

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-85935; File No. SR-MRX-2019-08)

May 24, 2019

Self-Regulatory Organizations; Nasdaq MRX, LLC; Order Approving a Proposed Rule Change to Adopt Complex Order Functionality

I. Introduction

On April 12, 2019, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposal to adopt rules to provide for the trading of Complex Orders. The proposed rule change was published for comment in the Federal Register on April 23, 2019.<sup>3</sup> The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

MRX proposes to adopt rules governing the trading of Complex Orders.<sup>4</sup> The proposed rules address, among other things, the order types, auction and crossing mechanisms, trading

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

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

<sup>3</sup> See Securities Exchange Act Release No. 85671 (April 17, 2019), 84 FR 16907 (“Notice”).

<sup>4</sup> The term “Complex Order” includes Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders. Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders are orders for Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies, respectively. See proposed MRX Rule 722(a)(5). A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of

increments, priority, execution, opening process, risk protections, obvious error provisions, and data feeds for Complex Orders. MRX states that the proposed Complex Order functionality is identical to the Complex Order functionality currently available on Nasdaq ISE, LLC (“ISE”), and that the proposed rules are identical to corresponding ISE rules.<sup>5</sup> As described more fully in the Notice,<sup>6</sup> MRX proposes to, among other things: (1) adopt new MRX Rule 722 to describe the availability of certain order types for Complex Orders and the priority and execution of Complex Orders;<sup>7</sup> (2) add a defined term, “Professional Customer,” in MRX Rule 100(a)(54A);<sup>8</sup> (3) amend MRX Rule 714 to

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options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg. A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See proposed MRX Rules 722(a)(1), (2), and (3).

<sup>5</sup> See Notice, 84 FR at 16907.

<sup>6</sup> See note 3, *supra*.

<sup>7</sup> The Exchange represents that proposed MRX Rule 722 is identical to ISE Rule 722. See Notice at 16907. MRX also proposes to amend MRX Rules 702 (Trading Halts) and 710 (Minimum Trading Increments) to account for Complex Orders. The Exchange represents that MRX Rules 702 and 710, as proposed to be amended, are identical to ISE Rules 702 and 710, respectively. See id. at 16908 and 16910.

<sup>8</sup> The Exchange represents that proposed MRX Rule 100(a)(54A) is identical to ISE Rule 100(a)(54A). See id. at 16910.

exclude Complex Order transactions from the anti-internalization protection;<sup>9</sup> (4) amend MRX Rule 715 to define “legging orders” and “QCC with Stock Orders” and to revise the Ouch to Trade Options and Specialized Quote Feed protocols to include complex instruments;<sup>10</sup> (5) add a Complex Facilitation Mechanism and Complex Solicited Order Mechanism to MRX Rule 716;<sup>11</sup> (6) amend MRX Rule 718(a)(5) to adopt a new Nasdaq MRX Spread Feed that will provide information regarding Complex Orders;<sup>12</sup> (7) amend MRX Rule 720, relating to the nullification of trades and obvious errors, to address transactions in Complex Orders;<sup>13</sup> (8) revise MRX Rule 721 to provide for Complex Customer Cross Orders, Complex Qualified Contingent Cross Orders, and Qualified Contingent Cross Orders with Stock;<sup>14</sup> (9) add a new Complex Price Improvement Mechanism to MRX Rule 723;<sup>15</sup> and (10) adopt new MRX Rule 724 to establish various risk protections for

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<sup>9</sup> The Exchange represents that proposed MRX Rule 714(b)(3)(A) is identical to ISE Rule 714(b)(3)(A). See id.

<sup>10</sup> The Exchange represents that the proposed definitions of “legging orders” and “QCC with Stock Orders” in proposed MRX Rules 715(k) and (t) are identical to ISE Rules 715(k) and (t), respectively. In addition, the Exchange represents that the proposed amendment to the Ouch to Trade Options and Specialized Quote Feed protocols in proposed MRX Rule 715, Supplementary Material .03(b) and (c) are identical to ISE Rule 715, Supplementary Material .03(b) and (c). See id.

<sup>11</sup> The Exchange represents that the proposed Complex Facilitation Mechanism and Complex Solicited Order Mechanism in MRX Rules 716(c) and (e) are identical to ISE Rules 716(c) and (e), respectively. In addition, proposed MRX Rules 716(f) and (g), addressing concurrent auctions, are identical to ISE Rules 716(f) and (g). See id. at 16908-9.

<sup>12</sup> The Exchange represents that proposed MRX Rule 718(a)(5) is identical to ISE Rule 718(a)(5). See id. at 16910. The Exchange also proposes to amend the MRX Pricing Schedule to indicate that the Nasdaq MRX Spread Feed will be available at no cost. See id. and MRX Options Pricing Schedule, Sections 6 and 7.

<sup>13</sup> The Exchange represents that MRX Rule 720, as proposed to be amended, is identical to ISE Rule 720. See id.

<sup>14</sup> The Exchange represents that these orders are identical to orders available on ISE. See id. at 16909.

<sup>15</sup> The Exchange represents that the Complex Price Improvement Mechanism in proposed MRX Rule 723(e) is identical to ISE Rule 723(e). See id.

Complex Orders.<sup>16</sup> The proposal also includes non-substantive and technical changes related to the adoption of the Complex Order functionality.

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act,<sup>17</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>18</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>19</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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, and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Commission believes that the proposed rules are consistent with the Act because they are substantially identical to ISE's rules governing the trading of Complex Orders, which the Commission has reviewed previously. Because they are substantially identical to ISE's Complex Order rules, MRX's proposed rules do not raise new or novel regulatory issues. The Commission believes that the proposed rules could assist market participants in making informed decisions regarding the trading of Complex Orders on MRX,

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<sup>16</sup> MRX proposes to adopt the following Complex Order risk protections: Price Limits, Vertical Spread Protections, Calendar Spread Protections, Butterfly and Box Spread Protections, Limit Order Price Protections, Size Limitations, and Price Level Protections. The Exchange represents that proposed MRX Rule 724 is identical to ISE Rule 724. See id.

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

<sup>18</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

including the order types, priority, auction and crossing mechanisms, and risk protections available for Complex Orders traded on MRX.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>20</sup> that the proposed rule change (SR-MRX-2019-08) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>20</sup> 15 U.S.C. 78s(b)(2).

<sup>21</sup> 17 CFR 200.30-3(a)(12).