



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104152; File No. SR-MX2-2025-01]

Self-Regulatory Organizations; MX2 LLC; Order Granting Approval to a Proposed Rule Change to Adopt Rules to Govern the Trading of Options on the Exchange for a New Facility Called MX2 Options

September 30, 2025.

I. Introduction

On June 18, 2025, MX2 LLC (“MX2” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt rules governing the trading of options on the Exchange for a new facility called MX2 Options. The proposed rule change was published for comment in the Federal Register on July 7, 2025.³ On August 20, 2025, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵ The Commission received no comments on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange is proposing to adopt a series of rules in connection with MX2 Options, a new facility of the Exchange that will operate an electronic trading system to trade options (the “System”). Much of the proposed functionality for MX2 Options is substantially similar to MEMX Options, and 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 103363 (July 1, 2025), 90 FR 29898 (July 7, 2025) (“Notice”).

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 103750 (Aug. 20, 2025), 90 FR 41448 (Aug. 25, 2025).

MEMX Options, with certain differences described below.

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. 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 eligible to participate as Preferred Market Makers, Lead Market Makers, or Market Makers.

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 Commission 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.⁶ 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

⁶ The Exchange 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).

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. 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 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").⁷

OEFs that transact business with Public Customers must 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 Act⁸ pursuant to which such other exchange or association will 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 the MX2

⁷ See MEMX Rule 22.6(d); EDGX Options Rule 22.6(d); Phlx Rule 1081(c) and ISE Rule 804(e).

⁸ 17 CFR 240.17d-2.

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 16.1.⁹

Execution System

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.¹⁰

All trading interest entered into the System will be automatically executable. Orders entered into the System will be displayed on an anonymous basis. However, options trades will not be 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.¹¹ The Exchange will become an exchange member of the Options

⁹ See Notice, *supra* note 3, at 29900-02.

¹⁰ The proposed market structure for MX2 Options is similar to other options exchanges such as EDGX Options, NYSE American Options ("NYSE American") and the MIAX Options Exchange ("MIAX").

¹¹ The Exchange will reveal a User's identity: 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 for regulatory purposes or to comply with an order of an arbitrator or

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. Proposed Rule 21.2 states that MX2 Options System will begin accepting orders after 9:30 a.m. Eastern Time pursuant to the market opening procedures described in proposed Rule 21.7.¹² The System will be open until 4:00 p.m. Eastern Time except that 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), will 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 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

court. See proposed Rule 21.10. The Exchange notes that proposed Rule 21.10 is identical to MEMX Rule 21.10.

¹² Specifically, proposed Rule 21.7(a) states that the System will open options, other than index options, for trading after the System’s observation after 9:30 a.m. Eastern Time of both: the first transaction on the primary listing market in the security underlying the option, and 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 will 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.

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 series¹³ 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 in the Notice. The 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.

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.

¹³ The Exchange also proposes to offer trading of Mini Options, and that the minimum trading increment for Mini Options will be the same as the minimum trading increment permitted for standard options on the same underlying security. See proposed Rule 21.5(c).

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. According to the Exchange, although Reserve Orders are not currently available on MEMX Options, they are available on multiple competing options exchanges,¹⁴ 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.¹⁵

Time-in-Force Designations. Users may designate their 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 include Immediate or Cancel (“IOC”) or Day. 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

¹⁴ See, e.g., EDGX Options Rule 21.1(d)(1) and Nasdaq GEMX Options 3, Section 7(g).

¹⁵ The random time interval functionality is currently offered on MEMX under Rule 11.6(k) and MX2 under Rule 11.6(k).

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 refers 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. Users can use a “Cancel Back” instruction on an order (including bulk messages) to make the order not 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 will 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 will 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.

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 can 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”).¹⁶ 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.¹⁷

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,¹⁸ 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

¹⁶ See proposed Rule 21.9(e).

¹⁷ See proposed Rule 21.9(d).

¹⁸ 17 CFR 240.15c3-5.

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 will 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 Preferred Market Maker priority overlays are 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 specifying 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;¹⁹ (ii) the Preferred Market Maker overlay (which may only be in effect if the Customer Overlay is also in effect and will 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)²⁰; and (iii)

¹⁹ See proposed Rule 21.8(d)(1).

²⁰ See proposed Rule 21.8(f)(1), which states: For each incoming order, if the PMM has a priority quote at the

the Lead Market Maker overlay (which may only be in effect if the Customer Overlay is also in effect and will 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)²¹ and for small size orders.²²

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.²³

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 will apply.²⁴ 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

NBBO, its participation entitlement is equal to the greater of the proportion of the total size at the best price represented by the size of its quote, or sixty percent (60%) of the contracts to be allocated if there is only one other Market Maker quotation or non-Customer order at the NBBO and forty percent (40%) if there are two or more other Market Maker quotes and/or non-Customer orders at the NBBO.

²¹ 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 the proportion of the total size at the best price represented by the size of its quote, or sixty percent (60%) of the contracts to be allocated if there is only one other Market Maker quotation or non-Customer order at the NBBO and forty percent (40%) if there are two or more other Market Maker quotes and/or non-Customer orders at the NBBO.

²² 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 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 or fewer contracts.

²³ See proposed Rule 21.8(e).

²⁴ See proposed Rule 21.8(h)(1).

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.²⁵

As proposed and as noted above, the participation entitlements of proposed Rule 21.8 will not be in effect unless the Customer Overlay is also in effect and the participation entitlements will only apply to any remaining balance after Customer orders have been satisfied.²⁶

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 will receive any further allocation of that order.

²⁵ See proposed Rule 21.8(h)(2).

²⁶ See proposed Rule 21.8(h)(3).

In establishing the counterparties to a particular trade, the participation entitlements will 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.²⁷

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.²⁸

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.²⁹

Data Feeds. The System will offer proprietary data feeds including a depth of book quotation and execution feed, a top of book quotation and executions information feed, a DROP feed that offers information regarding the options trading activity of a specific User, and a historical options data feed.³⁰

Risk Controls. The Exchange proposes to offer Users 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 21.17.³¹ The proposed risk

²⁷ See proposed Rule 21.8(h)(5).

²⁸ See proposed Rule 21.8(h)(6).

²⁹ See, e.g., EDGX Options Rule 21.8; NYSE American Rule 964NY.

³⁰ See proposed Rule 21.15(b)(1)-(4).

³¹ See Securities Exchange Act Release No. 98730 (Oct. 12, 2023) 88 FR 71898 (Oct. 18, 2023) (SR-MEMX-2023-28) and Securities Exchange Act Release No. 99700 (Mar. 8, 2024) 89 FR 18689 (Mar. 14, 2024) (SR-MEMX-2024-09) (together, "MEMX Risk Control Filings") for details regarding the risk controls.

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 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.³²

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

³² See MEMX Risk Control Filings, *supra* note 31.

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 Act. Responsibility for compliance with all Exchange and SEC rules remains with the Member or User.³³

One Second Exposure Period. Proposed Rule 22.11 will 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. During this one second exposure period, other Options Members will be able to enter orders to trade against the exposed order. The one-second order exposure period requirement is consistent with the rules of other options exchanges, including MEMX Options.

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 the Plan. Similar to Regulation NMS, the Plan requires exchanges to adopt rules "reasonably designed to prevent Trade-Throughs," while specifying certain exemptions from that prohibition, including for ISOs. 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.³⁴

³³ See *id.*

³⁴ Specifically, the Exchange denotes: "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.

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.³⁵ 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. The Exchange is proposing to incorporate by reference the rules of MEMX's Chapters 19 and 29 into Chapters 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). The Exchange proposes to incorporate each of those MEMX chapters by reference into Chapters 18, 23, 24, 26 and 28 of MX2's rulebook.³⁶

National Market System

Before it begins operations, 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").

Regulation

The Exchange will join the existing options industry agreements pursuant to Section

³⁵ See MEMX Rules, Chapters 19 and 29.

³⁶ See MEMX Rules, Chapters 18, 23, 24, 26, and 28.

17(d) of the Act³⁷ prior to commencing operations, as it did for equities. The Exchange will amend its Regulatory Services Agreement (“RSA”) with FINRA prior to commencing operations to govern many aspects of the regulation and discipline of Members that participate in options trading, just as it does for equities regulation. Further, the Exchange itself 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 Act and the rules thereunder permit self-regulatory organizations (“SROs”) to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Rule 17d-2³⁸ permits SROs to file with the Commission plans under which the SROs allocate among themselves the responsibility to receive regulatory reports from, and examine and enforce compliance with, specified provisions of the 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 and the Exchange will 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 specified provisions of the Act, specified rules and regulations adopted thereunder, specified examining SRO rules, and specified MX2 Options rules. The Exchange also intends to 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 options exchanges and FINRA have entered into the Options-Related Market Surveillance Agreement and the Exchange intends

³⁷ 15 U.S.C. 78q(d).

³⁸ 17 CFR 240.17d-2.

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 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 for MX2 Options. Those modifications will be implemented prior to the commencement of operations of MX2 Options. The Exchange will supervise FINRA's performance of regulatory services and will continue to bear ultimate regulatory responsibility for the MX2 Options.

Consistent with the Exchange's existing regulatory structure, the Exchange's Chief Regulatory Officer will 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, the Exchange will perform automated surveillance of trading on MX2 Options for the purpose of maintaining a fair and orderly market at all times. The Exchange will monitor MX2 Options to identify unusual trading patterns and determine whether particular trading activity requires further regulatory investigation.

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) 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 Exchange's Minor Rule Violation Plan ("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 Act³⁹ requiring that an SRO promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.⁴⁰ 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). 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

³⁹ 17 CFR 240.19d-1(c)(1).

⁴⁰ 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.

included in proposed Rule 25.3 are the same as the rules included in the MRVPs of MEMX Options and other options exchanges.⁴¹

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. 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.⁴²

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).⁴³ In addition, MX2 Options Rule

⁴¹ See MEMX Rule 25.3. See also EDGX Options Rule 25.3 and Cboe BZX Options ("BZX Options") Rule 25.3.

⁴² 15 U.S.C. 78f(b)(7).

⁴³ Each MEMX Chapter incorporated by reference into MX2's rules will have the same chapter numbers in

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.

The Exchange has requested, pursuant to Rule 240.0-12 under the Act,⁴⁴ 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.⁴⁵

Amendments to Existing Exchange Rules

In addition to the rules of MX2 Options proposed above, the Exchange proposes to amend certain existing Exchange Rules that currently apply to the Exchange's equities market in

MX2's rulebook.

⁴⁴ 17 CFR 240.0-12.

⁴⁵ 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 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.

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) will 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 must 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 will 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.

III. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁴⁶ In particular, the Commission finds that the proposed rule change is consistent with, among others, Sections 6(b)(1),⁴⁷ 6(b)(5),⁴⁸ and 6(b)(8)⁴⁹ of the Act. Section 6(b)(1) of the Act requires that an exchange be so organized and have the capacity to be able to carry out the purposes of the Act and to comply and enforce compliance by its members and persons associated with its members with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange. Section 6(b)(5) of the Act requires that the rules of a national securities exchange be designated, among other things, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Section 6(b)(8) of the Act requires that the rules of a national securities exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

As detailed above, MX2's proposed rules are substantially similar to those of other exchanges, including its affiliated options exchange, MEMX Options, except primarily with respect to the Exchange's priority model and the availability of Reserve orders, which differ from MEMX Options.

⁴⁶ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁴⁷ 15 U.S.C. 78f(b)(1).

⁴⁸ 15 U.S.C. 78f(b)(5).

⁴⁹ 15 U.S.C. 78f(b)(8).

Exchange Members

For the same reasons provided by the Commission in its order approving MEMX Options,⁵⁰ the proposed qualification, registration, member operations, and use of MX2 Options requirements provide the Exchange with the capacity to carry out the purposes of the Act and enforce compliance by its members and persons associated with its members with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange, provide that registered broker-dealers can become members and have access to MX2 Options, and ensure that Options Members and their associated persons can be appropriately disciplined for violations of the Act, the rules and regulations thereunder, and Exchange rules.⁵¹

Additionally, for the same reasons provided by the Commission in its order approving MEMX Options, the proposed Options Market Maker registration and qualification requirements provide an objective process by which an Options Member could become a Market Maker and provide for continued oversight by the Exchange to monitor for continued compliance by Market Makers with the terms of their application for such status. As discussed above, the proposed rules relating to Market Makers are substantively identical to the rules of MEMX Options.

The proposed Options Market Maker participation requirements provide that Market Makers receive certain benefits for carrying out their responsibilities. At the same time, the proposed Options Market Maker participation requirements impose affirmative obligations on Market Makers that balance the benefits afforded to such participants. For the same reasons provided by the Commission in its order approving MEMX Options, the quoting obligations for Market Makers are designed to contribute to the maintenance of a fair and orderly market. MX2 Options' Market Maker participation requirements are substantially similar to the participation requirements of MEMX Options.

⁵⁰ See Securities Exchange Act Release No. 95445 (Aug. 8, 2022), 87 FR 49894, 49902 (Aug. 12, 2022) (approving rules governing MEMX Options) (“MEMX Options Order”).

⁵¹ See 15 U.S.C. 78f(b)(1), (b)(2) and (b)(6).

MX2 Options Market Structure and Trading Rules

The functionalities and features of MX2 Options market structure and trading system are based on functionalities and features currently used and previously approved for other options exchanges and do not raise novel issues. Among other things, the rules are reasonably designed to provide for a simple, orderly opening process for an exchange that only trade multiply listed options and an orderly re-opening process following the conclusion of a trading halt. The proposed rules provide for the electronic display and execution of orders in 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 priority model is similar to that in place on other options exchanges that have been previously approved by the Commission.⁵²

MX2 Options will only utilize the two industry standard order types (limit orders and market orders) and will offer order handling instructions that are substantially similar to the rules of other options exchanges. The Exchange's proposed reserve order functionality is similar to that available on other options exchanges.⁵³ The Commission finds that the priority system and order types are consistent with Section 6(b)(5) of the Act and are designed to promote just and equitable principles of trade and are not designed to permit unfair discrimination between customers, issuers, brokers, and dealers.

MX2 Options will require a one-second exposure period in order to execute a principal order represented as an agent, similar to MEMX Options and the requirements of other exchanges. This exposure requirement should facilitate the prompt execution of orders while continuing to provide members with an opportunity to compete for exposed bids and offers.

MX2 Options listing standards are identical to MEMX Options listing standards. MX2

⁵² See, e.g., EDGX Options Rule 21.8(c), NYSE American Options Rule 964NYP(h), MIAX Emerald Options Rule 514(c)(2), and MIAX Options Rule 514(c)(2).

⁵³ See, e.g., EDGX Options Rule 21.1(d)(1) and NYSE Arca Options Rule 6.62P-OE(d)(1).

Options will join the OLPP and will list and trade options already listed on other options exchanges. The Commission finds that the proposed listing standards are consistent with the Section 6(b)(5) of the Act and are designed to protect investors and the public interest and promote just and equitable principles of trade.

MX2 Options proposes operational rules that are substantially identical to MEMX Options, including rules applicable to exercise and deliveries. Those rules adopt the common set of options exchange requirements applicable to exercise notices and applicable cut-off times for submission of exercise-related notices, the assignment of exercise notices, and delivery and payment requirements. For the same reasons the Commission provided in its order approving MEMX Options, these rules are 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 are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.⁵⁴

The Commission finds that the proposed functionalities and features of MX2 Options' overall structure and trading operations are consistent with Section 6(b)(5) of the Act, which requires an exchange's rules to, among other things, be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and are not designed to permit unfair discrimination between customers, issuers, brokers, and dealers.

Options Order Protection, Locked/Crossed Market Plan, and Outbound Routing

⁵⁴ See MEMX Options Order, *supra* note 50.

MX2 Options rules are designed to comply with applicable Federal securities laws and regulations and the obligations of the Options Order Protection and Locked/Crossed Market Plan. Specifically, the rules are designed to ensure that an order is not executed at a price that would trade through another options exchange. In this regard, MX2 Options will be required under Rule 608(c) of Regulation NMS⁵⁵ to comply with and enforce compliance by its Options Members with the Options Order Protection and Locked/Crossed Market Plan once it joins that plan, including the requirement to avoid trading through better prices available on other markets. Any order designated by an Options Member as routable will be routed by MX2 Options in compliance with applicable trade-through restrictions, and 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 in proposed Rule 21.1(i) will be cancelled. Additionally, as discussed above, MX2 Options will route orders in options listed and open for trading on MX2 Options via MEMX Execution Services, the Outbound Router of the Exchange, to other options exchanges.⁵⁶ Furthermore, MEMX Execution Services has, pursuant to Rule 15c3-5 under the Act,⁵⁷ 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.⁵⁸ For the same reasons

⁵⁵ See 17 CFR 242.608(c).

⁵⁶ 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. 15 U.S.C. 78s.

⁵⁷ 17 CFR 240.15c3-5.

⁵⁸ Proposed Rule 21.9(f) is substantively identical to MEMX Rule 21.9(f).

the Commission provided in its order approving rules governing MEMX Options, the Exchange's proposed order protection rules and outbound routing rules are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.⁵⁹

Before commencing operations, MX2 Options will join the Options Order Protection and Locked/Crossed Market Plan. To meet their regulatory responsibilities under that plan, including the requirement to avoid trading through better-priced protected quotations available on other markets, other options exchanges that are participants must have sufficient notice of new protected quotations, as well as all necessary information such as final technical specifications. Therefore, it would be a reasonable policy and procedure under the Options Order Protection and Locked/Crossed Market Plan for industry participants to begin treating MX2 Options' best bid and best offer as a protected quotation no later than 60 days after the date of this order or such later date as MX2 Options begins operation.

Risk Monitoring and Protection

MX2 Options will offer several optional types of risk controls that are designed to offer 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. These include pre-trade risk controls, activity-based risk controls, and global risk controls. The proposed risk controls are identical to those offered by MEMX Options.⁶⁰

MX2 Options also will offer additional price protection mechanism and risk controls. These controls are substantially similar to those offered on MEMX Options. The proposed risk protections are reasonably designed to provide liquidity providers with protections to help them

⁵⁹ See MEMX Options Order, *supra* note 50.

⁶⁰ See MEMX Rules 21.16 and 21.17.

manage risk and efficiently use capital when trading options. These protections are in addition to, and do not take the place of, members' required market access controls, vigilant oversight of trading and algorithms, and overall risk management. For example, these mechanisms are intended to provide Market Makers with optional supplemental tools as an additional layer of protection to assist them in managing risk and utilize available capital in leveraged options securities. To the extent they achieve that intended objective, liquidity providers would be incentivized to quote more contracts at potentially better prices, thus benefitting investors through the availability of that liquidity. Accordingly, the proposed risk protections for MX2 Options are designed to, among other things, promote just and equitable principles of trade and protect investors and the public interest.

Participation in Multiparty Options-Related Plans

The Exchange will become a participant in the various applicable multiparty plans for options trading. Specifically, the Exchange represents that MX2 Options will become a member of OPRA, the Options Order Protection and Locked/Crossed Market Plan, the ORSA, and the OLPP prior to commencing operations. Joining these plans will integrate MX2 Options into the national market system for standardized listed options.

Regulation

The Exchange's proposed approach to self-regulation of its members and facilities is discussed in detail above, and involves joining the existing options industry multiparty agreements, utilizing an RSA with FINRA, and perform options listing and marketplace surveillance. Also, as explained above, consistent with the Exchange's existing regulatory structure, the Exchange's Chief Regulatory Officer will 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 the Exchange's

regulatory and self-regulatory organization responsibilities, including those applicable to MX2 Options.

The Exchange's proposed rules and regulatory structure with respect to MX2 Options are consistent with the requirements of Section 6(b)(1) of the Act, which requires an exchange to be so organized and have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance, by its members and persons associated with its members, with the Act and the rules and regulations thereunder and the rules of the Exchange, and with Section 6(b)(6) and (7) of the Act, which require an Exchange to provide fair procedures for the disciplining of members and persons associated with members. Further, it is consistent with the Act to allow the Exchange to contract with FINRA to perform functions relating to the regulation and discipline of members and the regulation of MX2 Options.⁶¹ These functions are fundamental elements to a regulatory program and constitute core self-regulatory functions. FINRA has the expertise and experience to perform these functions on behalf of the Exchange.⁶²

The amended MRVP will provide the Exchange with the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Exchange and the federal securities laws. As existing Exchange Rule 8.15 will continue to offer procedural rights to a person sanctioned for a violation listed in proposed MX2 Options Rule 25.3, the Exchange's rules provide a fair procedure for the disciplining of members and associated persons, consistent with the requirements of Section 6(b)(7) of the Act.⁶³ For the same reasons provided by the Commission in its order approving MEMX Options, the MRVP changes 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

⁶¹ See, e.g., Regulation of Exchanges and Alternative Trading Systems, Securities Exchange Act Release No. 40760 (Dec. 8, 1998), 63 FR 70844 (Dec. 22, 1998). See also Securities Exchange Act Release No. 50122 (July 29, 2004), 69 FR 47962 (Aug. 6, 2004) (SR-Amex-2004-32) (Order approving proposed rule that allowed Amex to contract with another SRO for regulatory services).

⁶² The RSA is not before the Commission, and therefore, the Commission is not acting on it.

⁶³ 15 U.S.C. 78f(b)(7).

violation.⁶⁴

In approving the proposed changes to the Exchange's MRVP, the Commission in no way minimizes the importance of compliance with the Exchange's rules and all other rules subject to the imposition of fines under the Exchange's MRVP. The violation of any SRO rules, as well as the federal securities laws, is a serious matter. However, the Exchange's MRVP provides a reasonable means of addressing rule violations that do not rise to the level of requiring formal disciplinary proceedings, while providing flexibility in handling certain violations. The Exchange represents that it 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 Exchange's MRVP or whether a violation requires a formal disciplinary action.⁶⁵

Section 11(a) of the Act

Section 11(a)(1) of the Act⁶⁶ prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or an account over which it or its associated person exercises investment discretion (collectively, "covered accounts"), unless an exception applies. Rule 11a2-2(T) under the Act,⁶⁷ known as the "effect versus execute" rule, provides exchange members with an exemption from the Section 11(a)(1) prohibition. Rule 11a2-2(T) permits an exchange member, subject to certain conditions, to effect transactions for covered accounts by arranging for an unaffiliated member to execute transactions on the exchange. To comply with Rule 11a2-2(T)'s conditions, a member: (i) must transmit the order from off the exchange floor; (ii) may not participate in the execution of the transaction once it has been transmitted to the member performing the execution;⁶⁸ (iii) may not

⁶⁴ 17 CFR 240.19b-1(c)(2). See also MEMX Options Order, *supra* note 50.

⁶⁵ See Notice, *supra* note 3, at 29909.

⁶⁶ 15 U.S.C. 78k(a)(1).

⁶⁷ 17 CFR 240.11a2-2(T).

⁶⁸ This prohibition also applies to associated persons. The member may, however, participate in clearing and settling the transaction.

be affiliated with the executing member; and (iv) with respect to an account over which the member or an associated person has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the Rule.

In a letter to the Commission, the Exchange requests that the Commission concur with the Exchange's conclusion that Options Members that enter orders into the proposed System satisfy the requirements of Rule 11a2-2(T).⁶⁹ For the reasons set forth below, orders entered into the System could satisfy the requirements of Rule 11a2-2(T).

The Rule's first requirement is that orders for covered accounts be transmitted from off the exchange floor. In the context of automated trading systems, the Commission has found that the off-floor transmission requirement is met if a covered account order is transmitted from a remote location directly to an exchange's floor by electronic means.⁷⁰ The Exchange has represented that MX2 Options does not have a physical trading floor, and the System will receive orders from Options Members electronically through remote terminals or computer-to-computer interfaces.⁷¹ The System satisfies this off-floor transmission requirement.

Second, the Rule requires that the member and any associated person not participate in the execution of its order after the order has been transmitted. MX2 represented that at no time following the submission of an order is an Options Member or an associated person of the Options Member allowed to acquire control or influence over the result or timing of the order's

⁶⁹ See Letter from Anders Franzon, General Counsel, Exchange, to Vanessa Countryman, Secretary, dated Sept. 24, 2025 ("MX2 Options 11(a) Letter").

⁷⁰ See, e.g., MEMX Options Order, *supra* note 50, and Securities Exchange Act Release Nos. 85828 (May 10, 2019), 84 FR 21841 (May 15, 2019) (registration of Long-Term Stock Exchange); 75760 (Aug. 7, 2015), 80 FR 48600 (Aug. 13, 2015) (SR-EDGX-2015-18); 61419 (Jan. 26, 2010), 75 FR 5157 (Feb. 1, 2010) (SR-BATS-2009-031) (approving BATS options trading); 59154 (Dec. 23, 2008), 73 FR 80468 (Dec. 31, 2008) (SR-BSE-2008-48) (approving equity securities listing and trading on BSE); 57478 (Mar. 12, 2008), 73 FR 14521 (Mar. 18, 2008) (SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080) (approving NOM options trading); 53128 (Jan. 13, 2006), 71 FR 3550, 3553 (Jan. 23, 2006) (File No. 10-131) (granting the exchange registration of Nasdaq Stock Market, Inc.); 44983 (Oct. 25, 2001), 66 FR 55225 (Nov. 1, 2001) (SR-PCX-00-25) (approving Archipelago Exchange); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (SR-NYSE-90-52 and SR-NYSE-90-53) (approving NYSE's Off-Hours Trading Facility); and 15533 (Jan. 29, 1979), 44 FR 6084 (Jan. 31, 1979) ("1979 Release").

⁷¹ See MX2 Options 11(a) Letter, *supra* note 69, at 5.

execution.⁷² According to the Exchange, the execution of an Options Member's order is determined solely by what quotes and orders are present in the System at the time the Options Member submits the order, and the order priority based on MX2 rules.⁷³ Accordingly, an Options Member and its associated persons do not participate in the execution of an order submitted to the System.⁷⁴

Third, Rule 11a2-2(T) requires that the order be executed by an exchange member who is unaffiliated with the member initiating the order. The Commission has stated that this requirement is satisfied when automated exchange facilities, such as the System, are used as long as the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange.⁷⁵ The Exchange has represented that the design of the System ensures that no Options Member has any special or unique trading advantages in the handling of its orders after transmitting its orders to the Exchange.⁷⁶ Based on the Exchange's representation, the System satisfies this condition.

Fourth, in the case of a transaction effected for an account with respect to which the

⁷² See *id.* at 6. MX2 notes that Rule 11a2-2(T) does not preclude members from canceling or modifying orders, or from modifying instructions for executing orders, after they have been transmitted, provided that such cancellations or modifications are transmitted from off an exchange floor. See *id.* The Commission has stated that the non-participation requirement is satisfied under such circumstances so long as such modifications or cancellations are also transmitted from off the floor. See Securities Exchange Act Release No. 14563 (Mar. 14, 1978), 43 FR 11542 (Mar. 17, 1978) ("1978 Release") (stating that the "non-participation requirement does not prevent initiating members from canceling or modifying orders (or the instructions pursuant to which the initiating member wishes orders to be executed) after the orders have been transmitted to the executing member, provided that any such instructions are also transmitted from off the floor").

⁷³ See MX2 Options 11(a) Letter, *supra* note 69, at 2. MX2 proposes rules for the registration, obligations, and operation of market makers on MX2 Options. MX2 has represented that market makers will submit quotes in classes of options contracts to which they are appointed. See *id.*

⁷⁴ See, e.g., Securities Exchange Act Release Nos. 58375 (Aug. 18, 2008), 73 FR 49498, 49505 (Aug. 21, 2008) (File No. 10-182) (order granting the registration of BATS Exchange, Inc.) ("Bats Order") and 61698 (Mar. 12, 2010), 75 FR 13151, 13164 (Mar. 18, 2010) (File Nos. 10-194 and 10-196) (order approving DirectEdge exchanges) ("DirectEdge Order").

⁷⁵ See, e.g., Bats Order and DirectEdge Order, *supra* note 74. In considering the operation of automated execution systems operated by an exchange, the Commission stated that, while there is not an independent executing exchange member, the execution of an order is automatic once it has been transmitted into the system. Because the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated that executions obtained through these systems satisfy the independent execution requirement of Rule 11a2-2(T). See 1979 Release, *supra* note 70.

⁷⁶ See MX2 Options 11(a) Letter, *supra* note 69.

initiating member or an associated person thereof exercises investment discretion, neither the initiating member nor any associated person thereof may retain any compensation in connection with effecting the transaction, unless the person authorized to transact business for the account has expressly provided otherwise by written contract referring to Section 11(a) of the Act and Rule 11a2-2(T) thereunder.⁷⁷ Options Members trading for covered accounts over which they exercise investment discretion must comply with this condition in order to rely on the rule's exemption.⁷⁸

⁷⁷ See Bats Order and DirectEdge Order, *supra* note 74. In addition, Rule 11a2-2(T)(d) requires a member or associated person authorized by written contract to retain compensation, in connection with effecting transactions for covered accounts over which such member or associated persons thereof exercises investment discretion, to furnish at least annually to the person authorized to transact business for the account a statement setting forth the total amount of compensation retained by the member or any associated person thereof in connection with effecting transactions for the account during the period covered by the statement. See 17 CFR 240.11a2-2(T)(d). See also 1978 Release, *supra* note 72 (stating “[t]he contractual and disclosure requirements are designed to assure that accounts electing to permit transaction-related compensation do so only after deciding that such arrangements are suitable to their interests”).

⁷⁸ See MX2 Options 11(a) Letter, *supra* note 69. The Exchange represented that it will advise its membership through the issuance of a Regulatory Circular that those Options Members trading for covered accounts over which they exercise investment discretion must comply with this condition in order to rely on the rule's exemption. See *id.* at 3.

IV. Exemption from Section 19(b) of the Act with Regard to Certain Rules of Cboe, NYSE, FINRA, and MEMX Incorporated by Reference

The Exchange proposes to incorporate by reference as MX2 Options Rules certain rules of Cboe, NYSE, FINRA, and MEMX.⁷⁹ Thus, for certain MX2 Options rules, the Exchange members will comply with a MX2 Options rule by complying with the rule referenced. In connection with its proposal to incorporate these rules by reference, the Exchange requested, pursuant to Rule 240.0-12 under the Act,⁸⁰ an exemption under Section 36 of the Act⁸¹ 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 Cboe, NYSE, FINRA, or MEMX 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 agrees to provide written notice to Options Member prior to the launch of MX2 Options of the specific Cboe, NYSE, FINRA, and MEMX rules that it will incorporate by reference. In addition, the Exchange will notify Options Members whenever Cboe, NYSE, FINRA, or MEMX proposes a change to a cross-referenced Cboe, NYSE, FINRA, or MEMX rule.⁸²

Using its authority under Section 36 of the Act, the Commission previously exempted certain SROs from the requirement to file proposed rule changes under Section 19(b) of the

⁷⁹ 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); 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.

⁸⁰ 17 CFR 240.0-12.

⁸¹ 15 U.S.C. 78mm.

⁸² The Exchange represents that it 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 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.

Act.⁸³ Each such exempt SRO 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. Each exempt SRO had 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.

The Commission is granting the Exchange's request for exemption, pursuant to Section 36 of the Act, from the rule filing requirements of Section 19(b) of the Act with respect to the rules that the Exchange proposes to incorporate by reference into the rules of MX2 Options. This exemption is appropriate in the public interest and consistent with the protection of investors because it will promote more efficient use of Commission and SRO resources by avoiding duplicative rule filings based on simultaneous changes to identical rule text sought by more than one SRO. Consequently, the Commission grants the Exchange's exemption request for MX2 Options. This exemption is conditioned upon the Exchange providing written notice to Options Members whenever Cboe, NYSE, FINRA, or MEMX proposes to change a rule that MX2 Options has incorporated by reference.

V. Conclusion

For the foregoing reasons, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the

⁸³ See Securities Exchange Act Release No. 49260 (Feb. 17, 2004), 69 FR 8500 (Feb. 24, 2004) (granting application for exemptions pursuant to Section 36(a) under the Act by the American Stock Exchange LLC, the International Securities Exchange, Inc., the Municipal Securities Rulemaking Board, the Pacific Exchange, Inc., the Philadelphia Stock Exchange, Inc., and the Boston Stock Exchange, Inc.). See also, e.g., MEMX Options Order, *supra* note 50, and Securities Exchange Act Release Nos. 75760 (Aug. 7, 2015) 80 FR 48600 (Aug. 13, 2015) (SR-EDGX-2015-18) (approving the operations of EDGX Options Exchange, which included exemptive relief pursuant to Section 36(a) under the Act) and 57478 (Mar. 12, 2008), 73 FR 14521 (Mar. 18, 2008) (order approving SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080, which included exemptive relief pursuant to Section 36(a) under the Act).

proposed rule change (SR-MX2-2025-01) be, and it hereby is, approved.

IT IS FURTHER ORDERED, pursuant to Section 36 of the Act,⁸⁴ that MX2 shall be exempted from the rule filing requirements of Section 19(b) of the Act⁸⁵ with respect to the Cboe, FINRA, NYSE, and MEMX rules that MX2 proposes to incorporate by reference in MX2 rules, subject to the conditions specified in this order.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸⁶

Sherry R. Haywood,

Assistant Secretary.

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⁸⁴ 15 U.S.C. 78mm.

⁸⁵ 15 U.S.C. 78s(b).

⁸⁶ 17 CFR 200.30-3(a)(12) and (76).