

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 35663; 812–15720]

Lord Abbett Credit Opportunities Fund, et al.

July 1, 2025.

AGENCY: Securities and Exchange Commission (“Commission”).

ACTION: Notice.

Notice of an application under sections 6(c) and 23(c)(3) of the Investment Company Act of 1940 (the “Act”) for an exemption from rule 23c–3 under the Act.

SUMMARY OF APPLICATION: Applicants request an order under sections 6(c) and 23(c)(3) of the Act for an exemption from certain provisions of rule 23c–3 to permit certain registered closed-end investment companies to make repurchase offers on a monthly basis in an amount no less than 2% of the common shares outstanding, but in no event for an amount less than 5% or more than 25% of such shares during any three-month period.

APPLICANTS: Lord Abbett Credit Opportunities Fund, Lord Abbett Flexible Income Fund, Lord Abbett Municipal Opportunities Fund, Lord Abbett Corporate Opportunities Fund, Lord, Abbett & Co. LLC, Lord Abbett FIF Advisor LLC, and Lord Abbett Distributor LLC.

FILING DATES: The application was filed on March 12, 2025 and amended on May 14, 2025.

HEARING OR NOTIFICATION OF HEARING:

An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing on any application by emailing the SEC’s Secretary at Secretarys-Office@sec.gov and serving the Applicants with a copy of the request by email, if an email address is listed for the relevant Applicant below, or personally or by mail, if a physical address is listed for the relevant Applicant below. Hearing requests should be received by the Commission by 5:30 p.m. on July 28, 2025, and should be accompanied by proof of service on the Applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to rule 0–5 under the Act, hearing requests should state the nature of the writer’s interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by

emailing the Commission’s Secretary at Secretarys-Office@sec.gov.

ADDRESSES: The Commission: Secretarys-Office@sec.gov. Applicants: Randolph A. Stuzin, Vice President and Assistant Secretary, 30 Hudson Street, Jersey City, NJ 07302; and Brooke A. Fapohunda, Vice President, Assistant Secretary and Chief Legal Officer, 30 Hudson Street, Jersey City, NJ 07302.

FOR FURTHER INFORMATION CONTACT: Kyle R. Ahlgren, Branch Chief, or Kaitlin C. Bottock, Assistant Chief Counsel, at (202) 551–6825 (Division of Investment Management, Chief Counsel’s Office).

SUPPLEMENTARY INFORMATION: For Applicants’ representations, legal analysis, and conditions, please refer to Applicants’ application, dated May 14, 2025, which may be obtained via the Commission’s website by searching for the file number at the top of this document, or for an Applicant using the Company name search field on the SEC’s EDGAR system.

The SEC’s EDGAR system may be searched at <https://www.sec.gov/edgar/searchedgar/companysearch.html>. You may also call the SEC’s Office of Investor Education and Advocacy at (202) 551–8090.

For the Commission, by the Division of Investment Management, under delegated authority.

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–103363; File No. SR–MX2–2025–01]

Self-Regulatory Organizations; MX2 LLC; Notice of Filing of a Proposed Rule Change To Adopt Rules To Govern the Trading of Options on the Exchange for a New Facility Called MX2 Options

July 1, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on June 18, 2025, MX2 LLC (“MEMX” or the “Exchange”) filed with the Securities and Exchange Commission (the “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 is filing with the Commission a proposed rule change to adopt rules to govern the trading of options on the Exchange. The text of the proposed rule change is provided in Exhibit 5.

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 is proposing to adopt a series of rules in connection with MX2 Options, which will be a facility of the Exchange. MX2 Options will operate an electronic trading system developed to trade options (the “System”) leveraging the Exchange’s [sic] existing robust and resilient technology platform that it uses to operate MEMX Equities and MEMX Options. Much of the proposed functionality for MX2 Options is substantially similar to MEMX Options, thus, the Exchange proposes to adopt rules applicable to MX2 Options that are substantively identical or substantially similar to the approved rules of MEMX applicable to MEMX Options, with certain proposed changes or omissions that are described below.

The System will provide for the electronic display and execution of orders, as described below. All Exchange Members will be eligible to participate in MX2 Options provided that the Exchange specifically authorizes them to trade in the System. The System will provide a routing service for orders when marketable trading interest is not present on MX2 Options and will comply with all applicable securities laws and regulations and the obligations of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

Options Order Protection and Locked/Crossed Market Plan.

MX2 Options Members

Pursuant to the proposed rules in Chapter 17 (Participation on MX2 Options), the Exchange will authorize any Exchange Member who meets certain enumerated qualification requirements (any such Member, an “Options Member”) and any Options Member’s Sponsored Participants to obtain access to, and transact business on, MX2 Options.

There will be two types of Options Members—Options Order Entry Firms (“OEFs”) and Options Market Makers. Options Market Makers, in turn, will be eligible to participate as Preferred Market Makers, Lead Market Makers and Market Makers. OEFs will be those Options Members representing orders as agent on MX2 Options or trading as principal on MX2 Options. Options Market Makers will be those Options Members registered with the Exchange as Options Market Makers pursuant to proposed Rule 22.2.

To become an Options Market Maker, an Options Member is required to register by filing a written application with the Exchange, and then may select class appointments to make markets in those classes. Pursuant to proposed Rule 22.2, the Exchange may appoint one Lead Market Maker (or “LMM”) per option class. Market Makers may select from among any option issues traded on the Exchange to request appointment as an LMM, subject to the approval of the Exchange. In considering the approval of the appointment of an LMM in each security, the Exchange will consider: the Market Maker’s preference; the financial resources available to the Market Maker; the Market Maker’s experience, expertise and past performance in making markets, including the Market Maker’s performance in other securities; the Market Maker’s operational capability; and the maintenance and enhancement of competition among Market Makers in each security in which they are registered, including pursuant to the performance standards set forth in proposed Rule 22.2(i).

Pursuant to proposed Rule 22.2(c), an unlimited number of Market Makers may be registered in each class unless the number of Market Makers registered to make a market in a particular option class should be limited whenever, in the Exchange’s judgment, quotation system capacity in an option class or classes is not sufficient to support additional Market Makers in such class or classes. The Exchange will not restrict access in any particular option class until such time as the Exchange has submitted

objective standards for restricting access to the SEC for its review and approval.

Options Market Makers will be required to electronically engage in a course of dealing reasonably calculated to contribute to the maintenance of fair and orderly markets. Among other things, an Options Market Maker would generally have to satisfy the following responsibilities and duties during trading: (1) maintain a continuous two-sided market in each of its appointed classes; (2) engage, to a reasonable degree under the existing circumstances, in dealings for its own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class; (3) compete with other Market Makers in its appointed classes; (4) enter a size of at least one contract for its best bid and its best offer; and (5) maintain minimum net capital in accordance with Commission and Exchange rules. The Exchange proposes to specify numerically the meaning of “continuous” with respect to maintaining continuous, two-sided quotes. For purposes of Rule 22.6, the Exchange will consider the continuous quoting requirement fulfilled if a Market Maker enters continuous bids and offers in 60% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Options Market Maker’s appointed classes are open for trading, excluding any adjusted series, any intraday add-on series on the day during which such series are added for trading, any Quarterly Option Series, and any series with an expiration of greater than 270 days.³ Pursuant to proposed Rule 22.5(c), substantial or continued failure by an Options Market Maker to meet any of its obligations and duties will subject the Options Market Maker to disciplinary action, suspension, or revocation of the Options Market Maker’s registration as such or its appointment in one or more of its appointed options classes.

Options Market Makers receive certain benefits for carrying out their duties. For example, a Market Maker may be designated by the Exchange as

a Lead Market Maker or may have orders directed to it in its capacity as a Preferred Market Maker, in each case receiving a priority advantage over other non-Customer orders to the extent applicable priority overlays have been implemented, as described below. In addition, a lender may extend credit to a broker-dealer without regard to the restrictions in Regulation T of the Board of Governors of the Federal Reserve System if the credit is to be used to finance the broker-dealer’s activities as a specialist or market maker on a national securities exchange. Thus, an Options Market Maker has a corresponding obligation to hold itself out as willing to buy and sell options for its own account on a regular or continuous basis to justify this favorable treatment. The Exchange notes that the proposed continuous quoting requirement under proposed Rule 22.6(d) is substantially identical to that of MEMX Options as well as other options exchanges, including Cboe EDGX Options (“EDGX Options”), Nasdaq PHLX LLC (“Phlx”), and Nasdaq ISE, LLC (“ISE”).⁴

Pursuant to proposed Rule 17.2(f), every Options Member shall at all times maintain membership in another registered options exchange that is not registered solely under Section 6(g) of the Exchange Act⁵ or in FINRA. OEF’s that transact business with Public Customers must at all times be members of FINRA. Pursuant to proposed Rule 17.2(g), (Requirements for Options Participation, Options Principal), every Options Member will be required to have at least one registered Options Principal who satisfies the criteria of that rule, including the satisfaction of a proper qualification examination. An OEF may only transact business with Public Customers if such Options Member also is an Options Member of another registered national securities exchange or association with which the Exchange has entered into an agreement under Rule 17d–2 under the Exchange Act⁶ pursuant to which such other exchange or association shall be the designated options examining authority for the OEF. The proposed rules relating to qualification and participation on MX2 Options as an Options Member (including as an OEF and an Options Market Maker) are substantively identical to the relevant rules of MEMX Options.

As provided in proposed Rule 16.2, existing Exchange Rules applicable to

³ The Exchange notes that it also proposes to adopt provisions that exclude from the calculation of continuous quoting those times that an Options Market Maker is experiencing a technical failure or limitation, during a trading halt, suspension or pause in the underlying security, or when the underlying security is in a limit up-limit down state. See, e.g., proposed Rule 22.6(d)(2)–(3).

⁴ See MEMX Rule 22.6(d); EDGX Options Rule 22.6(d); Phlx Rule 1081(c) and ISE Rule 804(e).

⁵ 15 U.S.C. 78f(g).

⁶ 17 CFR 240.17d–2.

the MX2 equities market contained in Chapters 1 through 15 of the Exchange Rules will apply to Options Members unless a specific Exchange Rule applicable to the MX2 Options market (proposed Chapters 16 through 29 of the Exchange Rules) governs or unless the context otherwise requires. Options Members can therefore provide sponsored access to the MX2 Options Exchange to a non-Member (*i.e.*, a Sponsored Participant) pursuant to Rule 11.3 of the Exchange Rules.

Definitions

The Exchange proposes to define a series of terms under proposed Rule 16.1 (Definitions), which are to be used in proposed Chapters 16 to 29 relating to the trading of options contracts on the Exchange. Each of the terms defined in proposed Rule 16.1 is identical to definitions included in MEMX Rule 16.1.

The definitions under proposed Rule 16.1 are as follows:

- **ABBO.** The term “ABBO” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in proposed Rule 27.1) and calculated by the Exchange based on market information the Exchange receives from OPRA.

- **Aggregate Exercise Price.** The term “aggregate exercise price” means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.

- **American-Style Option.** The term “American-style option” means an options contract that, subject to the provisions of proposed Rule 23.1 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.

- **Associated Person and Person Associated with an Options Member.** The terms “associated person” and “person associated with an Options Member” mean any partner, officer, director, or branch manager of an Options Member (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with an Options Member or any employee of an Options Member.

- **Bid.** The term “bid” means a limit order to buy one or more options contracts.

- **Board.** The term “Board” means the Board of Directors of MX2 LLC.

- **Call.** The term “call” means an options contract under which the holder of the option has the right, in

accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

- **Capacity.** The term “Capacity” means the capacity in which a User submits an order, which the User specifies by applying the corresponding code to the order according to the specifications for MX2 Options.

- **Class of Options.** The terms “class” or “class of options” mean all options contracts with the same unit of trading covering the same underlying security or index.

- **Clearing Corporation and OCC.** The terms “Clearing Corporation” and “OCC” mean The Options Clearing Corporation.

- **Clearing Member.** The term “Clearing Member” means an Options Member that is self-clearing or an Options Member that clears MX2 Options Transactions for other Members of MX2 Options.

- **Closing Purchase Transaction.** The term “closing purchase transaction” means a MX2 Options Transaction that reduces or eliminates a short position in an options contract.

- **Closing Writing Transaction.** The term “closing writing transaction” means a MX2 Options Transaction that reduces or eliminates a long position in an options contract.

- **Covered Short Position.** The term “covered short position” means (i) an options position where the obligation of the writer of a call option is secured by a “specific deposit” or an “escrow deposit” meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

- **Customer.** The term “Customer” means a Public Customer or a broker-dealer.

- **Customer Order.** The term “Customer Order” means an agency order for the account of a Customer.

- **Discretion.** The term “discretion” means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

- **European-Style Option.** The term “European-style option” means an options contract that, subject to the provisions of proposed Rule 23.1 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

- **Exchange Act.** The term “Exchange Act” means the Securities Exchange Act of 1934, as amended, or Rules thereunder.

- **Exercise Price.** The term “exercise price” means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.

- **He, Him, and His.** The terms “he,” “him” and “his” are deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

- **Index Option.** The term “index option” means an options contract that is an option on a broad-based, narrow-based or micro narrow-based index of equity securities prices.

- **Individual Equity Option.** The term “individual equity option” means an options contract which is an option on an equity security.

- **Long Position.** The term “long position” means a person’s interest as the holder of one or more options contracts.

- **MX2 Exchange and Exchange.** The terms “MX2 Exchange” and “Exchange” mean MX2 LLC.

- **MX2 Exchange Rules and Exchange Rules.** The terms “MX2 Exchange Rules” and “Exchange Rules” mean the rules of the Exchange, including those for equities and options.

- **MX2 Options.** The term “MX2 Options” means the MX2 LLC Options Market, an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.

- **MX2 Options Book.** The term “MX2 Options Book” means the electronic book of options orders maintained by the Trading System.

- **MX2 Options Transaction.** The term “MX2 Options Transaction” means a transaction involving an options contract that is effected on or through MX2 Options or its facilities or systems.

- **NBB, NBO, and NBBO.** The term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer as calculated

by MX2 Options based on market information received by MX2 Options from OPRA.

- *Offer*. The term “offer” means a limit order to sell one or more options contracts.
- *OPRA*. The term “OPRA” means the Options Price Reporting Authority.
- *Opening Purchase Transaction*. The term “opening purchase transaction” means a MX2 Options Transaction that creates or increases a long position in an options contract.
- *Opening Writing Transaction*. The term “opening writing transaction” means a MX2 Options Transaction that creates or increases a short position in an options contract.
- *Options Contract*. The term “options contract” means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.
- *Options Market Close and Market Close*. The terms “options market close” and “market close” mean the time the Exchange specifies for the end of a trading session on the Exchange on that trading day.
- *Options Market-Maker and Market-Maker*. The terms “Options Market-Maker” and “Market Maker” mean an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in proposed Chapter 22.
- *Options Market Open and Market Open*. The terms “options market open” and “market open” mean the time the Exchange specifies for the beginning of a trading session on the Exchange on that trading day.
- *Options Member*. The term “Options Member” means a firm, or organization that is registered with the Exchange pursuant to proposed Chapter 17 for purposes of participating in options trading on MX2 Options as an “Options Order Entry Firm” or “Options Market Maker.”
- *Options Member Agreement*. The term “Options Member Agreement” means the agreement to be executed by Options Members to qualify to participate on MX2 Options.
- *Options Order Entry Firm, Order Entry Firm, and OEF*. The terms “Options Order Entry Firm” and “Order Entry Firm” or “OEF” mean those Options Members representing as agent Customer Orders on MX2 Options and those non-Market Maker Members conducting proprietary trading.
- *Options Principal*. The term “Options Principal” means a person engaged in the management and supervision of the Options Member’s

business pertaining to options contracts that has responsibility for the overall oversight of the Options Member’s options related activities on the Exchange.

- *Order*. The term “order” means a firm commitment to buy or sell options contracts as defined in proposed Rule 21.1(c).
- *Outstanding*. The term “outstanding” means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.
- *Primary Market*. The term “primary market” means, in the case of securities listed on Nasdaq Stock Market, LLC (“Nasdaq”), the market that is identified as the listing market pursuant to Section X(d) of the approved national market system plan governing the trading of Nasdaq-listed securities, and, in the case of securities listed on another national securities exchange, the market that is identified as the listing market pursuant to Section XI of the Consolidated Tape Association Plan.
- *Priority Customer and Priority Customer Order*. The term “Priority Customer” means any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional. The term “Priority Customer Order” means an order for the account of a Priority Customer.
- *Professional*. The term “Professional” means any person or entity that (A) is not a broker or dealer in securities; and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Options Members.
- *Protected Quotation*. The term “Protected Quotation” has the meaning provided in proposed Rule 27.1.⁷
- *Public Customer*. The term “Public Customer” means a person that is not a broker or dealer in securities.
- *Put*. The term “put” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the

options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

- *Quarterly Options Series*. The term “Quarterly Options Series” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.
- *Quote and Quotation*. The terms “quote” and “quotation” mean a bid or offer entered by a Market Maker as a firm order that updates the Market Maker’s previous bid or offer, if any.
- *Responsible Person*. The term “Responsible Person” means a U.S.-based officer, director, or management-level employee of an Options Member, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Member.
- *Rules of MX2 Options*. The term “Rules of MX2 Options” mean the rules contained in proposed Chapters 16 to 29 of the MX2 LLC Exchange Rules governing the trading of options on the Exchange.
- *Rules of the Clearing Corporation and Rules of the OCC*. The terms “Rules of the Clearing Corporation” and “Rules of the OCC” mean the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.
- *SEC and Commission*. The terms “SEC” and “Commission” mean the United States Securities and Exchange Commission.
- *Series of Options*. The terms “series” or “series of options” mean all options contracts of the same class that are the same type of options and have the same exercise price and expiration date.
- *Short Position*. The term “short position” means a person’s interest as the writer of one or more options contracts.
- *Short Term Option Series*. The term “Short Term Option Series” means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be

⁷ As defined in proposed Rule 27.1, the term “Protected Quotation” refers to a Protected Bid or Protected Offer, and the terms “Protected Bid” and “Protected Offer” refer to a Bid or Offer in an options series, respectively, that: (A) is disseminated pursuant to the OPRA Plan; and (B) is the highest priced Bid or lowest priced Offer, respectively, displayed by an Eligible Exchange.

opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

- *SRO.* The term “SRO” means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

- *Trading System and System.* The terms “Trading System” and “System” mean the automated trading system used by MX2 Options for the trading of options contracts.

- *Type of Option.* The term “type of option” means the classification of an options contract as either a put or a call.

- *Uncovered.* The term “uncovered” means a short position in an options contract that is not covered.

- *Underlying Security.* The term “underlying security” means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

- *User.* The term “User” means any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).

Execution System

The Exchange’s options System will leverage the Exchange’s current state-of-the-art technology, including its customer connectivity, messaging protocols, quotation and execution engine, order router, data feeds, and network infrastructure. This approach minimizes the technical effort required for existing Exchange Members to begin trading options on MX2 Options. As a result, MX2 Options will closely resemble the Exchange’s affiliate, MEMX Options, but will differ in that MX2 Options will maintain a pro rata allocation model with execution priority dependent on the capacity of an order (e.g., Customer or non-Customer) as well as status as a Lead Market Maker or Preferred Market Maker, as applicable. The proposed model for MX2 Options is similar to other options exchanges such as EDGX Options, NYSE American Options (“NYSE American”) and the MIA Options Exchange (“MIA”), which are sometimes referred to as “classic” exchanges.

Like the Exchange’s [sic] system for MEMX Equities and Options, all trading interest entered into the System will be automatically executable. Orders entered into the System will be displayed anonymously. Thus, the

System will offer anonymous trading, however, options trades are not currently anonymous through settlement. Accordingly, as set forth in proposed Rule 21.10, aggregated and individual transaction reports produced by the System will indicate the details of a User’s transactions, including the contra party’s executing firm ID (“EFID”), capacity, and clearing firm account number.⁸ The Exchange will become an exchange member of the Options Clearing Corporation (“OCC”). The System will be linked to OCC for the Exchange to transmit locked-in trades for clearance and settlement.

Hours of Operation. As stated in proposed Rule 21.2, the MX2 Options System will begin accepting orders after 9:30 a.m. Eastern Time pursuant to the market opening procedures described in proposed Rule 21.7.⁹ Orders and bids and offers shall be open and available until 4:00 p.m. Eastern Time except for option contracts on Fund Shares, as defined in proposed Rule 19.3(i), option contracts on exchange-traded notes including Index-Linked Securities, as defined in proposed Rule 19.3(l), and option contracts on broad-based indexes, as defined in proposed Rule 29.1(j), which may close as of 4:15 p.m. Eastern Time. The proposed hours of operation on MX2 Options are the same as on MEMX Options.

Units of Trading. As stated in proposed Rule 21.3, the unit of trading in each series of options traded on MX2 Options will be the unit of trading established for that series by the OCC pursuant to the rules of the OCC and the agreements of the Exchange with the OCC. The proposed determination of the unit of trading for a series of options traded on MX2 Options is the same as on MEMX Options pursuant to MEMX Rule 21.3.

Minimum Quotation and Trading Increments. As stated in proposed Rule

⁸ The Exchange shall also reveal a User’s identity: (i) when a registered clearing agency ceases to act for a participant, or the User’s clearing firm, and the registered clearing agency determines not to guarantee the settlement of the User’s trades; and (ii) for regulatory purposes or to comply with an order of an arbitrator or court. See proposed Rule 21.10. The Exchange notes that proposed Rule 21.10 is identical to MEMX Rule 21.10.

⁹ Specifically, Rule 21.7(a) states that the System shall open options, other than index options, for trading after the System’s observation after 9:30 a.m. Eastern Time of both: (i) the first transaction on the primary listing market in the security underlying the option, and (ii) the Limit Up-Limit Down price bands applicable to the security underlying the option as disseminated by the applicable Securities Information Processor (“SIP”). With respect to index options, the System shall open for trading after a time period (which the Exchange determines for all classes) following the System’s observation after 9:30 a.m. Eastern Time of the first disseminated index value for the index underlying an index option.

21.5(a), the Exchange is proposing to apply the following quotation increments: (1) if the options series is trading at less than \$3.00, five (5) cents; (2) if the options series is trading at \$3.00 or higher, ten (10) cents; and (3) if the options series is trading pursuant to the Penny Interval Program one (1) cent if the options series is trading at less than \$3.00, five (5) cents if the options series is trading at \$3.00 or higher, unless for QQQ, SPY, or IWM where the minimum quoting increment will be one (1) cent for all series. In addition, as stated in proposed Rule 21.5(b), the Exchange is proposing that the minimum trading increment for options contracts traded on MX2 Options will be one (1) cent for all series. The Exchange also proposes to offer trading of Mini Options, and that the minimum trading increment for Mini Options shall be the same as the minimum trading increment permitted for standard options on the same underlying security.¹⁰ Such proposed minimum quotation and trading increments are the same as on MEMX Options pursuant to MEMX Rules 21.5(a), (b) and (c).

Penny Interval Program. As set forth in proposed Rule 21.5(d), the Exchange is proposing to adopt a Penny Interval Program that is substantially similar to the penny programs of other exchanges, including MEMX Options, which includes minimum quoting requirements for option classes listed under the Penny Interval Program. However, eligibility for inclusion in the Penny Interval Program will be limited to those classes already operating under penny programs of other options exchanges at the time MX2 Options is launched. The list of option classes included in the Penny Interval Program will be announced by the Exchange via circular distributed to Options Members and published by the Exchange on its website.

Order Types and Handling Instructions. The System will make available to Users two Order Types (as defined in proposed Rule 21.1(d))—Limit Orders and Market Orders—as well as various other instructions and modifiers that can be appended to such orders. The characteristics and functionality of each Order Type is substantially similar to what is currently approved for use on MEMX Equities, MEMX Options, and on other options exchanges, including EDGX Options, except where described below. The

¹⁰ Per proposed Rule 21.5(c), the minimum trading increment for Mini Options shall be determined in accordance with Interpretations and Policies .07 to Rule 19.5.

Exchange notes that each of the proposed rules regarding the order types and order type instructions and modifiers is substantively identical to the applicable rule for a corresponding order type or order type instruction or modifier offered by MEMX Options with the exception of the proposed addition of Reserve Orders, which are not currently offered on MEMX Options. Proposed Rule 21.1(d) includes the following details with respect to Limit Orders and Market Orders:

- **Limit Order.** Limit Orders are orders (including bulk messages) to buy or sell an option at a specified price or better. A Limit Order is marketable when, for a Limit Order to buy, at the time it is entered into the System, the order is priced at the current inside offer or higher, or for a Limit Order to sell, at the time it is entered into the System, the order is priced at the current inside bid or lower.

- **Market Order.** Market Orders are orders to buy or sell at the best price available at the time of execution. Market Orders to buy or sell an option traded on MX2 Options will be rejected if they are received when the underlying security is subject to a “Limit State” or “Straddle State” as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the “Limit Up-Limit Down Plan”). Bulk messages may not be Market Orders.

The System will also make available to Users several additional instructions that can be designated on an order (“Handling Instructions”). A Handling Instruction applied to a bulk message applies to each bid and offer within that bulk message. The Handling Instructions available on MX2 Options are described in proposed Rule 21.1(e) and will include the following:

- **Book Only.** Book Only is an instruction that an order is to be ranked and executed on the Exchange pursuant to proposed Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another options exchange. Users may designate bulk messages as Book Only as set forth in proposed Rule 21.1(l).

- **Post Only.** Post Only is an instruction that an order is to be ranked and executed on the Exchange pursuant to proposed Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another options exchange except that the order will not remove liquidity from the MX2 Options Book. The System cancels or rejects a bid (offer) designated as Post Only with a price that locks or crosses the Exchange’s best offer (bid). A Market Order cannot be designated as

Post Only. Users may designate bulk messages as Post Only as set forth in proposed Rule 21.1(l).

- **Intermarket Sweep Order (“ISO”).** ISOs are orders that shall have the meaning provided in proposed Rule 27.1, which relates to intermarket trading. Such orders may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges (*i.e.*, may trade through such quotations). The Exchange relies on the marking of an order as an ISO order when handling such order, and thus, it is the entering Options Member’s responsibility, not the Exchange’s responsibility, to comply with the requirements relating to ISOs. ISOs are not eligible for routing pursuant to proposed Rule 21.9. A Market Order cannot be designated as an Intermarket Sweep Order. Users may not designate bulk messages as ISOs.

- **Reserve Orders.** Reserve orders are limit orders that have both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity (“Reserve Quantity”) not displayed. Both the Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. If the Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using either Random Replenishment or Fixed Replenishment, as directed by the User. Under either instruction, any order with a Reserve Quantity will be handled as a new order by the System and a new order identification number will be created each time a displayed quantity is replenished. The Exchange will obfuscate the unique order identification number on its data feeds for replenishment of an order with Reserve Quantity. If the remainder of an order is less than the replenishment amount, the Exchange will display the entire remainder of the order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”) when entering an order with a Reserve Quantity, which is also used to determine the replenishment amount, as set forth below. Users may not designate bulk messages as Reserve Orders.

With respect to the replenishment instructions, if a User designates Random Replenishment, the replenishment quantities for the order are randomly determined by the System within a replenishment range established by the user, (*i.e.*, the range will be between the Max floor minus the

replenishment value selected by the User and the Max Floor plus the replenishment value established by the User. Further, a User must select whether the Random Replenishment be immediate or to have the time interval of such replenishment randomly set by the Exchange. If the User selects a random time interval, the System will randomly replenish the User’s displayed replenishment quantity at different time intervals ranging up to one (1) millisecond following each execution that triggers replenishment. The nondisplayed portion of an order subject to Random Replenishment will remain fully executable prior to the replenishment of a User’s displayed quantity.

If the User selects Fixed Replenishment, the System will replenish the Display Quantity of the order to the Max Floor designated by the User. As noted above, the Exchange does not currently offer Reserve Orders on MEMX Options, however, the definition and functionality of Reserve Orders as proposed in MX2 Rule 21.1(e)(4) are substantively identical to that in MX2 Rule 11.6(k), as well as MEMX Rule 11.6(k), as Reserve Orders are provided on MEMX Equities. The Exchange notes that although Reserve Orders are not currently available on MEMX Options, they are available on multiple competing options exchanges,¹¹ and Reserve orders operate in the same manner on those exchanges, the only difference being that the Exchange offers the random time interval functionality as an option if Random Replenishment is selected.¹²

Time-in-Force Designations. Users entering orders into the System may designate such orders to remain in force and available for display and/or potential execution for varying periods of time. Unless cancelled earlier, once these time periods expire, the order (or the unexecuted portion thereof) is returned to the entering party. A Time-in-Force applied to a bulk message applies to each bid and offer within that bulk message. Unless otherwise specified in the Exchange Rules or the context indicates otherwise, the Exchange determines which of the following Times-in-Force are available on a class or system basis. The Time-in-Force designations available on MX2 Options are described in proposed Rule 21.1(g) and will include the following:

¹¹ See., e.g., EDGX Options Rule 21.1(d)(1) and Nasdaq GEMX Options 3, Section 7(g).

¹² The Exchange emphasizes that the random time interval functionality is currently offered on MEMX under Rule 11.6(k) and MX2 under Rule 11.6(k).

- *Immediate Or Cancel* (“IOC”). IOC means, for an order so designated, an order that is to be executed in whole or in part as soon as such order is received. The portion not so executed immediately on the Exchange or another options exchange is cancelled and is not posted to the MX2 Options Book. IOC orders that are not designated as Book Only and that cannot be executed in accordance with proposed Rule 21.8 on the System when reaching the Exchange will be eligible for routing away pursuant to proposed Rule 21.9. Users may designate bulk messages as IOC.

- *Day*. Day means, for an order so designated, an order to buy or sell which, if not executed expires at market close. Users may designate bulk messages as Day.

The Exchange notes that each of the proposed Time-in-Force designations available on MX2 Options is identical to the same Time-in-Force designation available on MEMX Options.

Member Match Trade Prevention Modifiers. As with MEMX Options, the Exchange will allow Users to use certain Match Trade Prevention (“MTP”) modifiers, which are described in proposed Rule 21.1(h). Any incoming order designated with an MTP modifier will be prevented from executing against a resting opposite side order also designated with an MTP modifier and originating from the same EFID, Exchange Member identifier, trading group identifier, or Exchange Sponsored Participant identifier. The Exchange will offer the following MTP modifiers: MTP Cancel Newest, described in proposed Rule 21.1(h)(1); MTP Cancel Oldest, described in proposed Rule 21.1(h)(2); and MTP Cancel Both, described in proposed Rule 21.1(h)(3).

Re-Pricing Mechanism. The Exchange, like MEMX Options, proposes to offer a re-pricing mechanism to Users to comply with the order protection and trade through restrictions of the Options Order Protection and Locked/Crossed Market Plan. This re-pricing mechanism, described in proposed Rule 21.1(i), is referred to by the Exchange as Price Adjust and is identical to the Price Adjust mechanism offered by MEMX Options pursuant to MEMX Rule 21.1(i).

EFIDs. As proposed in Rule 21.1(j), the term “EFIDs” means Executing Firm IDs and shall refer to what the System uses to identify the User and the clearing number for the execution of orders and quotes submitted to the System with that EFID. A User may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to its Users. Each EFID corresponds to a single User

and a single clearing number of a Clearing Member with the Clearing Corporation. A User may obtain multiple EFIDs, which may be for the same or different clearing numbers. A User is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a User submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote. The Exchange notes that its proposed Rule 21.1(j) is identical to MEMX Rule 21.1(j).

Ports and Bulk Messages. Proposed Rule 21.1(k) defines two types of ports: (1) a “physical port,” which provides a physical connection to the System and may provide access to multiple logical ports; and (2) a “logical port” or “application session,” which provides Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information. The Exchange notes that each of the proposed types of ports available on MX2 Options is identical to the same types of ports on MEMX Options. The Exchange also proposes to offer bulk message functionality through the same logical ports as Users submit other messages to the Exchange, as MEMX Options does. Finally, the Exchange proposes to adopt the same bulk message functionality as is offered by MEMX Options. The term “bulk message” is proposed to mean a bid or offer included in a single electronic message a User submits with a Market Maker Capacity to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers (which number the Exchange will announce via Exchange notice or publicly available technical specifications). The System handles a bulk message in the same manner as it handles an order or quote, unless the Exchange Rules specify otherwise. Users may submit bulk messages through a logical port, subject to the following: bulk messages must contain a Time-in-Force of Day or IOC; a Market Maker with an appointment in a class must designate a bulk message for that class as Post Only or Book Only, and a non-appointed Market Maker must designate a bulk message for that class as Post Only; the System cancels or rejects a Post Only bulk message bid (offer) with a price that locks or crosses the Exchange best offer (bid) or ABO (ABB); the System executes a Book Only bulk message bid (offer) that locks or crosses the ABO (ABB) against offers (bids) resting in the Book at prices the

same as or better than the ABO (ABB) and then cancels the unexecuted portion of that bid (offer).

Cancel Back. The term “Cancel Back” is proposed to mean an instruction a User designates on an order (including bulk messages) to not be subject to the Price Adjust process pursuant to proposed Rule 21.1(i). The System cancels or rejects an order with a Cancel Back instruction (immediately at the time the System receives the order or upon return to the System after being routed away) if displaying the order on the Book would create a violation of proposed Rule 27.3, or if the order cannot otherwise be executed or displayed in the Book at its limit price. The System executes a Book Only—Cancel Back order against resting orders. The proposed definition of Cancel Back in proposed Rule 21.1(m) is identical to a Cancel Back Order defined in MEMX Rule 21.1(m).

Market Opening Procedures. As stated in proposed Rule 21.7, the System shall open options, other than index options, for trading after the System’s observation after 9:30 a.m. Eastern Time of both: (1) the first transaction on the primary listing market in the security underlying the option, and (2) the Limit Up-Limit Down price bands applicable to the security underlying the option as disseminated by the applicable Securities Information Processor (“SIP”). With respect to index options, the System shall open for trading after a time period (which the Exchange determines for all classes) following the System’s observation after 9:30 a.m. Eastern Time of the first disseminated index value for the index underlying an index option. Because the Exchange does not propose to adopt an opening cross or similar opening process, the opening trade that occurs on the Exchange will be a trade in the ordinary course of dealings on the Exchange. Accordingly, the System will ensure that the opening trade in an options series will not trade through a Protected Quotation at another options exchange, consistent with the general standard regarding trade throughs articulated in proposed Rule 21.6(e). The proposed market opening procedures are substantively identical to the market opening procedures for MEMX Options. Additionally, the Exchange proposes under Rule 21.7(c) that it may delay the commencement of trading in any class of options in the interests of a fair and orderly market. As stated in proposed Rule 21.6(c), orders received prior to the opening of the System will be cancelled. The Exchange believes that it is appropriate to commence operations on MX2 Options with simplified

procedures for when the System is open for trading because for a successful opening process to function, an exchange needs a critical mass of liquidity from market participants in order to price and execute opening transactions. In turn, as a new options exchange, MX2 Options does not know the amount of pre-opening interest it will have, and it will have to gain market share in order to accumulate such interest. MX2 Options will re-evaluate its opening procedures over time and may propose to add an opening process through a rule filing submitted to the Commission in the future.

Order Display/Matching System. The System will be based upon functionality currently approved for use in the Exchange's equities and MEMX Options trading systems. Specifically, the System will allow Users to enter Market Orders and priced Limit Orders to buy and sell MX2 Options-listed options. All orders (including bulk messages) will be designated for display (price and size) on an anonymous basis by the Exchange.

Routing. Pursuant to proposed Rule 21.9, the MX2 Options Exchange will support orders that are designated to be routed to the National Best Bid and Offer ("NBBO") as well as orders that will execute only within MX2 Options. Orders that are designated to execute at the NBBO will be routed to other options markets to be executed when the Exchange is not at the NBBO consistent with the Options Order Protection and Locked/Crossed Market Plan. Subject to the exceptions contained in proposed Rule 27.2(b), (Order Protection, Exceptions to Trade-Through Liability), the System will ensure that an order will not be executed at a price that trades through another options exchange. An order that is designated by an Options Member as routable will be routed in compliance with applicable trade-through restrictions. Any order entered with a price that would lock or cross a Protected Quotation that is not eligible for either routing or the price adjust process as defined in proposed Rule 21.1(i) will be cancelled. Bulk messages are not eligible for routing. These rules related to routing are substantively identical to those of MEMX Options.

Pursuant to proposed Rule 21.9(d), MX2 Options shall route orders in options via MEMX Execution Services LLC ("MEMX Execution Services"), which serves as the Outbound Router of the Exchange, as defined in Rule 2.11. The function of the Outbound Router will be to route orders in options listed and open for trading on MX2 Options to

other options exchanges pursuant to the proposed rules of MX2 Options solely on behalf of MX2 Options. The Outbound Router is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Act. Use of MEMX Execution Services or Routing Services (as defined below) to route orders to other market centers is optional. In the event the Exchange is not able to provide order routing services through its affiliated broker-dealer, the Exchange will route orders to other options exchanges in conjunction with one or more routing brokers that are not affiliated with the Exchange ("Routing Services").¹³ Parties that do not desire to use MX2 Execution Services or other Routing Services provided by the Exchange must designate orders as not available for routing.¹⁴

In connection with the proposed rules regarding routing to away options exchanges, proposed Rule 21.9(f) provides that MEMX Execution Services has, pursuant to Rule 15c3-5 under the Act,¹⁵ implemented certain tests designed to mitigate the financial and regulatory risks associated with providing the Exchange's Users with access to such away options exchanges. Pursuant to the policies and procedures developed by MEMX Execution Services to comply with Rule 15c3-5, if an order or series of orders are deemed to be erroneous or duplicative, would cause the entering User's credit exposure to exceed a preset credit threshold, or are non-compliant with applicable pre-trade regulatory requirements (as defined in Rule 15c3-5), MEMX Execution Services will reject such orders prior to routing and/or seek to cancel any orders that have been routed. This is consistent with the routing implementation of other options exchanges, and the Exchange notes that proposed Rule 21.9(f) is substantively identical to MEMX Rule 21.9(f).

Order Priority. Upon opening, trades on the Exchange will occur when a buy order and a sell order match on the Exchange's order book. The system shall execute trading interest within the System in price priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. Pursuant to proposed Rule 21.8(c), after considering price priority, all orders are matched according to pro-rata priority according to size. In addition, Customer, Lead Market Maker

and/or Preferred Market Maker priority overlays are also available at the Exchange's discretion on a class-by-class basis pursuant to proposed Rule 21.8(d). The Exchange will issue a notice to Options Members which will specify which classes of options are initially subject to these additional priority overlays and will provide such Options Members with reasonable advance notice of any changes to the application of such overlays.

Specifically, (i) the Customer Overlay provides Customers with priority over all non-Customer interest at the same price, and if there are two or more Customer orders for the same options series at the same price, priority is afforded to the Customer orders in the sequence in which they were received by the System;¹⁶ (ii) the Preferred Market Maker overlay (which may only be in effect if the Customer Overlay is also in effect and shall only apply to any remaining balance after Priority Customer Orders have been satisfied) provides the Preferred Market Maker with priority over other Market Makers for a certain percentage of contracts allocated at the same price (60% or 40% depending upon the number of other Market Makers at the NBBO);¹⁷ and (iii) the Lead Market Maker overlay (which may only be in effect if the Customer Overlay is also in effect and shall only apply to any remaining balance after Priority Customer Orders have been satisfied) provides Lead Market Makers with priority over other Market Makers for a certain percentage of contracts allocated at the same price (60% or 40% depending upon the number of other Market Makers at the NBBO)¹⁸ and for small size orders.¹⁹

¹⁶ See proposed Rule 21.8(d)(1).

¹⁷ See proposed Rule 21.8(f)(1), which states: For each incoming order, if the PMM has a priority quote at the NBBO, its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Market Maker quotation or non-Customer order at the NBBO and forty percent (40%) if there are two (2) or more other Market Maker quotes and/or non-Customer orders at the NBBO.

¹⁸ See proposed Rule 21.8(g)(1), which states: For each incoming order, if the LMM has a priority quote at the NBBO, its participation entitlement is equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Market Maker quotation or non-Customer order at the NBBO and forty percent (40%) if there are two (2) or more other Market Maker quotes and/or non-Customer orders at the NBBO.

¹⁹ See proposed Rule 21.8(g)(2), which states: Small size orders will be allocated in full to the LMM if the LMM has a priority quote at the NBBO. The Exchange will review this provision quarterly and will maintain the small order size at a level that

¹³ See proposed Rule 21.9(e).

¹⁴ See proposed Rule 21.9(d).

¹⁵ 17 CFR 240.15c3-5.

After executions resulting from the Priority Overlays described above, Orders and Quotes within the System for the accounts of non-Customers, including Professional Customers, have next priority. If there is more than one highest bid or more than one lowest offer in the Consolidated Book for the account of a non-Customer, then such bids or offers will be afforded priority on a “size pro rata” basis.²⁰

In allocating the participation entitlements set forth in proposed Rule 21.8(h) to the Preferred Market Maker and the Lead Market Maker, the following shall apply.²¹ In a class of options where both the Lead Market Maker and the Preferred Market Maker participation entitlements are in effect and an Options Member has directed an order to a Preferred Market Maker: (A) if the Preferred Market Maker’s priority quote is at the NBBO, the Preferred Market Maker’s participation entitlement will supersede the Lead Market Maker’s participation entitlements for an order directed to such Preferred Market Maker; (B) if the Preferred Market Maker’s priority quote is not at the NBBO, the Lead Market Maker’s participation entitlement will apply to that order, provided the Lead Market Maker’s priority quote is at the NBBO; (C) if an order is preferred to the Lead Market Maker (*i.e.* the Lead Market Maker is also the Preferred Market Maker), the Lead Market Maker receives the participation and/or small order entitlement, as applicable, provided the Lead Market Maker/Preferred Market Maker’s priority quote is at the NBBO; and (D) neither the Preferred Market Maker’s nor the Lead Market Maker’s priority quote is at the NBBO then executed contracts will be allocated in accordance with the pro-rata allocation methodology as described in paragraphs 21.8(c) and 21.8(e) without regard to any participation entitlement. If an incoming order has not been preferred to a Preferred Market Maker by an Options Member, however, then the Lead Market Maker’s participation entitlement will apply to that order, provided the Primary Market Maker’s priority quote is at the NBBO.²²

As proposed and as noted above, the participation entitlements of proposed Rule 21.8 shall not be in effect unless the Customer Overlay is also in effect and the participation entitlements shall

will not allow small size orders executed by LMMs to account for more than 40% of the volume executed on the Exchange. Small size orders are defined as incoming orders of five (5) or fewer contracts.

²⁰ See proposed Rule 21.8(e).

²¹ See proposed Rule 21.8(h)(1).

²² See proposed Rule 21.8(h)(2).

only apply to any remaining balance after Customer orders have been satisfied.²³

Pursuant to proposed Rule 21.8(h)(4), neither the Lead Market Maker nor the Preferred Market Maker may be allocated a total quantity greater than the quantity they are quoting at the execution price. If the Lead Market Maker’s or the Preferred Market Maker’s allocation of an order pursuant to its participation entitlement is greater than its pro-rata share of priority quotes at the best price at the time that the participation entitlement is granted, neither the Lead Market Maker nor the Preferred Market Maker shall receive any further allocation of that order.

In establishing the counterparties to a particular trade, the participation entitlements must first be counted against the Lead Market Maker’s highest priority bids and offers or the Preferred Market Maker’s highest priority bids or offers.²⁴

The proposed participation entitlements only apply to the allocation of executions among competing Market Maker priority quotes existing on the MX2 Options Book at the time the order is received by the Exchange. No market participant is allocated any portion of an execution unless it has an existing interest at the execution price. Moreover, no market participant can execute a greater number of contracts than is associated with its interest at a given price. Accordingly, the Lead Market Maker and the Preferred Market Maker participation entitlements contained in the proposed Rule are not guarantees.²⁵

The Exchange believes that proposed Rule 21.8 governing priority on the Exchange is consistent with other options exchanges that have similar market models, including EDGX Options and NYSE American.²⁶

Data Feeds. The System will include proprietary data feeds which will display without attribution to Users’ orders on both the bid and offer side of the market for price levels then within MX2 Options using the minimum price variation applicable to that security. These data feeds will include a depth of book quotation and execution feed, a top of book quotation and executions information feed, a DROP feed which offers information regarding the options trading activity of a specific User, and a historical options data feed.²⁷

²³ See proposed Rule 21.8(h)(3).

²⁴ See proposed Rule 21.8(h)(5).

²⁵ See proposed Rule 21.8(h)(6).

²⁶ See, *e.g.*, EDGX Options Rule 21.8; NYSE American Rule 964NY.

²⁷ See proposed Rule 21.15(b)(1)–(4).

Risk Controls. The Exchange also proposes to offer to all Users of MX2 Options the ability to establish certain risk control parameters and limits that are intended to assist Users in managing their market risk. The proposed risk controls are set forth in proposed Rules 21.16 and 21.17 and are identical to those offered by MEMX Options pursuant to MEMX Rules 21.16 and 21.17.²⁸ The proposed risk controls are designed to offer Users protection from entering orders outside of certain size and price parameters, as well as certain standard or Exchange-established parameters based on order type and market conditions.

Under the proposed Risk Monitor Mechanism, Users may configure risk limits for various parameters, including number of contracts executed (“volume”), notional value of executions (“notional”), number of executions (“count”), number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day (“percentage”), and the number of times the limits on any of the foregoing parameters are reached (“risk trips”). The System will track each of the parameters within an underlying for an EFID (“underlying limit”), across all underlyings for an EFID (“EFID limit”), across all underlyings for a group of EFIDs (“EFID Group”) (“EFID Group limit”), and/or across a customized group of orders designated by the User (“Custom Group Limit”), over a User-established time period (“interval”) and on an absolute basis for a trading day (“absolute limits”).

When the System determines that a specified parameter has reached the User-defined risk limit, depending on the User’s instructions and the applicable limit that has been reached, the Risk Monitor Mechanism either: (1) cancels or rejects such User’s orders or quotes in all series of the applicable underlying(s) and cancels or rejects any additional orders or quotes from the User in the applicable underlying(s) until the counting program resets; or (2) suspends all of a User’s resting orders or quotes in all series of the applicable underlying(s) and cancels or rejects any additional orders or quotes from the User in the applicable underlying(s) until the Exchange is instructed to reinstate such bids and offers. A User may also engage the Risk Monitor

²⁸ See Securities Exchange Act Release No. 98730 (October 12, 2023) 88 FR 71898 (October 18, 2023) (SR–MEMX–2023–28) and Securities Exchange Act Release No. 99700 (March 8, 2024) 89 FR 18689 (March 14, 2024) (SR–MEMX–2024–09) for details regarding the risk controls.

Mechanism to cancel resting bids and offers, as well as subsequent orders as set forth in proposed Rule 22.10 (“mass cancellation”) or to suspend all resting bids and offers until the Exchange is instructed to reinstate such bids and offers (“mass suspension”).

In addition to the Risk Monitor Mechanism functionality described above, the Exchange also proposes to offer additional price protection mechanisms and risk controls that relate to certain standard or Exchange-established parameters based on order type and market conditions, which are described in proposed Rule 21.17, as well as additional controls applicable to options activity, described in Rule 21.17, Interpretations and Policies .01. These controls include a Market Order NBBO Width Protection, Limit Order Fat Finger Check, Buy Order Put Check, Drill-Through Price Protection, Market Orders in No-Bid (Offer) Series control, Bulk Message Fat Finger Check, and Rejection of Bulk Message Updates, controls related to the maximum dollar amount for a single order and maximum number of contracts for a single order, controls related to the order types or modifiers that can be utilized as well as orders when the market is crossed, controls to restrict the options classes for which a User may enter orders to test symbols only, controls prohibiting the entry of duplicative orders, controls restricting the overall rate of order entry, and credit controls measuring both gross and net exposure that warn when approached and, when breached, prevent submission of either all new orders or Market Orders only.²⁹

Proposed Rule 21.17, Interpretation and Policy .02 indicates that the Exchange will offer risk functionality that permits a user to: to (i) cancel all unexecuted orders and quotes in the MX2 Options Book, or (ii) block the entry of any new orders and quotes, or (iii) both cancel all unexecuted orders and quotes in the MX2 Options Book and block the entry of any new orders and quotes. In addition to (i), (ii), and (iii), the Exchange also offers (iv) risk functionality that automatically cancels a User’s open orders and quotes to the extent the User loses its connection to the Exchange. Further, MX2 Options offers batch cancel functionality that permits a User to cancel any orders or quotes in any series of options by requesting the Exchange to affect such cancellation. A User initiating such a request may also request that the Exchange block new inbound orders in any series of options. The block will remain in effect until the User requests

the Exchange remove the block. Finally, proposed Rule 21.17, Interpretation and Policy .03 indicates that the risk controls provided are meant to supplement, and not replace, the Member’s or User’s own internal systems, monitoring, and procedures related to risk management and are not designed for compliance with Rule 15c3–5 under the Exchange Act. Responsibility for compliance with all Exchange and SEC rules remains with the Member or User.³⁰

One Second Exposure Period. Proposed Rule 22.11 would prohibit Options Members from executing as principal on MX2 Options orders they represent as agent unless (i) agency orders are first exposed on MX2 Options for at least one (1) second or (ii) the Options Member has been bidding or offering on MX2 Options for at least one (1) second prior to receiving an agency order that is executable against such bid or offer. As noted above, proposed Rule 22.11 would require Options Members to expose their customers’ orders on the Exchange for at least one second under certain circumstances. During this one second exposure period, other Options Members will be able to enter orders to trade against the exposed order. In adopting a one-second order exposure period, the Exchange is proposing a requirement that is consistent with the Rules of other options exchanges, including MEMX Options. Thus, the exposure period will allow Options Members that are members of other options exchanges to comply with Rule 22.11 without programming separate time parameters into their systems for order entry or compliance purposes. The Exchange believes that market participants are sufficiently automated that a one second exposure period allows an adequate time for market participants to electronically respond to an order. Also, it is possible that market participants might wait until the end of the exposure period, no matter how long, before responding. Thus, the Exchange believes that any longer than one second would not further the protection of investors or market participants, but rather, would potentially increase market risk to investors and other market participants by creating a longer period of time for the exposed order to be subject to market risk.

The technology for the Exchange’s trading system for MX2 Options will be the same technology currently used for MEMX Options, and the Exchange has had ample experience with that trading

system to believe that one second is an adequate exposure period.

Options Order Protection and Locked/Crossed Market Plan Rules

The Exchange will participate in the Options Order Protection and Locked/Crossed Market Plan (the “Plan”) and therefore will be required to comply with the obligations of Participants under the Plan. The Plan essentially applies the Regulation NMS price-protection provisions to the options markets. Similar to Regulation NMS, the Plan requires the Plan Participants to adopt rules “reasonably designed to prevent Trade-Throughs”, while exempting ISOs from that prohibition. The Plan’s definition of an ISO is essentially the same as under Regulation NMS. The remaining exceptions to the trade-through prohibition, discussed more specifically below, either track those under Regulation NMS or correspond to unique aspects of the options market, or both. The Exchange notes that the proposed rules in Chapter 27 (Options Order Protection and Locked and Crossed Markets Rules) are identical to the rules of MEMX Options, and as such, the Exchange is proposing to incorporate Chapter 27 of MEMX’s rulebook by reference into Chapter 27 of the MX2 Rulebook.³¹

Securities Traded on MX2 Options

General Listing Standards. The Exchange proposes to adopt listing standards for options traded on MX2 Options as described in Chapter 19 (Securities Traded on MX2 Options), as well as for index options as described in Chapter 29 (Index Rules), which are identical to the approved rules of MEMX Options.³² The Exchange will join the Options Listings Procedures Plan and will list and trade options already listed on other options exchanges. The Exchange will gradually phase-in its trading of options, beginning with a selection of actively traded options. Given that these rules mirror MEMX completely, the Exchange is proposing to incorporate the rules of Chapter 19 and Chapter 29 by reference

³¹ Specifically, the Exchange shall denote: “The rules contained in MEMX Chapter 27, as such rules may be in effect from time to time, are hereby incorporated by reference into this Chapter. Members must comply with MEMX Chapter 27 as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from MEMX Chapter 27 have the following meaning for purposes of this Chapter: “Exchange” means “MX2”; and “Member” (i.e., MEMX Member) means “Member (i.e., MX2 Member).” The Exchange will copy this language into the additional MEMX chapters it is proposing to incorporate by reference into MX2’s rulebook, each as further described below.

³² See MEMX Rules, Chapters 19 and 29.

²⁹ *Id.*

³⁰ *Id.*

into Chapter 19 and 29 of MX2's rulebook.

Conduct and Operational Rules for Options Members

The Exchange proposes to adopt rules for MX2 Options that are substantively identical to the rules of MEMX Options regarding: exercises and deliveries as described in Chapter 18 (Business Conduct); Chapter 23 (Exercises and Deliveries); records, reports and audits as described in Chapter 24 (Records, Reports and Audits); doing business with the public as described in Chapter 26 (Doing Business With the Public); and margin as described in Chapter 28 (Margin Requirements). Given that these rules mirror MEMX completely, the Exchange is proposing to incorporate each of the above chapters by reference into Chapters 18, 23, 24, 26 and 28 of MX2's rulebook.³³

National Market System

MX2 Options will operate as a full and equal participant in the national market system for options trading established under Section 11A of the Exchange Act,³⁴ just as its equities market participates today. MX2 Options will become a member of the Options Price Reporting Authority ("OPRA"), the Options Linkage Authority ("OLA"), the Options Regulatory Surveillance Authority ("ORSA"), and the Options Listing Procedures Plan ("OLPP").

The Exchange expects to participate in those plans on the same terms currently applicable to current members of those plans. The Exchange has contacted the leadership of each options-related national market system plan to begin the membership process.

Regulation

The Exchange will leverage many of the structures it established to operate a national securities exchange in compliance with Section 6 of the Exchange Act.³⁵ As described in more detail below, there will be three elements of that regulation: (1) the Exchange will join the existing options industry agreements pursuant to Section 17(d) of the Exchange Act prior to commencing operations,³⁶ as it did with respect to equities; (2) the Exchange's Regulatory Services Agreement with FINRA will be amended as necessary prior to commencing operations and will govern many aspects of the regulation and discipline of Members that participate in options trading, just

as it does for equities regulation; and (3) the Exchange will perform options listing regulation, as well as authorize Options Members to trade on MX2 Options, and conduct surveillance of options trading as it does today for equities.

Section 17(d) of the Exchange Act and the related Exchange Act rules permit SROs to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d-1,³⁷ the SEC designates one SRO to be the Designated Examining Authority, or DEA, for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the financial aspects of that broker-dealer's regulatory oversight. Because MX2 Options Members also must be members of at least one other SRO, the Exchange would generally not be designated as the DEA for any of its members.

Exchange Act Rule 17d-2³⁸ permits SROs to file with the Commission plans under which the SROs allocate among each other the responsibility to receive regulatory reports from, and examine and enforce compliance with specified provisions of the Exchange Act and rules thereunder and SRO rules by, firms that are members of more than one SRO ("common members"). If such a plan is declared effective by the Commission, an SRO that is a party to the plan is relieved of regulatory responsibility as to any common member for whom responsibility is allocated under the plan to another SRO.

All of the options exchanges, FINRA, and NYSE have entered into the Options Sales Practices Agreement, a Rule 17d-2 agreement, and the Exchange intends to join this agreement prior to the commencement of operations for MX2 Options. Under this Agreement, the examining SROs will examine firms that are common members of the Exchange and the particular examining SRO for compliance with certain provisions of the Exchange Act, certain of the rules and regulations adopted thereunder, certain examining SRO rules, and certain proposed MX2 Options rules. In addition, the proposed MX2 Options rules contemplate participation in this Agreement by requiring that any Options Member also be a member of at least one of the examining SROs. The Exchange also intends enter into and seek Commission approval of a bilateral Rule 17d-2 agreement with FINRA prior to commencing of operations for MX2 Options. Additionally, all of the options

exchanges and FINRA have entered into the Options-Related Market Surveillance Agreement, a Rule 17d-2 agreement, and the Exchange intends to join this agreement prior to the commencement of operations for MX2 Options.

For those regulatory responsibilities that fall outside the scope of any Rule 17d-2 agreements, the Exchange will retain full regulatory responsibility under the Exchange Act. However, the Exchange has entered into a Regulatory Services Agreement with FINRA, pursuant to which FINRA personnel operate as agents for the Exchange in performing certain of these functions. The Exchange and FINRA will continue to operate under the Regulatory Services Agreement that is currently in place but with modifications as necessary to accommodate the expanded scope of the relationship. The necessary modifications will be implemented prior to the commencement of operations of MX2 Options. As is the case with the Exchange's equities market, the Exchange will supervise FINRA and continue to bear ultimate regulatory responsibility for the MX2 Options Exchange.

Consistent with the Exchange's existing regulatory structure, the Exchange's Chief Regulatory Officer shall have general supervision of the regulatory operations of MX2 Options, including responsibility for overseeing the surveillance, examination, and enforcement functions and for administering all regulatory services agreements applicable to MX2 Options. Similarly, the Exchange's existing Regulatory Oversight Committee will be responsible for overseeing the adequacy and effectiveness of Exchange's regulatory and self-regulatory organization responsibilities, including those applicable to MX2 Options.

Finally, as it does with equities, the Exchange will perform automated surveillance of trading on MX2 Options for the purpose of maintaining a fair and orderly market at all times. As it does with its equities trading, the Exchange will monitor MX2 Options to identify unusual trading patterns and determine whether particular trading activity requires further regulatory investigation by FINRA.

In addition, the Exchange will oversee the process for determining and implementing trade halts, identifying and responding to unusual market conditions, and administering the Exchange's process for identifying and remediating "obvious errors" by and among its Options Members. The proposed rules in Chapter 20 (Regulation of Trading on MX2 Options)

³³ See MEMX Rules, Chapters 18, 23, 24, 26, and 28.

³⁴ 15 U.S.C. 78k-1.

³⁵ 15 U.S.C. 78f.

³⁶ 15 U.S.C. 78q(d).

³⁷ 17 CFR 240.17d-1.

³⁸ 17 CFR 240.17d-2.

regarding halts, unusual market conditions, extraordinary market volatility, obvious errors, audit trail, transfers of positions, and off-exchange RWA transfers are substantively identical to the approved rules of MEMX Options.

Minor Rule Violation Plan

The Exchange's disciplinary rules, including Exchange Rules applicable to "minor rule violations," are set forth in Chapter 8 of the Exchange's current Rules. Such disciplinary rules will apply to Options Members and their associated persons.

The Commission approved the Exchange's Minor Rule Violation Plan ("MRVP") in 2020.³⁹ The Exchange's MRVP specifies those uncontested minor rule violations with sanctions not exceeding \$2,500 that would not be subject to the provisions of Rule 19d-1(c)(1) under the Act⁴⁰ requiring that an SRO promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.⁴¹ The Exchange's MRVP includes the policies and procedures included in Exchange Rule 8.15 (Imposition of Fines for Minor Violation(s) of Rules) and in Exchange Rule 8.15, Interpretations and Policy .01.

The Exchange proposes to amend its MRVP and Exchange Rule 8.15, Interpretation and Policy .01 to include proposed Rule 25.3 (Penalty for Minor Rule Violations).⁴² The rules included in proposed Rule 25.3 as appropriate for disposition under the Exchange's MRVP are: (a) position limit and exercise limit violations; (b) violations regarding the failure to accurately report position and account information; (c) Market Maker quoting obligations; (d) violations

regarding expiring exercise declarations; (e) violations relating to the failure to respond to the Exchange's requests for the submission of trade data; and (f) violations relating to noncompliance with the Consolidated Audit Trail Compliance Rule requirements. The rules included in proposed Rule 25.3 are the same as the rules included in the MRVPs of MEMX Options and other options exchanges.⁴³

Upon implementation of this proposal, the Exchange will include the enumerated options trading rule violations in the Exchange's standard quarterly report of actions taken on minor rule violations under the MRVP. The quarterly report includes: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the fine imposed, the number of times the rule violation has occurred, and the date of disposition. The Exchange's MRVP, as proposed to be amended, is consistent with Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Act, which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange.⁴⁴ In addition, because amended Rule 8.15 will offer procedural rights to a person sanctioned for a violation listed in proposed Rule 25.3, the Exchange will provide a fair procedure for the disciplining of members and associated persons, consistent with Section 6(b)(7) of the Act.⁴⁵

This proposal to include the rules listed in proposed Rule 25.3 in the Exchange's MRVP is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act, as required by Rule 19d-1(c)(2) under the Act,⁴⁶ because it should strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as an SRO in cases where full disciplinary proceedings are unsuitable in view of the minor nature of the particular violation. In requesting the proposed change to the MRVP, the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. However, the MRVP provides a reasonable means of

addressing rule violations that do not rise to the level of requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

Section 36 Exemption Request

The Exchange proposes to incorporate by reference as MX2 Options rules certain rules of the Cboe Exchange, Inc. ("Cboe"), the New York Stock Exchange ("NYSE"), FINRA, and as described above, its affiliated exchange, MEMX. Specifically, MX2 Options proposes to incorporate by reference the applicable rules of MEMX with respect to Chapter 18 (Business Conduct), Chapter 19 (Securities Traded on MX2 Options), Chapter 23 (Exercises and Deliveries), Chapter 24 (Records, Reports and Audits), Chapter 26 (Doing Business with the Public), Chapter 27 (Options Order Protection and Locked and Crossed Markets Rules), Chapter 28 (Margin Requirements) and Chapter 29 (Index Rules);⁴⁷ MX2 Options Rule 26.16 proposes to incorporate by reference the applicable rules of FINRA with respect to Communications with Public Customers; MX2 Options Rule 28.3 proposes to incorporate by reference initial and maintenance margin requirements of either Cboe or NYSE; MX2 Options Rule 29.5 proposes to incorporate by reference the applicable rules of Cboe with respect to position limits for broad based index options; and MX2 Options Rule 29.7 proposes to incorporate by reference the applicable rules of Cboe with respect to position limits for Narrow-Based and Micro-Narrow Based Index Options traded on MX2 Options and also on Cboe.

Thus, for certain MX2 Options rules, Exchange members will comply with a MX2 Options rule by complying with the MEMX, Cboe, NYSE, or FINRA rule referenced. Using its authority under Section 36 of the Act, the Commission has previously exempted certain SROs from the requirement to file proposed rule changes under Section 19(b) of the Act when incorporating another SRO's rules by reference.⁴⁸ Each such exempt

³⁹ See Release No. 34-89836 (September 11, 2020), 85 FR 58081 (September 17, 2020) (Order Declaring Effective a Minor Rule Violation Plan) ("MRVP Order").

⁴⁰ 17 CFR 240.19d-1(c)(1).

⁴¹ The Commission adopted amendments to paragraph (c) of Rule 19d-1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Release No. 34-21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission will not be considered "final" for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

⁴² In its proposal to adopt the MRVP, the Exchange requested that, going forward, to the extent that there are any changes to the rules applicable to the Exchange's MRVP, the Exchange requests that the Commission deem such changes to be modifications to the Exchange's MRVP.

⁴³ See MEMX Rule 25.3. See also, EDGX Options Rule 25.3 and Cboe BZX Options ("BZX Options") Rule 25.3.

⁴⁴ 15 U.S.C. 78f(b)(1), 78f(b)(5) and 78f(b)(6).

⁴⁵ 15 U.S.C. 78f(b)(7).

⁴⁶ 17 CFR 240.19d-1(c)(2).

⁴⁷ Each MEMX Chapter incorporated by reference into MX2's rules will have the same chapter numbers in MX2's rulebook.

⁴⁸ See, e.g., Securities Exchange Act Release No. 49260 (February 17, 2004), 69 FR 8500 (February

SRO has agreed to be governed by the incorporated rules, as amended from time to time, but, has not been required to file a separate proposed rule change with the Commission each time the SRO whose rules are incorporated by reference seeks to modify its rules. In addition, each SRO incorporated by reference only regulatory rules (*e.g.*, margin, suitability, arbitration), not trading rules, and incorporated by reference whole categories of rules (*i.e.*, did not “cherry-pick” certain individual rules within a category). Last, each exempt SRO had reasonable procedures in place to provide written notice to its members each time a change is proposed to the incorporated rules of another SRO in order to provide its members with notice of a proposed rule change that affects their interests, so that they would have an opportunity to comment on it.

In connection with this proposal, the Exchange respectfully requests, pursuant to Rule 240.0–12 under the Act,⁴⁹ an exemption under Section 36 of the Act from the rule filing requirements of Section 19(b) of the Act for changes to those MX2 Options rules that are effected solely by virtue of a change to a cross-referenced MEMX, Cboe, NYSE, or FINRA rule. The Exchange proposes to incorporate by reference categories of rules (rather than individual rules within a category) that are not trading rules. The Exchange also agrees to provide written notice to Options Members prior to the launch of MX2 Options of the specific MEMX, Cboe, NYSE, and FINRA rules that it will incorporate by reference. In addition, the Exchange will notify Options Members whenever MEMX, Cboe, NYSE, or FINRA proposes a change to a cross-referenced MEMX, Cboe, NYSE, or FINRA rule.⁵⁰ For the foregoing reasons, the Exchange believes that its request for exemptive relief is consistent with prior requests for, and provision of, similar exemptive relief.

24, 2004). See also Securities Exchange Act Release Nos. 57478 (March 12, 2008), 73 FR 14521, 14539–40 (March 18, 2008) (order approving SR–NASDAQ–2007–004 and SR–NASDAQ–2007–080) and 53128 (January 13, 2006), 71 FR 3550, 3565–66 (January 23, 2006) (File No. 10–131) (approving The NASDAQ Stock Market LLC’s exchange application).

⁴⁹ 17 CFR 240.0–12.

⁵⁰ The Exchange will provide such notice through a posting on the same website location where the Exchange will post its own rule filings pursuant to Rule 19b–4(l) under the Act, within the time frame required by that rule. The website posting will include a link to the location on the MEMX, Cboe, NYSE, or FINRA website where the proposed rule change is posted.

Amendments to Existing Exchange Rules

In addition to the rules of MX2 Options proposed above, the Exchange proposes to amend certain of its existing Exchange Rules that currently apply to the Exchange’s equities market in order to reflect the Exchange’s proposed operation of MX2 Options.

First, the Exchange proposes to amend paragraph (d) of Interpretations and Policies .01 to Rule 2.5 (Restrictions), which generally requires each Member to register at least two Principals with the Exchange subject to certain exceptions described therein, to provide that such paragraph (d) shall not apply to a Member that solely conducts business on the Exchange as an Options Member, however, Options Members must comply with the registration requirements set forth in proposed Rule 17.2(g). The Exchange notes that proposed Rule 17.2(g), which provides that every Options Member shall have at least one Options Principal and sets forth the Exchange’s Options Principal registration requirements, is identical to MEMX Rule 17.2(g). In connection with this proposed change, the Exchange also proposes to amend paragraph (i) of Interpretations and Policies .01 to Rule 2.5 to include Options Principal as a registration category and to set forth the Exchange’s qualification requirements for an Options Principal, which are the same as those for an Options Principal on MEMX Options.

The Exchange also proposes to modify Rule 2.11(a)(6), which states that MEMX Execution Services shall maintain an error account for the purpose of addressing positions that are the result of an execution or executions that are not clearly erroneous under Rule 11.15 and result from a technical or systems issue at MEMX Execution Services, the Exchange, a routing destination, or a non-affiliate third-party routing broker that affects one or more orders (“Error Positions”). The proposed change to Rule 2.11(a)(6) would add a reference to the comparable provision to that which governs review and resolution of clearly erroneous transactions (*e.g.*, for equities, Rule 11.15) but for options transactions, namely Rule 20.6, which governs review and resolution of options transactions that may qualify as obvious errors.

Lastly, the Exchange proposes to amend Interpretations and Policies .01 Rule 8.15 (Imposition of Fines for Minor Violation(s) of Rules), which contains the list of Exchange Rule violations and recommended fine schedule pursuant to Rule 8.15, to include a new paragraph (i) referencing proposed Rule 25.3 for

the recommended fines for minor rule violations of the Exchange Rules applicable to MX2 Options, which the Exchange notes are the same as those of MEMX Options.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁵¹ in general, and furthers the objectives of Section 6(b)(5) of the Act⁵² in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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 is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As described above, the fundamental premise of the proposal is that the Exchange will operate its options market much in a similar manner to its affiliated options exchange, MEMX Options, with the exception of the priority model and certain other limited differences. Those differences (*i.e.* pro-rata priority model and the addition of Reserve orders), are not novel and are offered by other options exchanges.⁵³ Further, the proposed Reserve Orders on MX2 Options will operate in the same manner and have the same functionality as those currently offered on MEMX⁵⁴ and that have been approved under the Rules of MX2.⁵⁵ The Exchange believes MX2 Options will benefit individual investors, options trading firms, and the options market generally. The entry of an innovative, cost competitive market such as MX2 Options will promote competition, spurring existing exchanges to improve their own executions systems and reduce trading costs.

The basis for a majority of the proposed rules of MX2 Options are the approved rules of MEMX Options, which have already been found consistent with the Exchange Act. Therefore, the Exchange does not believe that any of the proposed order types and order type functionality raise any new or novel issues that have not

⁵¹ 15 U.S.C. 78f(b).

⁵² 15 U.S.C. 78f(b)(5).

⁵³ See *supra* notes 11 and 26.

⁵⁴ See MEMX Rule 11.6(k).

⁵⁵ See Exchange Rule 11.6(k).

been previously considered by the Commission.

The Exchange further believes that the functionality that it proposes to offer is consistent with Section 6(b)(5) of the Act because the System is designed to be efficient and its operation transparent, thereby facilitating transactions in securities, removing impediments to and perfecting the mechanisms of a free and open national market system. As described above, the Exchange's proposed rules, including the proposed Order Types and Handling Instructions, opening procedures, routing services, and order matching process are designed to provide a simplified suite of conventional features and to comply with all applicable regulatory requirements, including the obligations of the Options Order Protection and Locked/Crossed Market Plan.

The Exchange believes that the proposed rules of MX2 Options, as well as the proposed method of monitoring for compliance with and enforcing such rules is also consistent with the Exchange Act, particularly Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Exchange Act, which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange. The Exchange has proposed to adopt rules necessary to regulate Options Members that are nearly identical to the approved rules of MEMX Options other options exchanges, as described above. The Exchange proposes to regulate activity on MX2 Options in the same way it regulates activity on MEMX Options, specifically through various Exchange specific functions, an RSA with FINRA, as well as participation in industry plans, including plans pursuant to Rule 17d-2 under the Exchange Act.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in an intensely competitive global marketplace for transaction services. Relying on its array of services and benefits, the Exchange competes for the privilege of providing market services to broker-dealers. The Exchange's ability to compete in this environment is based in large part on the quality of its trading systems, the overall quality of its market and its attractiveness to the largest number of investors, as measured by speed,

likelihood and cost of executions, as well as spreads, fairness, and transparency.

The Exchange notes that most U.S. options exchanges are owned and operated by companies that operate more than one options exchange.⁵⁶ The primary reason to operate multiple options exchanges, as is true with respect to the proposed launch of MX2 Options, is that it allows an exchange operator to offer multiple market models, including a price-time market and a pro rata market, often with Customer priority as a critical component of the latter. Accordingly, the proposed rule change is intended to enhance competition by allowing the Exchange to compete with existing options exchanges that operate models based on Customer priority and pro rata allocations.

The proposed rule change will reduce the overall trading costs and increase price competition, both pro-competitive developments, and will promote further initiative and innovation among market centers and market participants.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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-MX2-2025-01 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-MX2-2025-01. 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-MX2-2025-01 and should be submitted on or before July 28, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁷

Sherry R. Haywood,
Assistant Secretary.

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⁵⁶ NYSE operates two options exchanges, NYSE American and NYSE Arca; Nasdaq operates six options exchanges, ISE, Phlx, Nasdaq Options Market ("NOM"), Nasdaq MRX ("MRX"), Nasdaq BX Options ("BX"), and Nasdaq GEMX ("GEMX"), Cboe operates four options exchanges, Cboe Options, C2 Options Exchange ("C2"), EDGX Options and BZX Options; and MIAX operates four options exchanges, MIAX, MIAX Pearl, MIAX Emerald, and MIAX Sapphire.

⁵⁷ 17 CFR 200.30-3(a)(12).