to manage their costs by capping SQF Ports and SQF Purge Ports in addition to transaction fees enables these essential market participants to manage their business model more effectively and better allocate resources to other technologies that are necessary to manage risk and capacity to ensure that these market participants continue to compete effectively on MRX. The following chart represents the classification of MRX members and the percentage of Market Makers.

Market Makers have 2–5 SQF Ports/SQF Purge Ports, 2 Market Makers have between 6–10 SQF Ports/SQF Purge Ports, and 6 Market Makers have more than 10 SQF Ports/SQF Purge Ports.

¹⁷ See Options 3, Section 8 and Options 2, Section 5.

¹⁸ *Id.*

¹⁹ See Options 2, Section 4(b)(1) and (3).

²⁰ See Options 7, Section 6, A.

²¹ See Options 7, Section 6, B.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4) and (5).

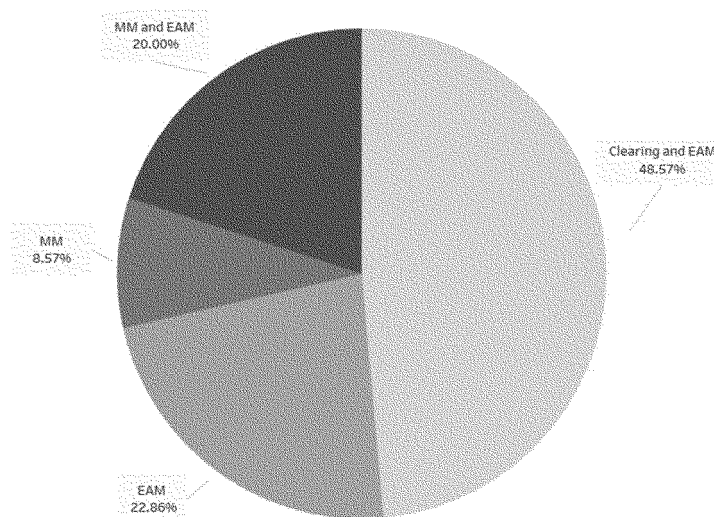
¹³ See Options 2, Section 4(b)(1) and (3).

¹⁴ For example, a Market Maker may desire to utilize multiple SQF Ports and SQF Purge Ports for accounting purposes, to measure performance, for regulatory reasons or other determinations that are specific to that member organization.

¹⁵ Market Makers have various regulatory requirements as provided for in Options 2, Section 4. Additionally, Market Makers have certain quoting requirements with respect to their assigned options series as provided in Options 2, Section 5. SQF Ports are the only quoting protocol available on MRX.

¹⁶ The number of ports that members choose to purchase varies widely. Today, on MRX, 2 Market Makers have 1 SQF Ports/SQF Purge Ports, no

MRX Member Type Distribution
March 2024



MRX believes Primary Market Makers and Market Makers should be eligible for certain incentives because they fulfill a unique role on the Exchange and are the only market participants required to submit quotes to the Exchange. The proposed SQF Port and SQF Purge Cap is designed to ensure that Primary Market Makers and Market Makers add a certain amount of liquidity on MRX in order to be able to cap their SQF Port and SQF Purge Port Fees at the lower cap of \$17,500 as compared to the increased cap of \$27,500. The Exchange would apply the criteria uniformly when applying the SQF Fee and SQF Purge Cap to Primary Market Makers and Market Makers.

Finally, MRX believes the proposed SQF Fee and SQF Purge Cap is constrained by competitive forces and

reasonably designed in consideration of the competitive environment in which the Exchange operates. This fee structure incents Primary Market Makers and Market Makers to support increased liquidity, quote competition, and trading opportunities on the Exchange, for the benefit of all market participants.

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

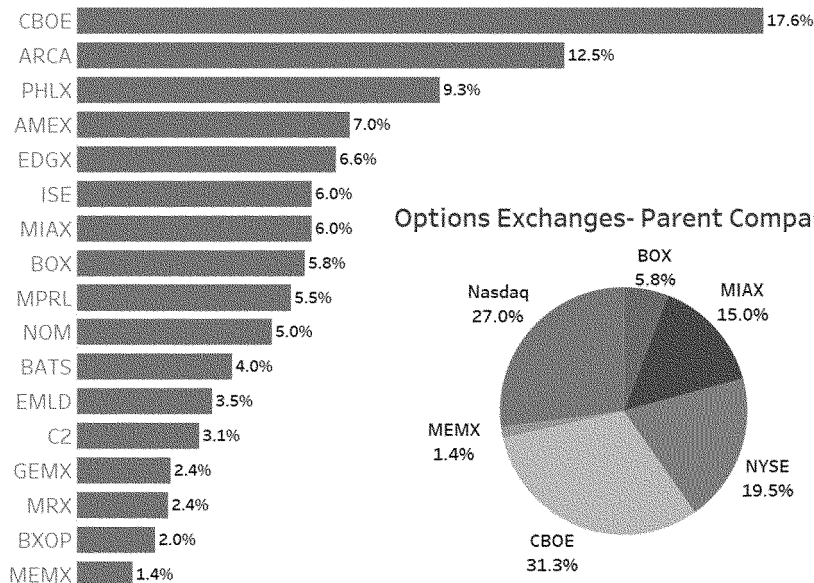
The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Intermarket Competition

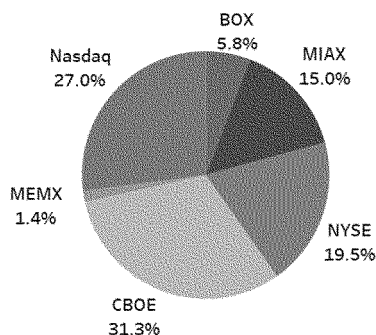
The proposal does not impose an undue burden on intermarket

competition. The Exchange believes its proposal remains competitive with other options markets who also offer order entry protocols. 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. The chart below shows the February 2024 market share for multiply listed options by exchange. Of the 17 operating options exchanges, none currently has more than a 17.6% market share. Customers widely distribute their transactions across exchanges according to their business needs and the ability of each exchange to meet those needs through technology, liquidity and functionality.

Options Market Share by Exchange: February 2024



Options Exchanges- Parent Company



Source: OCC, Nadsaq Economic Research

Market share is the percentage of volume on a particular exchange relative to the total volume across all exchanges, and indicates the amount of order flow directed to that exchange. High levels of market share enhance the value of trading and ports.

In such an environment, the Exchange must continually adjust its fees to remain competitive with other 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.

Intramarket Competition

The proposed pricing change to increase the SQF Fee and SQF Purge Cap for Primary Market Makers and Market Makers to \$27,500 a month if Primary Market Makers or Market Makers do not transact 0.50% of Total Customer Volume in electronic simple orders that adds liquidity in a month does not impose an undue burden on competition as all Primary Market Makers and Market Makers would be able to cap their SQF Port and SQF Purge Port costs at \$17,500, provided they transacted the requisite volume, otherwise Primary Market Makers and Market Makers would be uniformly subject to the \$27,500 SQF Port and SQF Purge Port Cap. The Exchange notes that unlike other market participants, Primary Market Makers are obligated to quote in the Opening

Process and intra-day.²² Additionally, Market Makers may enter quotes in the Opening Process to open an option series and they are required to quote intra-day.²³ Further, unlike other market participants, Primary Market Makers and Market Makers have obligations to compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed and to update market quotations in response to changed market conditions in all series of options classes to which the Market Maker is appointed.²⁴ Finally, unlike other market participants, Primary Market Makers and Market Makers incur other costs related to their quoting obligations in addition to other fees paid by other market participants. Market Makers are subject to a number of fees, unlike other market participants. Market Makers pay separate Membership Fees,²⁵ and CMM Trading Right Fees,²⁶ in addition to other fees paid by other market participants. These liquidity providers are critical market participants in that they are the only market participants that provide liquidity to MRX and are necessary for opening the market. Allowing Primary Market Makers and Market Makers to manage their costs by capping SQF Ports and SQF Purge Ports in addition to transaction fees enables these

essential market participants to manage their business model more effectively and better allocate resources to other technologies that are necessary to manage risk and capacity to ensure that these market participants continue to compete effectively on MRX. MRX believes Primary Market Makers and Market Makers should be eligible for certain incentives because they fulfill a unique role on the Exchange and are the only market participants required to submit quotes to the Exchange. The proposed SQF Port Cap is designed to ensure that Primary Market Makers and Market Makers add a certain amount of liquidity on MRX in order to be able to cap their SQF Port and SQF Purge Port Fees at the lower cap of \$17,500 as compared to the increased cap of \$27,500. The Exchange would apply the criteria uniformly when applying the SQF Fee and SQF Purge Cap to Primary Market Makers and Market Makers.

Finally, MRX believes the proposed SQF Fee and SQF Purge Cap is constrained by competitive forces and reasonably designed in consideration of the competitive environment in which the Exchange operates. This fee structure incentivizes Primary Market Makers and Market Makers to support increased liquidity, quote competition, and trading opportunities on the Exchange, for the benefit of all market participants.

²² See Options 3, Section 8 and Options 2, Section 5.

²³ *Id.*

²⁴ See Options 2, Section 4(b)(1) and (3).

²⁵ See Options 7, Section 6, A.

²⁶ See Options 7, Section 6, B.

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.²⁷ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MRX-2024-11 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-MRX-2024-11. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than

those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MRX-2024-11 and should be submitted on or before June 10, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-100131; File No. SR-MSRB-2024-04]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MSRB Rule G-27, on Dealer Supervision, To Adopt a New Residential Supervisory Location Classification

May 14, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 10, 2024, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

²⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The MSRB filed with the Commission a proposed rule change consisting of an amendment to MSRB Rule G-27, on supervision, to adopt new Supplementary Material .04, on residential supervisory locations ("RSLs"), to allow certain brokers, dealers, and municipal securities dealers ("dealers") that are members of a registered securities association ("FINRA-member dealers")³ to designate, as an RSL that is a non-branch location,⁴ an associated person's private residence where specified supervisory activities are conducted,⁵ which would otherwise be classified as an office of municipal supervisory jurisdiction ("OMSJ")⁶ or a municipal branch office where certain supervisory activities are conducted ("supervisory

³ The MSRB notes that the Financial Industry Regulatory Authority ("FINRA") is currently the only registered securities association and will generally, as such, refer to FINRA specifically in the filing when intending to clarify specific regulatory obligations and/or applicable rule(s).

⁴ Pursuant to MSRB Rule G-27(g)(ii)(A) a location is excluded from registration as a branch office—that is, it is deemed a non-branch location—in the following instances: (i) a location established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office; (ii) an associated person's primary residence provided it is not held out to the public as an office and certain other conditions are satisfied; (iii) a location, other than a primary residence, that is used for municipal securities activities for less than 30 business days in any one calendar year and is not held out to the public as an office, and which satisfies certain of the conditions set forth in the primary residence exception; (iv) a location of convenience, where associated persons occasionally and exclusively by appointment meet with customers and is not held out to the public as an office; (v) a location used primarily for non-securities activities and from which the associated person(s) effects no more than 25 municipal securities transactions in any one calendar year; (vi) the floor of a registered national securities exchange; and (vii) a temporary location established in response to the implementation of a business continuity plan.

⁵ Proposed Supplementary Material .04(a).

⁶ Pursuant to MSRB Rule G-27(g)(i) a branch office is classified as an OMSJ if any one of the following enumerated activities occurs at the location: (i) order execution and/or market making; (ii) structuring of public offerings or private placements; (iii) maintaining custody of customers' funds and/or municipal securities; (iv) final acceptance (approval) of new accounts on behalf of the member; (v) review and endorsement of customer orders, pursuant to subparagraph (c)(i)(C)(2); (vi) final approval of advertising for use by persons associated with the dealer, pursuant to MSRB Rule G-21(f); or (vii) responsibility for supervising the municipal securities activities of persons associated with the dealer at one or more other municipal branch offices of the dealer. An office that is designated an OMSJ must have a registered principal on-site and be inspected on an annual basis.

²⁷ 15 U.S.C. 78s(b)(3)(A)(ii).