

# NASDAQ GEMX, LLC

## RULES

(Updated as of September 29, 2017)

### Table of Contents

#### **Chapter 1 Definitions**

100. Definitions

#### **Chapter 2 Administration**

- 200. Establishment of Committees
- 201. Removal of Committees
- 202. Committee Procedures
- 203. General Duties and Powers of Committees
- 204. Divisions of the Exchange
- 205. Participant Fees
- 206. Liability for Payment of Fees
- 207. Exchange's Costs of Defending Legal Proceedings
- 208. Sales Value Fee
- 209. Collection of Exchange Fees and Other Claims

#### **Chapter 3 Membership**

- 300. Membership
- 301. Qualification of Members
- 302. Member Application Procedures
- 303. Denial of and Conditions to Becoming a Member
- 304. Approval to Operate Multiple Memberships
- 305. Persons Associated with Members
- 306. Registration Requirements
- 307. Documents Required of Applicants and Members
- 308. Dissolution and Liquidation of Members
- 309. Limitation on Affiliation between the Exchange and Members

#### **Chapter 4 Business Conduct**

#### **Chapter 5 Securities Traded on the Exchange**

#### **Chapter 6 Doing Business with the Public**

#### **Chapter 7 Doing Business on the Exchange**

- 700. Days and Hours of Business
- 701. Opening
- 702. Trading Halts
- 703. Trading Halts Due to Extraordinary Market Volatility
- 703A. Trading During Limit Up-Limit Down States in Underlying Securities
- 704. Collection and Dissemination of Quotations
- 705. Limitation of Liability
- 706. Access to and Conduct on the Exchange
- 707. Clearing Member Give Up
- 708. Units of Trading
- 709. Meaning of Premium Quotes and Orders
- 710. Minimum Trading Increments
- 711. Acceptance of Quotes and Orders
- 712. Submission of Orders and Clearance of Transactions
- 713. Priority of Quotes and Orders
- 714. Automatic Execution of Orders
- 715. Types of Orders
- 716. Block Trades
- 717. Limitations on Orders
- 718. Reserved
- 719. Transaction Price Binding
- 720. Nullification and Adjustment of Options Transactions including Obvious Errors
- 720A. Erroneous Trades due to System Disruptions and Malfunctions
- 721. Crossing Orders
- 722. Reserved.
- 723. Price Improvement Mechanism for Crossing Transactions

## **Chapter 8 Market Makers**

- 800. Registration of Market Makers
- 801. Designated Trading Representatives
- 802. Appointment of Market Makers
- 803. Obligations of Market Makers
- 804. Market Maker Quotations
- 805. Market Maker Orders
- 806. Trade Reporting and Comparison
- 807. Securities Accounts and Orders of Market Makers
- 808. Letters of Guarantee
- 809. Financial Requirements for Market Makers
- 810. Reserved
- 811. Directed Orders

## **Chapter 9 Consolidated Audit Trail Compliance Rule**

- 900. Consolidated Audit Trail – Definitions
- 901. Consolidated Audit Trail - Clock Synchronization

- 902. Consolidated Audit Trail – Industry Member Data Reporting
- 903. Consolidated Audit Trail – Customer Information Reporting
- 904. Consolidated Audit Trail – Industry Member Information Reporting
- 905. Consolidated Audit Trail - Time Stamps
- 906. Consolidated Audit Trail – Clock Synchronization Rule Violation
- 907. Consolidated Audit Trail – Connectivity and Data Transmission
- 908. Consolidated Audit Trail – Development and Testing
- 909. Consolidated Audit Trail – Recordkeeping
- 910. Consolidated Audit Trail – Timely, Accurate and Complete Data
- 911. Consolidated Audit Trail – Compliance Dates
- 912. Consolidated Audit Trail – Fee Dispute Resolution

**Chapter 10 Closing Transactions**

**Chapter 11 Exercises and Deliveries**

**Chapter 12 Margins**

**Chapter 13 Net Capital Requirements**

**Chapter 14 Records, Reports and Audits**

**Chapter 15 Summary Suspension**

**Chapter 16 Discipline**

**Chapter 17 Hearings and Review**

**Chapter 18 Arbitration**

**Chapter 19 Intermarket Linkage**

**Chapter 20 Index Rules**

**Chapter 21 [Reserved]**

**Chapter 22 Rate-Modified Foreign Currency Options Rules**

## CHAPTER 1

### Definitions

#### Rule 100. Definitions

(a) The following terms, when used in these Rules, shall have the meanings specified in this Chapter 1, unless the context indicates otherwise. Any term defined in Article XIII of the Constitution of Nasdaq GEMX, LLC (the "Constitution") and not otherwise defined in this Chapter shall have the meaning assigned in Article XIII of the Constitution.

(1) The term "**aggregate exercise price**" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.

(2) The term "**American-style option**" means an options contract that, subject to the provisions of Rule 1100 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised on any business day prior to its expiration date and on its expiration date.

(3) The term "**associated person**" or "**person associated with a Member**" means any partner, officer, director, or branch manager of a Member (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Member or any employee of a Member.

(4) The term "**bid**" means a quote or limit order to buy one or more options contracts.

(5) The term "**board of directors**" or "**Board**" has the meaning set forth in Article I of the LLC Agreement.

(6) The term "**call**" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.

(7) The term "**class of options**" means all options contracts covering the same underlying security.

(8) The term "**Clearing Corporation**" means The Options Clearing Corporation.

(9) The term "**Clearing Member**" means a Member that is self-clearing or an Electronic Access Member that clears Exchange transactions for other Members of the Exchange.

(10) The term “**closing purchase transaction**” means an Exchange transaction that will reduce or eliminate a short position in an options contract.

(11) The term “**closing writing transaction**” means an Exchange transaction that will reduce or eliminate a long position in an options contract.

(12) The term “**CMM Rights**” has the meaning set forth in Article VI of the LLC Agreement.

(13) The term “**covered short position**” means (i) the obligation of a writer of a call option is secured by a “specific deposit” or an “escrow deposit” meeting the conditions of Rule 710(f) or 710(h), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same type and class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same type and class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

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

(15) The term “**EAM Rights**” has the meaning set forth in Article VI of the LLC Agreement.

(16) The term “**European-style option**” means an options contract that, subject to the provisions of Rule 1100 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

(16) The term “**Exchange Act**” means the Securities Exchange Act of 1934 and the rules and regulations thereunder, as amended from time to time.

(17) The term “**Exchange Rights**” means the PMM Rights, CMM Rights and EAM Rights collectively.

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

(19) The term “**Federal Reserve Board**” means the Board of Governors of the Federal Reserve System.

(20) The terms “**he**,” “**him**” or “**his**” shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

(21) The term “**ISE**” means Nasdaq ISE, LLC, a national securities exchange.

(22) The term “**long position**” means a person’s interest as the holder of one or more options contracts.

(22A) The term “**LLC Agreement**” means the Limited Liability Company Agreement of the Exchange, dated as of [ ], as amended from time to time.

(23) The term “**Member**” means an organization that has been approved to exercise trading rights associated with Exchange Rights.

(24) The term “**Membership**” refers to the trading privileges associated with Exchange Rights.

(25) The term “**market makers**” refers to “Competitive Market Makers” and “Primary Market Makers” collectively.

(26) The term “**Market Maker Rights**” refers to PMM Rights and CMM Rights collectively.

(27) The term “**Non-Customer**” means a person or entity that is a broker or dealer in securities.

(28) The term “**Non-Customer Order**” means an order for the account of a Non-Customer.

(29) The term “**offer**” means a quote or limit order to sell one or more options contracts.

(30) The term “**opening purchase transaction**” means an Exchange transaction that will create or increase a long position in an options contract.

(31) The term “**opening writing transaction**” means an Exchange transaction that will create or increase a short position in an options contract.

(31A) The term “**Voluntary Professional**” means any Public Customer that elects, in writing, to be treated in the same manner as a broker or dealer in securities for purposes of Rules 713, 716, and 723, as well as the

Exchange's schedule of fees.

(32) The term "**options contract**" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

(33) The term "**OPRA**" means the Options Price Reporting Authority.

(34) The term "**order**" means a commitment to buy or sell securities, the permitted types of which are set forth in Rule 715.

(35) The term "**outstanding**" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

(36) The term "**PMM Rights**" has the meaning set forth in Article VI of the LLC Agreement.

(37) The term "**primary market**" means the principal market in which an underlying security is traded.

(37A) The term "**Priority Customer**" means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

(37B) The term "**Priority Customer Order**" means an order for the account of a Priority Customer.

(37C) The term "**Professional Order**" means an order that is for the account of a person or entity that is not a Priority Customer.

(i) Calculation of Professional Orders. With respect to computing the number of orders in listed options per day on average during a calendar month for its own beneficial account(s), the following shall apply:

(a) Each order is counted toward the number of orders, regardless of the options exchange to which the order was routed in determining Professional Orders.

(b) A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of "single-strike algorithms" which track the Best Bid and Offer ("BBO") or National Best Bid and Offer ("NBBO"). A cancel message is not an order.

(c) An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the resulting subordinate order and results in multiple sides/series shall be counted as a new order per side and series. An order that cancels and replaces the subordinate order on the same side and series will count as one order. For purposes of counting customer orders, if one customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order will count as one order.

(38) The term “**Public Customer**” means a person or entity that is not a broker or dealer in securities.

(39) The term “**Public Customer Order**” means an order for the account of a Public Customer.

(40) The term “**put**” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the number of shares of the underlying security covered by the options contract.

(41) The term “**Quarterly Options Series**” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

(42) The term “**quote**” or “**quotation**” means a bid or offer entered by a market maker that updates the market maker’s previous bid or offer, if any.

(43) The term “**Rules of the Clearing Corporation**” means the Certificate of Incorporation, the By-laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as the same may be in effect from time to time.

(44) The term “**SEC**” means the United States Securities and Exchange Commission.

(45) The term “**series of options**” means all options contracts of the same class having the same exercise price and expiration date.

(46) The term “**short position**” means a person’s interest as the writer of one or more options contracts.

(47) The term “**Short Term Option Series**” means a series in an option class that is approved for listing and trading on the Exchange in which the

series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the following business week that is a business day. If a Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Friday.

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

(49) The term “**type of option**” means the classification of an options contract as either a put or a call.

(50) The term “**uncovered**” means a short position in an options contract that is not covered.

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

[Amended February 10, 2014 (SR-Topaz-2014-06); amended September 8, 2016 (SR-ISEGemini-2016-08); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 2**

### **Administration**

#### **Rule 200. Establishment of Committees**

The Chief Executive Officer and President, with the approval of the Board, shall appoint any committee members that are not Directors to committees established upon delegated authority by the Board as set forth in the Constitution, or established by the Chief Executive Officer and President pursuant to authority delegated to him by the Board.

#### **Rule 201. Removal of Committee Members**

The Chief Executive Officer and President may, with the approval of the Board, remove any committee member for refusal, neglect, or inability to discharge such committee member's duties.

#### **Rule 202. Committee Procedures**

Except as otherwise provided in the Constitution, the Rules or resolution of the Board, each committee shall determine its own time and manner of conducting its meetings, and the vote of a majority of the members of a committee present at a meeting at which a quorum is present shall be the act of the committee. Committees may act informally by written consent of all of the members of the committee.

#### **Rule 203. General Duties and Powers of Committees**

Each committee shall administer the provisions of the Constitution and the Rules pertaining to matters within its jurisdiction. Each committee shall have such other powers and duties as may be delegated to it by the Board. Each committee is subject to the control and supervision of the Board.

#### **Rule 204. Divisions of the Exchange**

The divisions of the Exchange shall include the Regulatory Division and such other Divisions as the Chief Executive Officer and President, with the approval of the Board, may establish. The Chief Executive Officer and President shall appoint a head of every Division and may designate departments within each Division.

#### **Rule 205. Participant Fees**

The fees payable by Members shall be fixed from time to time by the Exchange. Fees shall be payable in full on the first day of each month on a nonrefundable basis and shall be applied to the month beginning on that day.

**Rule 206. Liability for Payment of Fees**

(a) A Member that does not pay any dues, fees, assessments, charges, fines or other amounts due to the Exchange within thirty (30) days after they have become payable shall be reported to the Chief Executive Officer and President, who may, after giving reasonable notice to the Member of such arrearages, suspend the Member's trading privileges until payment is made.

(b) A person associated with a Member who fails to pay any fine or other amounts due to the Exchange within thirty (30) days after such amount has become payable and after reasonable notice of such arrearages, may be suspended from association with a Member until payment is made.

**Rule 207. Exchange's Costs of Defending Legal Proceedings**

(a) Any Member or person associated with a Member who fails to prevail in a lawsuit or other legal proceeding instituted by such person against the Exchange or any of its Directors, officers, committee members, employees or agents, and related to the business of the Exchange, shall pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed fifty thousand dollars (\$50,000).

(b) Paragraph (a) of this Rule shall not apply to disciplinary actions by the Exchange, to administrative appeals of Exchange actions or in any specific instance where the Board has granted a waiver of this provision.

**Rule 208. Sales Value Fee**

The Sales Value Fee is assessed by the Exchange to each Member for sales on the Exchange with respect to which the Exchange is obligated to pay a fee to the Commission under Section 31 of the Exchange Act. To the extent that there may be any excess monies collected under this rule, the Exchange may retain those monies to help fund its general operating expenses. The sales transactions to which the fee applies are sales of options (other than options on a security index) and the sales of securities resulting from the exercise of physical-delivery options. The fee is collected indirectly from Members through their clearing firms by the Clearing Corporation on behalf of Nasdaq GEMX with respect to options sales and options exercises. The Sales Value Fee is equal to (a) the Section 31 fee rate multiplied by (b) the Member's aggregate dollar amount of covered sales resulting from options transactions occurring on the Exchange during any computational period.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017.]

**Rule 209. Collection of Exchange Fees and Other Claims**

(a) Each Member, and all applicants for registration as such shall be required to provide a clearing account number for an account at the National Securities Clearing Corporation (“NSCC”) for purposes of permitting the Exchange to debit any undisputed or final fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange or other charges related to Rules 205 and 206; provided, however, that the fees set forth in Chapter V (Market Data) of the Exchange’s Schedule of Fees shall be excluded from this Rule. If a Member disputes an invoice, the Exchange will not include the disputed amount in the debit if the member has disputed the amount in writing to the Exchange’s designated staff by the 15th of the month, or the following business day if the 15th is not a business day, and the amount in dispute is at least \$10,000 or greater.

[Adopted October 1, 2016 (SR-ISEGemini-2016-12); amended December 1, 2016 (SR-ISEGemini-2016-20.)]

## CHAPTER 3

### Membership

#### Rule 300. Membership

The Exchange shall issue Memberships that confer the ability to transact on the Exchange. There is no limit on the number of Memberships that may be issued by the Exchange. In addition, in no event shall the Exchange act in a manner under this paragraph that does not comply with the provisions of Section 6(c)(4) of the Exchange Act.

#### Rule 301. Qualification of Members

(a) A Member of the Exchange may be a corporation, partnership, or LLC. Each Member must:

(1) be a broker-dealer registered pursuant to Section 15 of the Exchange Act; and

(2) meet the qualifications for a Member in accordance with Exchange Rules applicable thereto.

(b) A Member that does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the Commission and the Exchange must:

(1) prepare all such reports, and maintain a general ledger chart of account and any description thereof, in English and U.S. dollars;

(2) reimburse the Exchange for any expense incurred in connection with examinations of the Member to the extent that such expenses exceed the cost of examining a Member located within the continental United States; and

(3) ensure the availability of an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of the Exchange during examinations.

(c) Every Member shall have as the principal purpose of being a Member the conduct of a securities business. Such a purpose shall be deemed to exist if and so long as:

(1) the Member has qualified and acts in respect of its business on the Exchange in one or more of the following capacities: (i) an Electronic Access Member; (ii) a Primary Market Maker; or (iii) a Competitive Market Maker; and

(2) all transactions effected by the Member are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted

thereunder.

### **Rule 302. Member Application Procedures**

(a) *Nasdaq ISE Members.* A Nasdaq ISE Member in good standing is eligible to become a Nasdaq GEMX Member of the same category (i.e., a Nasdaq ISE PMM Member is eligible to become a Nasdaq GEMX PMM Member, a Nasdaq ISE CMM Member is eligible to become a Nasdaq GEMX CMM Member and a Nasdaq ISE EAM Member is eligible to become a Nasdaq GEMX EAM Member). Nasdaq ISE Member applicants are not required to complete and submit an Exchange application. Instead, only Exchange forms concerning electing to trade on the Exchange, submitting to the Exchange jurisdiction, and operational matters need to be completed and tendered.

(b) *Non-Nasdaq ISE Members.* All non-Nasdaq ISE Members seeking to become a Member of the Exchange must submit an application to the Exchange in accordance with such procedures as shall be established by the Exchange via regulatory circular including submission deadlines and payment of any applicable application fees. The Exchange shall provide non-Nasdaq ISE Members with at least sixty (60) days advance written notice of the date upon which the Exchange shall allocate options classes and appoint market makers pursuant to Exchange Rule 802 in order to ensure non-Nasdaq ISE Members have a reasonable opportunity to participate in those processes. A market participant must have completed a membership application to be eligible to participate in the processes set forth in Rule 802. In addition, the following shall apply:

(i) Applications must be accompanied by a non-refundable application fee.

(ii) Within a reasonable time following receipt of an application, the name of the applicant shall be posted by the Exchange.

(iii) An applicant must be approved by the Exchange to perform in at least one of the recognized capacities of a Member as stated in Rule 301(c).

(iv) Upon completion of the application process, the Exchange shall consider whether to approve the application, unless there is just cause for delay. Persons associated with the applicant are subject to investigation by the Exchange and may be required to appear in person before the Exchange. The Exchange may also require any person associated with a Member who may possess information relevant to the applicant's suitability to be a Member to provide information or testimony.

(v) The Exchange will determine whether to approve an application. Written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefor, shall be provided to the applicant.

(vi) If the application process is not completed within six (6) months of the filing of the application form and payment of the appropriate fee, the application shall be deemed to be automatically withdrawn.

(vii) With respect to each Membership that becomes effective in accordance with this Rule, the Exchange shall promptly notify all Members thereof.

(c) *Rights of Members.* No rights shall be conferred upon a Member except those set forth in the LLC Agreement or Rules as amended from time to time. A Membership shall not convey any ownership interest in the Exchange. Memberships may not be leased and are not transferable except in the event of a change in control or corporate reorganization involving a Member. In such case, Member status may be transferred to a qualified affiliate or successor upon written notice to the Exchange.

(d) *Fees and Charges for Members.* Members shall be subject to such fees and charges as are established by the Exchange from time to time pursuant to Rule 205 and the Exchange Fee Schedule. The entire fee for a Member shall be due and payable in full on or before the first day on which the Membership is effective on a nonrefundable basis. An organization holding a Membership in its name shall be responsible for paying all fees and charges for that Membership.

(e) *Exchange Jurisdiction over Members.* Every Member shall be subject to the regulatory jurisdiction of the Exchange under the Exchange Act, the LLC Agreement and the Rules, including without limitation the Exchange's disciplinary jurisdiction under Chapter 16 of the Rules.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

### **Rule 303. Denial of and Conditions to Becoming a Member**

(a) An applicant to become a Member of the Exchange must seek approval in the form and manner prescribed by the Exchange.

(b) The Exchange may deny (or condition) approval of a Member, or may prevent a person from becoming associated (or condition an association) with a Member, for the same reasons that the SEC may deny or revoke a broker-dealer registration and for those reasons required or allowed under the Exchange Act.

(c) The Exchange also may deny (or condition) approval of a Member, or may prevent a person from becoming associated with (or condition an association) with a Member, when the applicant, directly or indirectly:

(1) has a negative net worth, has financial difficulties involving an amount that is more than five percent (5%) of the applicant's net worth, or has a pattern of failure to pay just debts (whether or not such debts have been the subject of a bankruptcy action);

(2) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Exchange, SEC, the Clearing Corporation and Federal Reserve Board policies, rules and regulations, including those concerning record-keeping, reporting, finance and trading procedures; or

(3) is unable satisfactorily to demonstrate reasonably adequate systems capability and capacity.

(d) When an applicant is a subject of an investigation conducted by any SRO or government agency involving its fitness for becoming a Member, the Exchange need not act on the application until the matter has been resolved.

(e) The Exchange may determine not to permit a Member or person associated with a Member to continue as a Member or associated therewith, if the Member or associated person:

(1) fails to meet any of the qualification requirements for becoming a Member or associated with a Member after approval thereof;

(2) fails to meet any condition placed by the Exchange on such Member or association with a Member;

(3) violates any agreement with the Exchange; or

(4) becomes subject to a statutory disqualification under the Exchange Act.

(f) If a Member or person associated with a Member that becomes subject to a statutory disqualification under the Exchange Act wants to continue as a Member of the Exchange or in association with a Member, the Member or associated person must, within thirty (30) days of becoming subject to a statutory disqualification, submit an application to the Exchange seeking to continue as a Member or in association with a Member notwithstanding the statutory disqualification. Failure to timely file such an application is a factor that may be taken into consideration by the Exchange in making determinations pursuant to paragraph (e) of this Rule.

(g) Subject to Chapter 15 (Summary Suspension) of the Rules, any applicant whose application to become a Member is denied Membership or conditioned, or any person whose association with a Member is denied or conditioned pursuant to paragraph (b) or (c) of this Rule, and any Member or person associated with a Member who is not permitted pursuant to paragraph (e) of this Rule to continue as a Member or to be associated with a Member or which

continuance as a Member or association is conditioned, may appeal the Exchange's decision under Chapter 17 (Hearings and Review) of the Rules.

**Rule 304. Approval to Operate Multiple Memberships**

(a) An applicant to become a Member or an approved Member may seek approval to exercise trading privileges associated with more than one Membership in the form and manner prescribed by the Exchange.

(b) An applicant or approved Member will be denied approval with respect to a particular Membership if (together with any of its affiliates) approval would result in the applicant or approved Member being approved to exercise the trading privileges associated with more than 30% of the Exchange Rights issued and outstanding at any time. No Member shall exercise voting rights in excess of those permitted under the Exchange's LLC Agreement or Constitution.

**Rule 305. Persons Associated with Members**

(a) Persons associated with Members shall be bound by the Constitution and Rules of the Exchange and the rules of the Clearing Corporation. The Exchange may bar a person from becoming or continuing to be associated with a Member if such person does not agree in writing, on a form prescribed by the Exchange, to furnish the Exchange with information with respect to such person's relationship and dealings with the Member, and information reasonably related to such person's other securities business, as may be required by the Exchange, and to permit the examination of its books and records by the Exchange to verify the accuracy of any information so supplied.

(b) Each Member shall file with the Exchange and keep current a list and descriptive identification of those persons associated with the Member(s) who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform application for Securities Industry Registration or Transfer (Form U-4).

(c) A claim of any person associated with a Member described in the first sentence of paragraph (b) of this Rule against such organization shall be subordinate in right of payment of customers and other Members.

**Rule 306. Registration Requirements**

*(a) Registration of Individual Associated Persons Engaged in the Securities Business.*

(1) Individual associated persons engaged or to be engaged in the securities business of a Member shall be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange. Before the registration can become effective, the individual associated person shall submit the appropriate application for registration, pass a

qualification examination appropriate to the category of registration as prescribed by the Exchange and submit any required registration and examination fees. A Member shall not maintain a registration with the Exchange for any person (1) who is no longer active in the Member's securities business; (2) who is no longer functioning in the registered capacity; or (3) where the sole purpose is to avoid an examination requirement. A Member shall not make application for the registration of any person where there is no intent to employ that person in the Member's securities business. A Member may, however, maintain or make application for the registration of an individual who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the Member, or a person who performs administrative support functions for registered personnel, or a person engaged in the securities business of a foreign securities affiliate or subsidiary of the Member.

(2) *Persons Exempt from Registration.* The following individual associated persons of Members are exempt from the registration requirements set forth in paragraph (1):

(A) individual associated persons whose functions are solely and exclusively clerical or ministerial;

(B) individual associated persons who are not actively engaged in the securities business;

(C) individual associated persons whose functions are related solely and exclusively to the Member's need for nominal corporate officers or for capital participation;

(D) individual associated persons whose functions are related solely and exclusively to:

(i) transactions in commodities;

(ii) transactions in security futures; and/or

(iii) effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange.

(b) *Financial/Operations Principal.* Each Member subject to Exchange Act Rule 15c3-1 shall designate a Financial/Operations Principal. The duties of a Financial/Operations Principal shall include taking appropriate actions to assure that the Member complies with applicable financial and operational requirements under the Rules and the Exchange Act, including but not limited to those requirements relating to the submission of financial reports and the maintenance of books and records. Each Financial/Operations Principal is required to have successfully completed the Financial and Operations Principal Examination (Series 27 Exam). Each Financial/Operations Principal designated

by a Trading Member shall be registered in that capacity with the Exchange as prescribed by the Exchange. A Financial/Operations Principal of a Member may be a full-time employee, a part-time employee or independent contractor of the Member.

(c) *Chief Compliance Officer.* Each Member shall designate a Chief Compliance Officer on Schedule A of Form BD. An individual designated as a Chief Compliance Officer is required to register with the Exchange and pass the appropriate heightened qualification examination(s) as prescribed by the Exchange. A person who has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a fine of \$5,000 or more for a violation of any provision of any securities law or regulation, or any agreement with, rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding shall be required to register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but shall be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange.

(d) *Registration Required Under Chapter 6.* Individual associated persons of a Member that conduct a public customer business must also comply with the registration requirements set forth in Rule 601 and Rule 602. These additional registration categories include: (i) Registered Options Principal; and (ii) Registered Representative.

(e) *Requirement for Examination on Lapse of Registration.* Any person whose registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for two or more years immediately preceding the date of receipt by the Exchange of a new application shall be required to pass a qualification examination appropriate to the category of registration as prescribed by the Exchange.

### ***Supplementary Material to Rule 306***

.01 Each individual required to register under this Rule shall electronically file a Form U4 through the Central Registration Depository system ("Web CRD") operated by the Financial Industry Regulatory Authority, Incorporated ("FINRA").

.02 Each individual required to register under this Rule shall electronically submit to Web CRD any required amendments to Form U4.

.03 Any Member that discharges or terminates the employment or retention of an individual required to register under this Rule shall comply with

the termination filing requirements set forth in Rule 601(c) and Rule 603, which include the filing of a Form U5.

.04 Each individual required to register under this Rule is required to satisfy the continuing education requirements set forth in Rule 604 and any other applicable continuing education requirements as prescribed by the Exchange.

.05 The Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination and accept other standards as evidence of an applicant's qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination.

.06 For purposes of paragraph (a)(1) above, the Exchange shall consider an individual associated person to be engaged in the securities business of a Member if:

(a) the individual associated person engages in one or more of the following activities on behalf of the Member:

(1) proprietary trading;

(2) market-making;

(3) effecting transactions on behalf of a broker-dealer;

(4) supervision or monitoring of proprietary trading, market-making, or brokerage activities;

(5) supervision or training of those engaged in proprietary trading, market-making, or brokerage activities with respect to those activities; or

(b) the individual associated person engages in the management of one or more of the activities enumerated in paragraphs (1) through (5) above as an officer, partner or a director.

.07 Each Member must register with the Exchange as a Principal each individual acting in any of the following capacities: (i) officer; (ii) partner; (iii) director; (iv) supervisor of proprietary trading, market-making or brokerage activities; and/or (v) supervisor of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities. Each Member must register with the Exchange at least two individuals acting in one or more of the heightened capacities described in (i)-(v) above. The Exchange may waive this requirement if a Member demonstrates conclusively that only one individual acting in one or more of the heightened capacities described in (i) through (v) above should be required to register. A Member that conducts proprietary

trading only and has 25 or fewer registered persons shall only be required to have one officer or partner who is registered in this capacity.

For purposes of this Rule, a Member shall be considered to conduct only proprietary trading if the Member has the following characteristics:

(a) The Member is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act;

(b) All funds used or proposed to be used by the Member are the Trading Member's own capital, traded through the Member's own accounts;

(c) The Member does not, and will not, have customers; and

(d) All persons registered on behalf of the Member acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Member.

.08 (a) An individual associated person who:

(1) is engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader (TD) in WebCRD;

(2) (i) supervises or monitors proprietary trading, market-making and/or brokerage activities for broker-dealers; (ii) supervises or trains those engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or (iii) is an officer, partner or director of a Member is required to register and qualify as a Securities Trader Principal (TP) in WebCRD and satisfy the prerequisite registration and qualification requirements; and

(3) is a Chief Compliance Officer (or performs similar functions) for a Member that engages in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader Compliance Officer (CT) in WebCRD and satisfy the prerequisite registration and qualification requirements.

(b) The following sets forth the qualification requirements for each of the required registration categories described in paragraph (a) to .08 of Supplementary Material to Rule 306:

| CATEGORY OF REGISTRATION | QUALIFICATION EXAMINATION(S) | ALTERNATIVE ACCEPTABLE QUALIFICATIONS |
|--------------------------|------------------------------|---------------------------------------|
|--------------------------|------------------------------|---------------------------------------|

|  |           |  |
|--|-----------|--|
| Securities Trader (TD)                       | Series 57 |  |
| Securities Trader<br>Principal (TP)**        | Series 24 | General Securities Sales<br>Supervision Registration<br>and General Securities<br>Principal – Sales<br>Supervisor Module<br>Registration (Series 9/10<br>and Series 23)* |
| Securities Trader<br>Compliance Officer (CT) | Series 14 | General Securities<br>Principal Registration<br>(GP) or Securities Trader<br>Principal (TP) (Series 24)  |

\*Because the Series 23 is not available in WebCRD, each applicant must provide documentation of a valid Series 23 license upon request for the Series 24 registration in WebCRD.

\*\*Securities Trader Principals' (TP) supervisory authority is limited to supervision of the securities trading functions of members, as described in paragraph (a)(2) of .08 of Supplementary Material to Rule 306 and officers, partners, and directors of a member.

[Amended December 23, 2015 (SR-ISE-Gemini-2015-28).]

**Rule 307. Documents Required of Applicants and Members**

(a) Although the Exchange may request additional information, at a minimum, the partnership agreement and all amendments thereto, in the case of a partnership, the articles of incorporation, by-laws and all amendments thereto, in the case of a corporation, and in the case of a limited liability company, the articles of organization and operating agreement and all amendments thereto shall be filed with, and shall be subject to review by, the Exchange; however, no action or failure to act by the Exchange shall be construed to mean that the Exchange has in any way passed on the investment merits of or given approval to any such document.

(b) Every Member shall file with the Exchange and keep current an address where notices may be served.

(c) In a manner and form prescribed by the Exchange, every Member shall pledge to abide by the Constitution and Rules of the Exchange, as amended from time

to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Constitution and Rules.

(d) Members shall keep and maintain a current copy of the Constitution and Rules in a readily accessible place. Members that are approved to do business with the public pursuant to Rule 600 shall make the Constitution and Rules available for examination by customers.

### **Rule 308. Dissolution and Liquidation of Members**

Every Member shall promptly notify the Exchange in writing upon the adoption of a plan of liquidation or dissolution. Upon receipt of such notice, the Member's trading privileges may be suspended in accordance with Chapter 15 (Summary Suspension) of these Rules.

### **Rule 309. Limitation on Affiliation between the Exchange and Members**

(a) Without prior SEC approval, the Exchange, or any facility of the Exchange, or any entity with which the Exchange or any facility of the Exchange is affiliated shall not, directly or indirectly through one or more intermediaries, acquire or maintain an ownership interest in a Member. In addition, a Member shall not be or become an affiliate of the Exchange, or any facility of the Exchange, or any entity with which the Exchange or any facility of the Exchange is affiliated. In addition, no Member or person associated with a Member shall be the beneficial owner, directly or indirectly, of greater than twenty percent (20%) of the (i) then-outstanding voting Limited Liability Company Interest of the Exchange, or (ii) then-outstanding voting securities of Nasdaq, Inc. Nothing in this Rule shall prohibit any Member from being or becoming an affiliate of the Exchange, or any facility of the Exchange, or an affiliate of any affiliate of the Exchange or any facility of the Exchange solely by reason of any officer, director or partner of such Member being or becoming an Exchange Director (as defined in the Constitution) pursuant to the Constitution. For purposes of this rule, any calculation of the voting Limited Liability Company Interest of the Exchange or the voting securities of Nasdaq, Inc. outstanding at any particular time shall be made in accordance with the last sentence of SEC Rule 13d-3(d)(1)(i)(D). The term "beneficially owned", including all derivative or similar words, shall have the meaning set forth in the Amended and Restated Certificate of Incorporation of Nasdaq, Inc.

(b) Nasdaq, Inc., which owns NASDAQ Execution Services, LLC and the Exchange, shall establish and maintain procedures and internal controls reasonably designed to ensure that NASDAQ Execution Services, LLC does not develop or implement changes to its system on the basis of non-public information regarding planned changes to the Exchange's systems, obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated Exchange Members in connection with the provision of inbound routing to the Exchange.

[Amended June 21, 2016 (SR-ISE Gemini-2016-05); amended February 9, 2017 (SR-

ISEGemini-2016-16).]

## **CHAPTER 4**

### **Business Conduct**

The rules contained in Nasdaq ISE Chapter 4, as such rules may be in effect from time to time (the “Chapter 4 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 4, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 4 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 4 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 4 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 4 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Chapter” in the Chapter 4 Rules shall be read to refer to the Nasdaq GEMX Chapter; and the defined term “Member” in the Chapter 4 Rules shall be read to refer to the Nasdaq GEMX Member. For the avoidance of doubt, the reference to “lessor” in Rule 408 shall not apply to Nasdaq GEMX, as Nasdaq GEMX memberships cannot be leased under Nasdaq GEMX Rules.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 5**

### **Securities Traded on the Exchange**

The rules contained in Nasdaq ISE Chapter 5, as such rules may be in effect from time to time (the “Chapter 5 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 5, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 5 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 5 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 5 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 5 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Market Maker” in the Chapter 5 Rules shall be read to refer to the Nasdaq GEMX Market Maker; and the defined term “Member” in the Chapter 5 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 6**

### **Doing Business With the Public**

The rules contained in Nasdaq ISE Chapter 6, as such rules may be in effect from time to time (the “Chapter 6 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 6, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 6 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 6 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 6 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 6 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Options Principal” in the Chapter 6 Rules shall be read to refer to the Nasdaq GEMX Options Principal; and the defined term “Member” in the Chapter 6 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 7**

### **Doing Business On The Exchange**

#### **Rule 700. Days and Hours of Business**

The Board shall determine the days the Exchange shall be open for business (referred to as “business days”) and the hours of such days during which transactions may be made on the Exchange.

(a) Except for unusual conditions as may be determined by the Board, hours during which transactions in options on a narrow-based index, as defined in Rule 2001, and individual stocks may be made on the Exchange shall correspond to the normal business days and hours for business established by the markets currently trading the stocks underlying Exchange options.

(b) Options on Exchange-Traded Fund Shares, as defined in Rule 502(h), may be traded on the Exchange until 4:15 p.m. each business day.

(c) Options on a broad-based index, as defined in Rule 2001, may be traded on the Exchange until 4:15 p.m. each business day.

(d) Options on Index-Linked Securities, as defined in Rule 502(k)(1), may be traded on the Exchange until 4:15 p.m. each business day.

(e) The Exchange shall not be open for business on the following holidays: New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day or Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday. When any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the following Monday, unless unusual business conditions exist at the time.

[Amended December 2, 2013 (SR-Topaz-2013-10).]

#### **Rule 701. Opening**

(a) Definitions. The Exchange conducts an electronic opening for all option series traded on the Exchange using its trading system (“system”).

(1) The “ABBO” is the Away Best Bid or Offer.

(2) The “market for the underlying security” is either the primary listing market or the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), as

determined by the Exchange by underlying and announced to the membership on the Exchange's web site.

(3) The Opening Price is described herein in sections (h) and (j).

(4) The Opening Process is described herein in section (c).

(5) The Potential Opening Price is described herein in section (g).

(6) The Pre-Market BBO is the highest bid and the lowest offer among Valid Width Quotes.

(7) A "Quality Opening Market" is a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange and published on the Exchange's web site. The calculation of Quality Opening Market is based on the best bid and offer of Valid Width Quotes. The differential between the best bid and offer are compared to reach this determination. The allowable differential, as determined by the Exchange, takes into account the type of security (for example, Penny Pilot versus non-Penny Pilot issue), volatility, option premium, and liquidity. The Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions.

(8) A "Valid Width Quote" is a two-sided electronic quotation submitted by a Market Maker that consists of a bid/ask differential that is compliant with Rule 803(b)(4).

(9) A "Zero Bid Market" is where the best bid for an options series is zero.

(b) Eligible interest during the Opening Process includes Valid Width Quotes, Opening Sweeps and orders. Quotes, other than Valid Width Quotes, will not be included in the Opening Process. All-or-None Orders that can be satisfied, and the displayed and non-displayed portions of Reserve Orders, are considered for execution and in determining the Opening Price throughout the Opening Process. Only Public Customer interest is routable during the Opening Process.

(1) Opening Sweep.

(i) A Market Maker assigned in a particular option may only submit an Opening Sweep if, at the time of entry of the Opening Sweep, that Market Maker has already submitted and maintains a Valid Width Quote. All Opening Sweeps in the affected series entered by a Market Maker will be cancelled immediately if that Market Maker fails to maintain a continuous quote with a Valid Width Quote in the affected series.

(ii) Opening Sweeps may be entered at any price with a minimum price variation applicable to the affected series, on either side of the market, at single or multiple price level(s), and may be cancelled and re-

entered. A single Market Maker may enter multiple Opening Sweeps, with each Opening Sweep at a different price level. If a Market Maker submits multiple Opening Sweeps, the system will consider only the most recent Opening Sweep at each price level submitted by such Market Maker in determining the Opening Price. Unexecuted Opening Sweeps will be cancelled once the affected series is open.

(2) The system will aggregate the size of all eligible interest for a particular participant category at a particular price level for trade allocation purposes pursuant to Rule 713.

(c) Market Maker Valid Width Quotes and Opening Sweeps received starting at 9:25 AM Eastern Time are included in the Opening Process. Orders entered at any time before an option series opens are included in the Opening Process.

(1) The Opening Process for an option series will be conducted pursuant to paragraphs (f) – (j) below on or after 9:30 AM Eastern Time if: the ABBO, if any, is not crossed; and the system has received, within two minutes (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the opening price in the underlying index (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site), or within two minutes of market opening for the underlying security in the case of U.S. dollar-settled foreign currency options (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) any of the following:

(i) the Primary Market Maker's ("PMM") Valid Width Quote;

(ii) the Valid Width Quotes of at least two Competitive Market Makers ("CMM"); or

(iii) if neither the PMM's Valid Width Quote nor the Valid Width Quotes of two CMMs have been submitted within such timeframe, one CMM has submitted a Valid Width Quote.

(2) For all options, the underlying security, including indexes, must be open on the primary market for a certain time period as determined by the Exchange for the Opening Process to commence. The time period shall be no less than 100 milliseconds and no more than 5 seconds.

(3) The PMM assigned in a particular equity or index option must enter a Valid Width Quote, in 90% of their assigned series, not later than one minute following the dissemination of a quote or trade by the market for the underlying security or, in the case of index options, following the receipt of the opening price

in the underlying index. The PMM assigned in a particular U.S. dollar-settled foreign currency option must enter a Valid Width Quote, in 90% of their assigned series, not later than one minute after the announced market opening. PMMs must promptly enter a Valid Width Quote in the remainder of their assigned series, which did not open within one minute following the dissemination of a quote or trade by the market for the underlying security or, in the case of index options, following the receipt of the opening price in the underlying index or, with respect to U.S. dollar-settled foreign currency options, following the announced market opening.

(4) A CMM that submits a quote pursuant to this Rule 701 in any option series when the PMM's quote has not been submitted shall be required to submit continuous, two-sided quotes in such option series until such time as the PMM submits his/her quote, after which the Market Maker that submitted such quote shall be obligated to submit quotations pursuant to Rule 804(e).

(5) The Opening Process will stop and an option series will not open if the ABBO becomes crossed or when a Valid Width Quote(s) pursuant to Rule 701(c)(1) is no longer present. Once each of these conditions no longer exist, the Opening Process in the affected option series will start again pursuant to paragraphs (e) – (j) below.

(d) Reopening After a Trading Halt. The procedure described in Rule 701 will be used to reopen an option series after a trading halt. If there is a trading halt or pause in the underlying security, the Opening Process will start again irrespective of the specific times listed in paragraph (c)(1).

(e) Opening with a BBO (No Trade). If there are no opening quotes or orders that lock or cross each other and no routable orders locking or crossing the ABBO, the system will open with an opening quote by disseminating the Exchange's best bid and offer among quotes and orders ("BBO") that exist in the system at that time, unless all three of the following conditions exist: (i) a Zero Bid Market; (ii) no ABBO; and (iii) no Quality Opening Market. If all three conditions exist, the Exchange will calculate an Opening Quote Range pursuant to paragraph (i) and conduct the Price Discovery Mechanism pursuant to paragraph (j) below.

(f) Pre-Market BBO Calculation. If there are opening Valid Width Quotes, or orders, that lock or cross each other, the system will calculate the Pre-Market BBO.

(g) Potential Opening Price. To calculate the Potential Opening Price, the system will take into consideration all Valid Width Quotes and orders (including Opening Sweeps and displayed and non-displayed portions of Reserve Orders), except All-or-None Orders that cannot be satisfied, for the option series and identify the price at which the maximum number of contracts can trade ("maximum quantity criterion"). In addition, paragraphs (h)(3)(i) and (i)(5) - (7) below contain additional provisions related to Potential Opening Price.

(1) More Than One Potential Opening Price. When two or more Potential Opening Prices would satisfy the maximum quantity criterion and leave no contracts unexecuted, the system takes the highest and lowest of those prices and takes the mid-point; if such mid-point is not expressed as a permitted minimum price variation, it will be rounded to the minimum price variation that is closest to the closing price for the affected series from the immediately prior trading session. If there is no closing price from the immediately prior trading session, the system will round up to the minimum price variation to determine the Opening Price.

(2) If two or more Potential Opening Prices for the affected series would satisfy the maximum quantity criterion and leave contracts unexecuted, the Opening Price will be either the lowest executable bid or highest executable offer of the largest sized side.

(3) The Potential Opening Price calculation is bounded by the better away market price that may not be satisfied with the Exchange routable interest.

(h) Opening with Trade. The Exchange will open the option series for trading with a trade on Exchange interest only at the Opening Price, if any of these conditions occur:

(1) the Potential Opening Price is at or within the best of the Pre-Market BBO and the ABBO;

(2) the Potential Opening Price is at or within the non-zero bid ABBO if the Pre-Market BBO is crossed; or

(3) where there is no ABBO, the Potential Opening Price is at or within the Pre-Market BBO which is also a Quality Opening Market.

(i) If there is more than one Potential Opening Price which meets the conditions set forth in paragraphs (1) through (3) above where:

(A) no contracts would be left unexecuted and

(B) any value used for the mid-point calculation (which is described in paragraph (g) above) would cross either:

(I) the Pre-Market BBO, or

(II) the ABBO,

then, for the purposes of calculating the midpoint the Exchange will use the better of the Pre-Market BBO or ABBO as a boundary price and will open the option series for trading with an execution at the resulting Potential Opening Price. If these conditions are not met, an Opening Quote Range will be calculated pursuant to paragraph (i)

below and thereafter, the Price Discovery Mechanism in paragraph (j) below will commence.

(i) The system will calculate an Opening Quote Range (“OQR”) for a particular option series that will be utilized in the Price Discovery Mechanism described below, if the Exchange has not opened subject to any of the provisions above.

(1) Except as provided in paragraphs (3) and (4) below, to determine the minimum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be subtracted from the highest quote bid among Valid Width Quotes on the Exchange and on the away market(s), if any.

(2) Except as provided in paragraphs (3) and (4) below, to determine the maximum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be added to the lowest quote offer among Valid Width Quotes on the Exchange and on the away market(s), if any.

(3) If one or more away markets are disseminating a BBO that is not crossed, (the Opening Process will stop and an option series will not open if the ABBO becomes crossed pursuant to (c)(5)) and there are Valid Width Quotes on the Exchange that are executable against each other or the ABBO:

(i) The minimum value for the OQR will be the highest away bid.

(ii) The maximum value for the OQR will be the lowest away offer.

(4) If there are Valid Width Quotes on the Exchange that are executable against each other, and there is no away market disseminating a BBO in the affected option series:

(i) The minimum value for the OQR will be the lowest quote bid among Valid Width Quotes on the Exchange.

(ii) The maximum value for the OQR will be the highest quote offer among Valid Width Quotes on the Exchange.

(5) If there is more than one Potential Opening Price possible where no contracts would be left unexecuted, any price used for the mid-point calculation (which is described in paragraph (g)(1) above) that is wider than the OQR will be restricted to the OQR price on that side of the market for the purposes of the mid-point calculation.

(6) If there is more than one Potential Opening Price possible where no contracts would be left unexecuted, pursuant to paragraph (g)(3) above when contracts will be routed, the system will use the away market price as the Potential Opening Price.

(7) If the Exchange determines that non-routable interest can execute the maximum number of contracts against Exchange interest, after routable interest has been determined by the system to satisfy the away market, then the Potential Opening Price is the price at which the maximum number of contracts can execute, excluding the interest which will be routed to an away market, which may be executed on the Exchange as described in paragraph (g) above. The system will route Public Customer interest in price/time priority to satisfy the away market.

(j) Price Discovery Mechanism. If the Exchange has not opened pursuant to paragraphs (e) or (h) above, after the OQR calculation in paragraph (i), the Exchange will conduct the following Price Discovery Mechanism.

(1) First, the system will broadcast an Imbalance Message for the affected series (which includes the symbol, side of the imbalance (unmatched contracts), size of matched contracts, size of the imbalance, and Potential Opening Price bounded by the Pre-Market BBO) to participants, and begin an "Imbalance Timer," not to exceed three seconds. The Imbalance Timer will be for the same number of seconds for all options traded on the Exchange. Each Imbalance Message is subject to an Imbalance Timer.

(2) Any new interest received by the system will update the Potential Opening Price. If during or at the end of the Imbalance Timer, the Opening Price is at or within the OQR, the Imbalance Timer will end and the system will open with a trade at the Opening Price if the executions consist of Exchange interest only without trading through the ABBO and without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price. If no new interest comes in during the Imbalance Timer and the Potential Opening Price is at or within OQR and does not trade through the ABBO, the Exchange will open with a trade at the end of the Imbalance Timer at the Potential Opening Price.

(3) Next, provided the option series has not opened pursuant to paragraph (j)(2) above, the system will:

(i) send a second Imbalance Message with a Potential Opening Price that is bounded by the OQR (and would not trade through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price) and includes away market volume in the size of the imbalance to participants; and concurrently

(ii) initiate a Route Timer, not to exceed one second. The Route Timer operates as a pause before an order is routed to an away market. If during the Route Timer, interest is received by the system which would allow the Opening Price to be within OQR without trading through away markets and without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price, the system will open with trades at the Opening Price and the Route Timer will

simultaneously end. The system will monitor quotes received during the Route Timer period and make ongoing corresponding changes to the permitted OQR and Potential Opening Price to reflect them.

(iii) If no trade occurred pursuant to (ii) above, when the Route Timer expires, if the Potential Opening Price is within OQR (and would not trade through the limit price(s) of interest within OQR that is unable to be fully executed at the Opening Price), the system will determine if the total number of contracts displayed at better prices than the Exchange's Potential Opening Price on away markets ("better priced away contracts") would satisfy the number of marketable contracts available on the Exchange. The Exchange will open the option series by routing and/or trading on the Exchange, pursuant to paragraphs (A)-(C) below.

(A) If the total number of better priced away contracts would satisfy the number of marketable contracts available on the Exchange on either the buy or sell side, the system will route all marketable contracts on the Exchange to such better priced away markets as an ISO designated as an Immediate-or-Cancel ("IOC") order(s), and determine an opening BBO that reflects the interest remaining on the Exchange. The system will price any contracts routed to away markets at the Exchange's Opening Price; or

(B) If the total number of better priced away contracts would not satisfy the number of marketable contracts the Exchange has, the system will determine how many contracts it has available at the Exchange Opening Price. If the total number of better priced away contracts plus the number of contracts available at the Exchange Opening Price would satisfy the number of marketable contracts on the Exchange on either the buy or sell side, the system will contemporaneously route, based on price/time priority of routable interest, a number of contracts that will satisfy interest at away markets at prices better than the Opening Price and trade available contracts on the Exchange at the Exchange Opening Price. The system will price any contracts routed to away markets at the better of the Exchange Opening Price or the order's limit price pursuant to this subparagraph; or

(C) If the total number of better priced away contracts plus the number of contracts available at the Exchange Opening Price plus the contracts available at away markets at the Exchange Opening Price would satisfy the number of marketable contracts the Exchange has on either the buy or sell side, the system will contemporaneously route, based on price/time priority of routable interest, a number of contracts that will satisfy interest at away markets at prices better than the Exchange Opening Price (pricing any contracts routed to away markets at the better of the Exchange Opening Price or the order's

limit price), trade available contracts on the Exchange at the Exchange Opening Price, and route a number of contracts that will satisfy interest at away markets at prices equal to the Exchange Opening Price.

(4) The system may send up to two additional Imbalance Messages (which may occur while the Route Timer is operating) bounded by OQR and reflecting away market interest in the volume. After the Route Timer has expired, the processes in paragraph (3) will repeat (except no new Route Timer will be initiated).

(5) Forced Opening. After all additional Imbalance Messages have occurred pursuant to paragraph (4) above, the system will open the series by executing as many contracts as possible by routing to away markets at prices better than the Exchange Opening Price for their disseminated size, trading available contracts on the Exchange at the Exchange Opening Price bounded by OQR (without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price), and routing contracts to away markets at prices equal to the Exchange Opening Price at their disseminated size. In this situation, the system will price any contracts routed to away markets at the better of the Exchange Opening Price or the order's limit price. Any unexecuted contracts from the imbalance not traded or routed will be cancelled back to the entering participant if they remain unexecuted and priced through the Opening Price, otherwise orders will remain in the Order Book.

(6) The system will execute orders at the Opening Price that have contingencies (such as, without limitation, All-or-None and Reserve Orders) and non-routable orders, such as a "Do-Not-Route" or "DNR" Orders, to the extent possible. The system will only route non-contingency Public Customer orders, except that only the full volume of Public Customer Reserve Orders may route.

(i) The system will cancel (1) any portion of a Do-Not-Route order that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur or (2) any order that is priced through the Opening Price will be cancelled. All other interest will be eligible for trading after opening.

(k) During the opening of the option series, where there is an execution possible, the system will give priority to Market Orders first, then to resting Limit Orders and quotes. The allocation provisions of Rule 713 and the Supplementary Material thereto apply with respect to other orders and quotes with the same price.

(l) Upon opening of the option series, regardless of an execution, the system disseminates the price and size of the Exchange's best bid and offer (BBO).

[Amended January 23, 2014 (SR-Topaz-2013-18 ); amended February 10, 2017 (SR-ISEGemini-2016-18); amended May 10, 2017 (SR-GEMX-2017-10), operative June 9, 2017; amended August 16, 2017 (SR-GEMX-2017-38), operative September 29, 2017.]

## **Rule 702. Trading Halts**

(a) *Halts.* An Exchange official designated by the Board may halt trading in any stock option in the interests of a fair and orderly market.

(1) The following are among the factors that may be considered in determining whether the trading in a stock option should be halted:

(i) trading in the underlying security has been halted or suspended in one or more of the markets trading the underlying security.

(ii) the opening of such underlying security has been delayed because of unusual circumstances.

(iii) other unusual conditions or circumstances are present.

(2) A designated Exchange official may halt trading (including a rotation) for a class or classes of options contracts whenever there is a halt of trading in an underlying security in one or more of the markets trading the underlying security. In such event, without the need for action by the Primary Market Maker, all trading in the effected class or classes of options may be halted. The Exchange shall disseminate through its trading facilities and over OPRA a symbol in respect of such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors. No Member or person associated with a Member shall effect a trade on the Exchange in any options class in which trading has been halted under the provisions of this Rule during the time in which the halt remains in effect. During a halt, the Exchange will maintain existing orders on the book (but not existing quotes prior to the halt), accept orders and quotes, and process cancels and modifications, except existing quotes are cancelled.

(b) *Resumptions.* Trading in a stock option that has been the subject of a halt under paragraph (a)(1) above may be resumed upon the determination by an Exchange official designated by the Board that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

(c) *Trading Pauses.* Trading on the Exchange in any option contract shall be halted whenever trading in the underlying security has been paused by the primary listing market. Trading in such options contracts may be resumed upon a determination by the Exchange that the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one exchange.

(d) This paragraph shall be in effect during a pilot period to coincide with the

pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time (“LULD Plan”). Capitalized terms used in this paragraph (d) shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(1) The Exchange will not open an affected option.

(2) Provided the Exchange has opened an affected option for trading, the Exchange shall reject Market Orders, as defined in Rule 715(a), and shall notify Members of the reason for such rejection. Market Orders exposed at the NBBO pursuant to Supplementary Material. 02 to Nasdaq ISE Rule 1901, pending in the System, will continue to be processed. If at the end of the exposure period the affected underlying is in a Limit or Straddle State, the Market Order will be cancelled. If the affected underlying is no longer in a Limit or Straddle State after the exposure period, the Market Order will be processed with normal handling.

(3) Provided the Exchange has opened an affected option for trading, the Exchange shall elect Stop Orders if the condition as provided in Rule 715(d) is met, and, because they become Market Orders, shall cancel them back and notify Members of the reason for such rejection.

(4) When the security underlying an option class is in a Limit State or Straddle State, the maximum quotation spread requirements for market maker quotes contained in Rule 803(b)(4) and the continuous quotation requirements contained in Rule 804(e) shall be suspended. The time periods associated with Limit States and Straddle States will not be considered by the Exchange when evaluating whether a market maker complied with the continuous quotation requirements contained in Rule 804(e).

### ***Supplementary Material to Rule 702***

.01 The Exchange shall nullify any transaction that occurs:

(a) during a trading halt in the affected option on the Exchange; or

(b) with respect to equity options (including options overlying ETFs), during a regulatory halt as declared by the primary listing market for the underlying security.

[Amended December 2, 2013 (SR-Topaz-2013-10); amended May 8, 2015 (SR-ISE-Gemini-2015-11); amended February 10, 2017 (SR-ISEGemini-2016-17); amended April 4, 2017 (SR-GEMX-2017-03).]

### **Rule 703. Trading Halts Due To Extraordinary Market Volatility**

The Exchange shall halt trading in all securities whenever a marketwide trading halt (commonly known as a circuit breaker) is initiated on the New York Stock Exchange in response to extraordinary market conditions.

**Rule 704. Collection and Dissemination of Quotations**

(a) Each market maker shall communicate to the Exchange its bid and offers in accordance with the requirements of Rule 602 of Regulation NMS under the Exchange Act and the Rules of the Exchange.

(b) The Exchange will disseminate to quotation vendors the highest bid and the lowest offer, and the aggregate quotation size associated therewith that is available to Public Customer Orders, in accordance with the requirements of Rule 602 of Regulation NMS under the Exchange Act.

*(c) Unusual Market Conditions.*

(1) An Exchange official designated by the Board shall have the power to determine that the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange. Upon making such a determination, the Exchange shall designate the market in such option to be "fast." When a market for an option is declared fast, the Exchange will provide notice that its quotations are not firm by appending an appropriate indicator to its quotations.

(2) If a market is declared fast, designated Exchange officials shall have the power to: (i) direct that one or more trading rotations be employed pursuant to Rule 701; (ii) suspend the minimum size requirement of Rule 804(b); or (iii) take such other actions as are deemed in the interest of maintaining a fair and orderly market.

(3) The Exchange will monitor the activity or conditions that caused a fast market to be declared, and a designated Exchange official shall review the condition of such market at least every thirty (30) minutes. Regular trading procedures shall be resumed by the Exchange when a designated Exchange official determines that the conditions supporting a fast market declaration no longer exist. The Exchange will provide notice that its quotations are once again firm by removing the indicator from its quotations.

(4) If the conditions supporting a fast market declaration cannot be managed utilizing one or more of the procedures described above, then a designated Exchange official shall halt trading in the class or classes so affected.

**Rule 705. Limitation of Liability**

(a) The Exchange, its Directors, officers, committee members, employees, contractors or agents shall not be liable to Members nor any persons

associated with Members for any loss, expense, damages or claims arising out of the use of the facilities, systems or equipment afforded by the Exchange, nor any interruption in or failure or unavailability of any such facilities, systems or equipment, whether or not such loss, expense, damages or claims result or are alleged to result from negligence or other unintentional errors or omissions on the part of the Exchange, its Directors, officers, committee members, employees, contractors, agents or other persons acting on its behalf, or from systems failure, or from any other cause within or outside the control of the Exchange. Without limiting the generality of the foregoing, the Exchange shall have no liability to any person for any loss, expense, damages or claims which result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(b) The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to, reports of transactions in or quotations for securities traded on the Exchange or underlying securities, or reports of interest rate measures or index values or related data, and the Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data.

(c) No Member or person associated with a Member shall institute a lawsuit or other legal proceeding against the Exchange or any Director, officer, employee, contractor, agent or other official of the Exchange or any subsidiary of the Exchange, for actions taken or omitted to be taken in connection with the official business of the Exchange or any subsidiary, except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

(d) Notwithstanding paragraph (a) above, the Exchange, subject to the express limits set forth below, may compensate users of the Exchange for losses directly resulting from the actual failure of the System, or any other Exchange quotation, transaction reporting, execution, order routing or other systems or facility to correctly process an order, quote, message, or other data, provided that the Exchange has acknowledged receipt of the order, quote, message, or data.

(1) For the aggregate of all claims made by all market participants related to the use of the Exchange during a single calendar month, the Exchange's payments shall not exceed the larger of \$500,000, or the amount of the recovery obtained by the Exchange under any applicable insurance policy.

(2) In the event that all of the claims arising out of the use of the Exchange cannot be fully satisfied because in the aggregate they exceed the limitations provided for in this Rule, then the maximum permitted amount will be proportionally allocated among all such claims arising during a single calendar month.

(3) All claims for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 P.M. ET on the next business day following the day on which the use of the Exchange gave rise to such claims. Nothing in this rule shall obligate the Exchange to seek recovery under any applicable insurance policy.

[Amended January 23, 2014 (SR-Topaz-2013-18); amended February 9, 2017 (SR-ISEGemini-2016-16); amended February 27, 2017 (SR-ISEGemini-2017-11).]

### **Rule 706. Access to and Conduct on the Exchange**

(a) *Access to Exchange.* Unless otherwise provided in the Rules, no one but a Member or a person associated with a Member shall effect any Exchange transactions. The Exchange may share any Member-designated risk settings in the trading system with the Clearing Member that clears transactions on behalf of the Member.

(b) *Exchange Conduct.* Members and persons employed by or associated with any Member, while using the facilities of the Exchange, shall not engage in conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; or (iii) inconsistent with the ordinary and efficient conduct of business. Activities that may violate the provisions of this paragraph (b) include, but are not limited to, the following:

(1) failure of a market maker to provide quotations in accordance with Rule 804;

(2) failure of a market maker to bid or offer within the ranges specified by Rule 803(b)(4);

(3) failure of a Member to supervise a person employed by or associated with such Member adequately to ensure that person's compliance with this paragraph (b);

(4) failure to abide by a determination of the Exchange;

(5) refusal to provide information requested by the Exchange; and

(6) failure to abide by the provisions of Rule 717.

**Supplementary Material to Rule 706**

.01 (a) General. The Exchange shall be available for entry and execution of orders by Sponsored Customers with authorized access. To obtain authorized access to the Exchange, each Sponsored Customer must enter into a Sponsored Customer Agreement with the Exchange in such form as the Exchange may provide.

.01 (b) Sponsored Customers. A Sponsored Customer may obtain authorized access to the Exchange only if such access is authorized in advance by one or more Sponsoring Members as follows:

(1) Sponsored Customers must enter into and maintain customer agreements with one or more Sponsoring Members establishing proper relationship(s) and account(s) through which the Sponsored Customers may trade on the Exchange. Such customer agreement(s) must incorporate the sponsorship provisions set forth in paragraph (2) below.

(2) For a Sponsored Customer to obtain and maintain authorized access to the Exchange, a Sponsored Customer and its Sponsoring Member must agree in writing to the following sponsorship provisions:

(i) Sponsoring Member must have entered into and maintained an Access Agreement with the Exchange. The Sponsoring Member must designate the Sponsored Customer by name in a Sponsored Customer Addendum to the Access Agreement as such.

(ii) Sponsoring Member acknowledges and agrees that

(A) All orders entered by the Sponsored Customer and any person acting on behalf of or in the name of such Sponsored Customer and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member, and

(B) Sponsoring Member is responsible for any and all actions taken by such Sponsored Customer and any person acting on behalf of or in the name of such Sponsored Customer.

(iii) Sponsoring Member shall comply with the Exchange's Certificate of Formation, Constitution, Rules and procedures with regard to the Exchange and Sponsored Customer shall comply with Exchange's Certificate of Formation, Constitution, Rules and procedures with regard to the Exchange, as if Sponsored Customer were an Exchange Member.

(iv) Sponsored Customer shall maintain, keep current and provide to the Sponsoring Member a list of persons who have been granted

access to the Exchange on behalf of the Sponsored Customer (“Authorized Traders”).

(v) Sponsored Customer shall familiarize its Authorized Traders with all of the Sponsored Customer's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to the Exchange.

(vi) Sponsored Customer may not permit anyone other than Authorized Traders to use or obtain access to the Exchange.

(vii) Sponsored Customer shall take reasonable security precautions to prevent unauthorized use of access to the Exchange, including unauthorized entry of information into the Exchange's System, or the information and data made available therein. Sponsored Customer understands and agrees that Sponsored Customer is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of Authorized Traders, and for the trading and other consequences thereof.

(viii) Sponsored Customer acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents and customers' use and access to the Exchange for compliance with this rule.

(ix) Sponsored Customer shall pay when due all amounts, if any, payable to Sponsoring Member, the Exchange or any other third parties that arise from the Sponsored Customers access to and use of the Exchange. Such amounts include, but are not limited to applicable exchange and regulatory fees.

(3) The Sponsoring Member must provide the Exchange with a Sponsored Customer Addendum to its Access Agreement acknowledging its responsibility for the orders, executions and actions of its Sponsored Customer.

[Amended April 29, 2015 (SR-ISE Gemini-2015-08).]

#### **Rule 707. Clearing Member Give Up**

A Member must give up the name of the Clearing Member through whom the transaction will be cleared. If there is a subsequent change in identity of the Clearing Member through whom a transaction will be cleared, the Member must, as promptly as possible, report such change to the Exchange.

**Rule 708. Units of Trading**

The unit of trading in each series of options traded on the Exchange shall be the unit of trading established for that series by the Clearing Corporation pursuant to the rules of the Clearing Corporation and the agreements of the Exchange with the Clearing Corporation.

**Rule 709. Meaning of Premium Quotes and Orders**

(a) *General.* Except as provided in paragraph (b), orders and quotations shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of “5” shall represent a bid of \$500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.

(b) *Special Cases.* Orders and quotations for an options contract for which the Exchange has established an adjusted unit of trading in accordance with Rule 708 shall be expressed in terms of dollars per 1/100 part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of “3” shall represent an offer of \$300 for an options contract having a unit of trading consisting of 100 shares of an underlying security plus ten (10) rights.

(c) *Mini Options.* Bids and offers for an option contract overlying 10 shares shall be expressed in terms of dollars per 1/10th part of the total value of the contract. An offer of “.50” shall represent an offer of \$5.00 on an option contract having a unit of trading consisting of 10 shares.

**Rule 710. Minimum Trading Increments**

(a) The Board may establish minimum trading increments for options traded on the Exchange. Such changes by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Rule 710 within the meaning of paragraph (3)(A) of Section 19(b) of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply:

(1) if the options contract is trading at less than \$3.00 per option, \$.05; and

(2) if the options contract is trading at \$3.00 per option or higher, \$.10.

(b) Minimum trading increments for dealings in options contracts other than those specified in paragraph (a) may be fixed by the Exchange from time to time for options contracts of a particular series.

(c) Notwithstanding the above, the Exchange may trade in the minimum variation of the primary market in the underlying security.

***Supplementary Material to Rule 710***

.01 Notwithstanding any other provision of this Rule 710, the Exchange will operate a pilot program, scheduled to expire on December 31, 2017, to permit options classes to be quoted and traded in increments as low as \$.01. The Exchange will specify which options trade in such pilot, and in what increments, in Market Information Circulars distributed to Members.

The Exchange may replace any penny pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the penny pilot, based on trading activity in the previous six months. The replacement issues may be added to the penny pilot on the second trading day following July 1, 2017.

.02 Notwithstanding any other provision of this Rule 710, the Exchange will permit foreign currency options and options on a Foreign Currency Index to be quoted and traded in one-cent increments.

.03 Notwithstanding any other provision of this Rule 710, the minimum trading increment for Mini Options shall be determined in accordance with Supplementary Material .13(d) to Rule 504.

[Amended September 27, 2013 (SR-Topaz-2013-05); amended December 18, 2013 (SR-Topaz-2013-21); amended June 30, 2014 (SR-ISE Gemini-2014-14); amended December 31, 2014 (SR-ISE Gemini-2014-29); amended June 22, 2015 (SR-ISE Gemini-2015-12, amended June 29, 2016 (SR-ISE Gemini-2016-06); amended December 23, 2016 (SR-ISE Gemini-2016-25); amended May 25, 2017 (SR-GEMX-2017-21).]

**Rule 711. Acceptance of Quotes and Orders**

(a) All bids or offers made and accepted on the Exchange in accordance with the Rules shall constitute binding contracts, subject to applicable requirements of the Constitution and the Rules and the rules of the Clearing Corporation.

(b) A trade may be nullified if all parties participating in the trade agree to the nullification. In such case, one party must notify the Exchange and the Exchange promptly will disseminate the nullification to OPRA.

(c) Market Order Spread Protection. Market Orders will be rejected if the NBBO is wider than a preset threshold at the time the order is received by the trading system.

[Amended February 10, 2017 (SR-ISEGemini-2016-17).]

**Rule 712. Submission of Orders and Clearance of Transactions**

(a) *Order Identification.* When entering orders on the Exchange, each Member shall submit trade information in such form as may be prescribed by the Exchange in order to allow the Exchange to properly prioritize and match orders and quotations pursuant to Rule 713 and report resulting transactions to the Clearing Corporation.

(b) All transactions made on the Exchange shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the rules of the Clearing Corporation. Every Clearing Member shall be responsible for the clearance of the Exchange transactions of such Clearing Member and of each Member who gives up such Clearing Member's name pursuant to a written letter of clearing authorization or written letter of guarantee, which letter of clearing authorization or letter of guarantee must be submitted to the Exchange.

(c) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, the Exchange shall furnish the Clearing Corporation a report of each Clearing Member's matched trades.

**Rule 713. Priority of Quotes and Orders**

(a) *Definitions.*

As provided in Rule 100(a)(4) and (a)(29), a "bid" is a quotation or limit order to buy options contracts and an "offer" is a quotation or limit order to sell options contracts. "Quotations," which are defined in Rule 100(a)(42), may only be entered on the Exchange by market makers in the options classes to which they are appointed under Rule 802. Limit orders may be entered by market makers in certain circumstances as provided in the Rules and by Electronic Access Members (either as agent or as principal). "Priority Customer Orders" and "Professional Orders" are defined in Rule 100(a)(37B) and (37C).

(b) *Priority on the Exchange.* The highest bid and lowest offer shall have priority on the Exchange.

In the case where the bid price for any options contract is \$0.00, a market order to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Rule 710.

(c) *Priority.* Except as provided under Rule 715(g), Priority Customer Orders on the Exchange shall have priority over Professional Orders and market maker quotes at the same price in the same options series.

(d) *Precedence of Priority Customer Orders.* Except as provided under Rule 715(g), if there are two (2) or more Priority Customer Orders for the same options

series at the same price on the Exchange, priority shall be afforded to such Priority Customer Orders in the sequences in which they are received by the Exchange (*i.e.*, in time priority).

(e) *Precedence of Professional Orders and Market Maker Quotes.* Except as provided under Rule 715(g), if there are two (2) or more Professional Orders or market maker quotes at the Exchange's best bid or offer, after all Priority Customer Orders (if any) at that price have been filled, executions at that price will be allocated between the Professional Orders and market maker quotes pursuant to an allocation procedure to be determined by the Exchange from time to time; provided, however, that if the Primary Market Maker is quoting at the Exchange's best bid or offer, it shall have precedence over Professional Orders and Competitive Market Maker quotes for execution of orders that are for a specified number of contracts or fewer, which number shall be determined by the Exchange from time to time.

### ***Supplementary Material to Rule 713***

.01 Rule 713(e) (Priority of Quotes and Orders) states that Priority Customer Orders have priority on the Exchange. That rule further provides that the Exchange will determine a procedure for allocating executions among Professional Orders and market maker quotes in cases where all Priority Customer Orders have been executed and there are two or more Professional Orders or market maker quotes at the best price. This procedure is as follows:

(a) Subject to the two limitations in paragraphs (b) and (c) below and subject to paragraph .03 (Preferred Orders), Professional Orders and market maker quotes at the best price receive allocations based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Order or quote;

(b) If the Primary Market Maker is quoting at the best price, it has participation rights equal to the greater of (i) the proportion of the total size at the best price represented by the size of its quote, or (ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Professional Order or market maker quotation at the best price, forty percent (40%) if there are two (2) other Professional Orders and/or market maker quotes at the best price, and thirty percent (30%) if there are more than two (2) other Professional Orders and/or market maker quotes at the best price; and

(c) Orders for five (5) contracts or fewer will be executed first by the Primary Market Maker; provided however, that on a quarterly basis the Exchange will evaluate what percentage of the volume executed on the Exchange (excluding volume resulting from the execution of orders in the Facilitation Mechanism (see Rule 716(d))) is comprised of orders for five (5) contracts or fewer executed by Primary Market Makers, and will reduce the size of the orders included in this provision if such percentage is over forty percent (40%).

This procedure only applies to the allocation of executions among Professional Orders and market maker quotes existing in the Exchange's central order 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 the price of its existing interest. Accordingly, the Primary Market Maker participation rights and the small order preference contained in this allocation procedure are not guarantees; the Primary Market Maker (i) must be quoting at the execution price to receive an allocation of any size, and (ii) cannot execute a greater number of contracts than the size that is associated with its quote.

.02 All-Or-None Orders, as defined in Rule 715(c), are contingency orders that have no priority on the book. Such orders are available for execution after all other trading interest at the same price has been exhausted.

.03 Preferred Orders. An Electronic Access Member may designate a "Preferred Market Maker" on orders it enters into the System ("Preferred Orders").

(a) A Preferred Market Maker may be the Primary Market Maker appointed to the options class or any Competitive Market Maker appointed to the options class.

(b) If the Preferred Market Maker is not quoting at a price equal to the NBBO at the time the Preferred Order is received, the allocation procedure contained in paragraph .01 shall be applied to the execution of the Preferred Order.

(c) If the Preferred Market Maker is quoting at the NBBO at the time the Preferred Order is received, the allocation procedure contained in paragraph .01 shall be applied to the execution of the Preferred Order except that the Primary Market Maker will not receive the participation rights described in paragraphs .01(b) and (c), and instead the Preferred Market Maker shall have participation rights equal to the greater of:

(i) the proportion of the total size at the best price represented by the size of its quote,

(ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Professional Order or market maker quotation at the best price and forty percent (40%) if there are two (2) or more other Professional Orders and/or market maker quotes at the best price, or

(iii) the full size of a Preferred Order for five (5) contracts or fewer if the Primary Market Maker appointed to the options class is designated as the Preferred Market Maker.

(d) Preferred Competitive Market Makers are subject to enhanced quoting requirements as provided in Rule 804(e)(2)(iii).

.04 Notification of Public Customer Interest on the Book. The Exchange shall make available to Members the quantity of Public Customer contracts included in the Exchange's highest bid and lowest offer.

[Amended October 26, 2016 (SR-ISEGemini-2016-13); amended February 10, 2017 (SR-ISEGemini-2016-17); amended February 24, 2017 (SR-ISEGemini-2017-08); amended February 28, 2017 (SR-ISEGemini-2017-12); amended March 9, 2017 (SR-ISEGemini-2017-14).]

#### **Rule 714. Automatic Execution of Orders**

Incoming orders that are executable against orders and quotes in the System will be executed automatically by the System subject to the following:

(a) NBBO Price Protection. Orders, other than Intermarket Sweep Orders (as defined in Rule 1900(h)), will not be automatically executed by the System at prices inferior to the NBBO (as defined in Rule 1900(j)).

(1) Orders that are not automatically executed will be handled as provided in Supplementary Material .02 to Rule 1901; provided that Members may specify that a Non-Customer order should instead be rejected automatically by the System at the time of receipt.

(2) There is no NBBO price protection with respect to any other market whose quotations are Non-Firm (as defined in Rule 1900(k)).

(b) Other Order Protections. Subject to the NBBO price protection in (a) above, the following additional order protections are automatically enforced by the System:

(1) Acceptable Trade Range.

(i) The system will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders or quotes). Upon receipt of a new order or quote, the reference price is the NBB for sell orders/quotes and the NBO for buy orders/quotes. The Acceptable Trade Range will not be available for all-or-none orders.

(ii) If an order or quote reaches the outer limit of the Acceptable Trade Range without being fully executed then any unexecuted balance will be cancelled.

(iii) There will be three categories of options for Acceptable Trade Range: (1) Penny Pilot Options trading in one cent increments for options trading at less than \$3.00 and increments of five cents for options trading at \$3.00 or more, (2) Penny Pilot Options trading in one-cent increments for all prices, and (3) Non-Penny Pilot Options.

(2) Limit Order Price Protection. There is a limit on the amount by which incoming limit orders to buy may be priced above the Exchange's best offer and by which incoming limit orders to sell may be priced below the Exchange's best bid. Limit orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus): (i) an absolute amount not to exceed \$2.00, or (ii) a percentage of the Exchange's best bid/offer not to exceed 10%.

(3) Size Limitation. There is a limit on the number of contracts an incoming order may specify. Orders that exceed the maximum number of contracts are rejected. The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time.

(c) In the event of unusual market conditions and in the interest of a fair and orderly market, the Exchange may temporarily establish the levels at which the order protections contained in paragraph (b) are triggered as necessary and appropriate.

(d) Market Wide Risk Protection. All members must provide parameters for the order entry and execution rate protections described in this Rule 714(d). The Exchange will also establish default values for each of these parameters that apply to members that do not submit the required parameters, and will announce these default values in a circular to be distributed to members. The System will maintain one or more counting programs for each member that count orders entered and contracts traded on Nasdaq GEMX or across both Nasdaq GEMX and Nasdaq ISE. Members can use multiple counting programs to separate risk protections for different groups established within the member. The counting programs will maintain separate counts, over rolling time periods specified by the member for each count, of: (1) the total number of orders entered; and (2) the total number of contracts traded. The minimum and maximum duration of the applicable time period will be established by the Exchange and announced via circular.

(1) If, during the applicable time period, the member exceeds thresholds that it has set for any of the order entry or execution counts described above on Nasdaq GEMX, or across both Nasdaq GEMX and Nasdaq ISE, in either case as set by the member, the System will automatically reject all

subsequent incoming orders entered by the member on Nasdaq GEMX or, if applicable, across both Nasdaq GEMX and Nasdaq ISE.

(2) Members may also choose to have the System automatically cancel all of their existing orders on Nasdaq GEMX, or across both Nasdaq GEMX and Nasdaq ISE, in either case as set by the member, when the Market Wide Risk Protection is triggered.

(3) The Market Wide Risk Protection will remain engaged until the member manually notifies the Exchange to enable the acceptance of new orders. For members that still have open orders on the book that have not been cancelled pursuant to Rule 714(d)(2) above, the System will continue to allow those members to interact with existing orders entered before the protection was triggered, including sending cancel order messages and receiving trade executions for those orders

[Amended February 17, 2014 (SR-Topaz-2014-05); Amended April 17, 2016 (SR-Gemini-2016-03); amended February 10, 2017 (SR-ISEGemini-2016-17); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

#### **Rule 715. Types of Orders**

(a) *Market Orders.* A market order is an order to buy or sell a stated number of options contracts that is to be executed at the best price obtainable when the order reaches the Exchange.

(b) *Limit Orders.* A limit order is an order to buy or sell a stated number of options contracts at a specified price or better.

(1) *Marketable Limit Orders.* A marketable limit order is a limit order to buy (sell) at or above (below) the best offer (bid) on the Exchange.

(2) *Fill-or-Kill Orders.* A fill-or-kill order is a limit order that is to be executed in its entirety as soon as it is received and, if not so executed, treated as cancelled.

(3) *Immediate-or-Cancel Orders.* An immediate-or-cancel order is a limit order that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled. An immediate-or-cancel order entered by a Market Maker through the Specialized Quote Feed protocol will not be subject to the Limit Order Price Protection and Size Limitation Protection as defined in GEMX Rule 714(b)(2) and (3).

(4) Reserved.

(5) *Intermarket Sweep Orders.* An Intermarket Sweep Order (ISO) is a limit order that meets the requirements of Rule 1900(h).

(6) *Stopped Order.* A stopped order is a limit order that meets the requirements of Rule 1901(b)(8). To execute stopped orders, Members must enter them into the Facilitation Mechanism or Solicited Order Mechanism pursuant to Rule 716.

(c) *All-Or-None Orders.* An All-Or-None order is a limit or market order that is to be executed in its entirety or not at all. An All-Or-None Order may only be entered as an Immediate-or-Cancel Order.

(d) *Stop Orders.* A stop order is an order that becomes a market order when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the Exchange at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Exchange at, or below, the specified stop price.

(e) *Stop Limit Orders.* A stop limit order is an order that becomes a limit order when the stop price is elected. A stop limit order to buy is elected when the option is bid or trades on the Exchange at, or above, the specified stop price. A stop limit order to sell becomes a sell limit order when the option is offered or trades on the Exchange at, or below, the specified stop price.

(f) Reserved.

(g) *Reserve Orders.* A Reserve Order is a limit order that contains both a displayed portion and a non-displayed portion.

1. Both the displayed and non-displayed portions of a Reserve Order are available for potential execution against incoming marketable orders. A non-marketable Reserve Order will rest on the order book.

2. The displayed portion of a Reserve Order shall be ranked at the specified limit price and the time of order entry.

3. The displayed portion of a Reserve Order will trade in accordance with Rule 713(c) and (d) for Priority Customer Orders, and Rule 713(e) and Supplementary Material .01, for Professional Orders.

4. When the displayed portion of a Reserve Order is decremented, either in full or in part, it shall be refreshed from the non-displayed portion of the resting Reserve Order. If the displayed portion is refreshed in part, the new displayed portion shall include the previously displayed portion. Upon any refresh, the entire displayed portion shall be ranked at the specified limit price and obtain a new time stamp, i.e., the time that the new displayed portion of the order was refreshed. The new displayed portion will trade in accordance with

Rule 713(c) and (d) for Priority Customer Orders, and Rule 713(e) and Supplementary Material .01, for Professional Orders.

5. The initial non-displayed portion of a Reserve Order rests on the order book and is ranked based on the specified limit price and time of order entry. Thereafter, non-displayed portions, if any, always obtain the same time stamp as that of the new displayed portion in paragraph 4 above. The non-displayed portion of any Reserve Order is available for execution only after all displayed interest has been executed. The non-displayed portion of any Reserve Order will trade in accordance with Rule 713(c) and (d) for Priority Customer Orders, and Rule 713(e) and Supplementary Material .01, for Professional Orders.

(h) *Attributable Order.* An Attributable Order is a market or limit order which displays the user firm ID for purposes of electronic trading on the Exchange. Use of Attributable Orders is voluntary. Attributable Orders may not be available for all Exchange systems. The Exchange will issue a Regulatory Information Circular specifying the systems and the class of securities for which the Attributable Order type shall be available.

(i) *Customer Cross Orders.* A Customer Cross Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity.

(j) *Qualified Contingent Cross Order.* A Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Supplementary Material .01 below, coupled with a contra-side order or orders totaling an equal number of contracts.

(k) Reserved

(l) *Day Order.* An order to buy or sell which, if not executed, expires at the end of the day on which it was entered. All orders by their terms are Day Orders unless otherwise specified.

(m) *Do-Not-Route Orders.* A do-not-route order is a market or limit order that is to be executed in whole or in part on the Exchange only. Due to prices available on another options exchange (as provided in Chapter 19 (Order Protection; Locked and Crossed Markets)), any balance of a do-not-route order that cannot be executed upon entry, or placed on the Exchange's limit order book, will be automatically cancelled.

(n) *Add Liquidity Order.* An Add Liquidity Order is a limit order that is to be executed in whole or in part on the Exchange (i) only after being displayed on the Exchange's limit order book; and (ii) without routing any portion of the order to another market center. Members may specify whether an Add Liquidity Order shall be cancelled or re-priced to the minimum price variation above the national best bid price (for sell orders) or below the national best offer price (for buy orders) if, at the time of entry, the

order (i) is executable on the Exchange; or (ii) the order is not executable on the Exchange, but would lock or cross the national best bid or offer. If at the time of entry, an Add Liquidity Order would lock or cross one or more non-displayed orders on the Exchange, the Add Liquidity Order shall be cancelled or re-priced to the minimum price variation above the best non-displayed bid price (for sell orders) or below the best non-displayed offer price (for buy orders). An Add Liquidity Order will only be re-priced once and will be executed at the re-priced price. An Add Liquidity Order will be ranked in the Exchange's limit order book in accordance with Rule 713.

(o) *Opening Only Order.* An Opening Only order is a limit order that can be entered for the opening rotation only. Any portion of the order that is not executed during the opening rotation is cancelled.

(p) *Good-Till-Date Order.* A Good-Till-Date Order is a limit order to buy or sell which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the order, or the expiration of the series.

(q) Reserved.

(r) *Good-Till-Canceled Order (GTC Order).* An order to buy or sell that remains in force until the order is filled, canceled or the option contract expires; provided, however, that GTC Orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract.

(s) *Sweep Order.* A Sweep Order is a limit order that is to be executed in whole or in part on the Exchange and the portion not so executed shall be routed pursuant to Supplementary Material .05 to Rule 1901 to Eligible Exchange(s) for immediate execution as soon as the order is received by the Eligible Exchange(s). Any portion not immediately executed by the Eligible Exchange(s) shall be canceled. If a Sweep Order is not marketable when it is submitted to the Exchange, it shall be canceled.

(t) *Opening Sweep.* An Opening Sweep is a Market Maker order submitted for execution against eligible interest in the system during the Opening Process pursuant to Rule 701(b)(1).

### ***Supplementary Material to Rule 715***

.01 A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

(a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;

(b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(c) the execution of one component is contingent upon the execution of all other components at or near the same time;

(d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

.02 Cancel and Replace Orders shall mean a single message for the immediate cancellation of a previously received order and the replacement of that order with a new order. If the previously placed order is already filled partially or in its entirety, the replacement order is automatically canceled or reduced by the number of contracts that were executed. The replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended, size is not increased, or in the case of Reserve Orders, size is not changed. If the replacement portion of a Cancel and Replace order does not satisfy the system's price or other reasonability checks (e.g. Nasdaq GEMX Rule 710; Nasdaq GEMX Rule 711(c); and Nasdaq GEMX Rule 714(b)(2)) the existing order shall be cancelled and not replaced.

[Amended December 18, 2013 (SR-Topaz-2013-19); Amended January 23, 2014 (SR-Topaz-2013-18); amended April 3, 2014 (SR-Topaz-2013-20); amended September 18, 2014 (SR-ISE Gemini-2014-22; amended October 26, 2016 (SR-ISE Gemini-2016-13); amended February 10, 2017 (SR-ISE Gemini-2016-17); amended February 10, 2017 (SR-ISE Gemini-2016-18); amended February 24, 2017 (SR-ISE Gemini-2017-07); amended February 24, 2017 (SR-ISE Gemini-2017-08); amended May 11, 2017 (SR-GEMX-2017-16), operative June 10, 2017; amended June 27, 2017 (SR-GEMX-2017-28).]

#### **Rule 716. Block Trades**

(a) *Block-Size Orders.* Block-size orders are orders for fifty (50) contracts or more.

(b) For purposes of this Rule, a "broadcast message" means an electronic message that is sent by the Exchange to all Members, and a "Response" means an electronic message that is sent by Members in response to a broadcast message.

(c) *Block Order Mechanism.* The Block Order Mechanism is a process by which a Member can obtain liquidity for the execution of block-size orders.

(1) Upon the entry of an order into the Block Order Mechanism, a broadcast message will be sent that includes the series, and may include price, size and/or side, as specified by the Member entering the order, and Members will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to trade with a block-size order.

(2) At the conclusion of the time given Members to enter Responses, either an execution will occur automatically, or the order will be cancelled.

(i) Responses, orders, and quotes will be executed at a single block execution price that is the price for the block-size order at which the maximum number of contracts can be executed consistent with the member's instruction. Bids (offers) on the Exchange at the time the block order is executed that are priced higher (lower) than the block execution price, as well as Responses that are priced higher (lower) than the block execution price, will be executed in full at the block execution price.

(ii) At the block execution price, Priority Customer Orders and Priority Customer Responses will be executed first and in time priority, and then quotes, Professional Orders, and Professional Responses will participate in the execution of the block-size order based upon the percentage of the total number of contracts available at the block execution price that is represented by the size of the quote, Professional Order, or Professional Response..

(3) If a trading halt is initiated after an order is entered into the Block Order Mechanism, such auction will be automatically terminated without execution.

(d) *Facilitation Mechanism.* The Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size order it represents as agent. Electronic Access Members must be willing to execute the entire size of orders entered into the Facilitation Mechanism.

(1) Upon the entry of an order into the Facilitation Mechanism, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they want to participate in the facilitation of the order.

(2) Responses may be priced at the price of the order to be facilitated or at a better price and must not exceed the size of the order to be facilitated.

(3) At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) Unless there is sufficient size to execute the entire facilitation order at a better price, Priority Customer bids (offers) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Orders and market maker quotes at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the order being facilitated a better price for the number of contracts associated with such higher bids (lower offers). The facilitation order will be cancelled at the end of the exposure period if an execution would take place at a price that is inferior to the best bid (offer) on Nasdaq GEMX.

(ii) The facilitating Electronic Access Member will execute at least forty percent (40%) of the original size of the facilitation order, but only after better-priced Responses, orders and quotes, as well as Priority Customer Orders at the facilitation price, are executed in full. Thereafter, Responses quotes and Professional Orders at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Response, Professional Order or quote.

(iii) Upon entry of an order into the Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the price and size of orders, quotes and responses received during the exposure period up to a specified limit price or without specifying a limit price. In this case, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating member shall be allocated at least forty percent (40%) of the original size of the facilitation order, but only after Priority Customer interest at such price point. Thereafter, all other orders, Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the order, Response or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(iv) If a trading halt is initiated after an order is entered into the Facilitation Mechanism, such auction will be automatically terminated without execution.

(e) *Solicited Order Mechanism.* The Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it solicited. Each order entered into the Solicited Order Mechanism shall be designated as all-or-none.

(1) Upon entry of both orders into the Solicited Order Mechanism at a proposed execution price, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the execution of the Agency Order.

(2) At the end of the period given Members to enter Responses, the Agency Order will be automatically executed in full or cancelled.

(i) If at the time of execution there is insufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed against the solicited order at the proposed execution price so long as, at the time of execution: (A) the execution price is equal to or better than the best bid or offer on the Exchange, and (B) there are no Priority Customer Orders on the Exchange that are priced equal to the proposed execution price. If there are Priority Customer Orders on the Exchange on the opposite side of the Agency Order at the proposed execution price and there is sufficient size to execute the entire size of the Agency Order, the Agency Order will be executed against the bid or offer, and the solicited order will be cancelled. The aggregate size of all orders, quotes and Responses at the bid or offer will be used to determine whether the entire Agency Order can be executed. Both the solicited order and Agency Order will be cancelled if an execution would take place at a price that is inferior to the best bid or offer on the Exchange, or if there is a Priority Customer on the book at the proposed execution price but there is insufficient size on the Exchange to execute the entire Agency Order.

(ii) If at the time of execution there is sufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed at the improved price(s), subject to the condition in (i)(A), and the solicited order will be cancelled. The aggregate size of all orders, quotes and Responses at each price will be used to determine whether the entire agency order can be executed at an improved price (or prices).

(iii) When executing the Agency Order against the bid or offer in accordance with paragraph (i) above, or at an improved price in accordance with paragraph (ii) above, Priority Customer Orders will be executed first. Professional Orders and market maker quotes participate in the execution of the Agency Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Order or market maker quote.

(iv) If a trading halt is initiated after an order is entered into the Solicited Order Mechanism, such auction will be automatically terminated without execution.

(3) Prior to entering Agency Orders into the Solicited Order Mechanism on behalf of a customer, EAMs must deliver to the customer a written notification informing the customer that its order may be executed using the Exchange's Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

### ***Supplementary Material to Rule 716***

.01 It will be a violation of a member's duty of best execution to its customer if it were to cancel a facilitation order to avoid execution of the order at a better price. The availability of the Facilitation Mechanism does not alter a Member's best execution duty to get the best price for its customer. Accordingly, while facilitation orders can be canceled during the time period given for the entry of Responses, if a Member were to cancel a facilitation order when there was a superior price available on the Exchange and subsequently re-enter the facilitation order at the same facilitation price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Member did so to avoid execution of its customer order in whole or in part by other brokers at the better price.

.02 Responses represent non-firm interest that can be canceled at any time prior to execution. Responses are not displayed to any market participants.

.03 Reserved.

.04 The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.

.05 Under paragraph (e) above, Members may enter contra orders that are solicited. The Solicited Order Mechanism provides a facility for Members that locate liquidity for their customer orders. Members may not use the Solicited Order Mechanism to circumvent Exchange Rule 717(d) limiting principal transactions. This

may include, but is not limited to, Members entering contra orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the Member has an arrangement that allows the Member to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, any solicited contra orders entered by Members to trade against Agency Orders may not be for the account of an Exchange market maker that is assigned to the options class.

.06 Split Prices. Orders and Responses may be entered into the Facilitation and Solicitation Mechanisms and receive executions at the mid-price between the standard minimum trading increments for the options series (“Split Prices”). This means that orders and Responses for options with a minimum increment of 5 cents may be entered into the Facilitation and Solicitation Mechanisms and receive executions in 2.5 cent increments (e.g., \$1.025, \$1.05, \$1.075, etc.), and that orders and Responses for options with a minimum increment of 10 cents may be entered into the Facilitation and Solicitation Mechanism and receive executions at 5 cent increments (e.g., \$4.05, \$4.10, \$4.15, etc.). Orders and quotes in the market that receive the benefit of the facilitation price under paragraph (d) may also receive executions at Split Prices.

.07 Reserved.

.08 Reserved.

.09 Penny Prices. Orders and Responses may be entered into the Block Mechanism and receive executions at penny increments. Orders and quotes in the market that receive the benefit of the block execution price under paragraph (c)(2)(i) may also receive executions at penny increments.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended October 26, 2016 (SR-ISEGemini-2016-13); amended January 4, 2017 (SR-ISE-Gemini-2016-14); amended February 10, 2017 (SR ISEGemini-2016-17); amended February 16, 2017 (SR-ISEGemini-2017-05); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended July 5, 2017 (SR-GEMX-2017-30); amended September 18, 2017 (SR-GEMX-2017-43).]

#### **Rule 717. Limitations on Orders**

(a) Reserved.

(b) Limit Orders.

Electronic Access Members shall not enter Priority Customer limit orders into the System in the same options series, for the account or accounts of the same or related beneficial owners, in such a manner that the beneficial owner(s) effectively is operating as a market maker by holding itself out

as willing to buy and sell such options contract on a regular or continuous basis. In determining whether a beneficial owner effectively is operating as a market maker, the Exchange will consider, among other things: the simultaneous or near-simultaneous entry of limit orders to buy and sell the same options contract and the entry of multiple limit orders at different prices in the same options series.

(c) Reserved.

(d) Principal Transactions.

Electronic Access Members may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on the Exchange for at least one (1) second, (ii) the Electronic Access Member has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against such bid or offer, or (iii) the Member utilizes the Facilitation Mechanism pursuant to Rule 716(d), or (iv) the Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Rule 723.

(e) Solicitation Orders.

Electronic Access Members may not execute orders they represent as agent on the Exchange against orders solicited from Members and non-member broker-dealers to transact with such orders unless (i) the unsolicited order is first exposed on the Exchange for at least one (1) second, (ii) the Member utilizes the Solicited Order Mechanism pursuant to Rule 716(e), (iii) the Member utilizes the Facilitation Mechanism pursuant to Rule 716(d) or (iv) the Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Rule 723.

(f) Reserved.

(g) Orders for the Account of Another Member.

Electronic Access Members shall not cause the entry of orders for the account of an Exchange market maker that is exempt from the provisions of Regulation T of the Board of Governors of the Federal Reserve System pursuant to Section 7(c)(2) of the Exchange Act unless such orders are identified as orders for the account of an Exchange market maker in the manner prescribed by the Exchange.

### ***Supplementary Material to Rule 717***

.01 Rule 717(d) prevents an Electronic Access Member from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Member was already bidding or offering on the book. However, the Exchange recognizes

that it may be possible for an Electronic Access Member to establish a relationship with a customer or other person (including affiliates) to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of Rule 717(d) for an Electronic Access Member to be a party to any arrangement designed to circumvent Rule 717(d) by providing an opportunity for a customer or other person (including affiliates) to regularly execute against agency orders handled by the Electronic Access Member immediately upon their entry into the System.

.02 It will be a violation of Rule 717(e) for an Electronic Access Member to cause the execution of an order it represents as agent on the Exchange by orders it solicited from Members and non-member broker-dealers to transact with such orders, whether such solicited orders are entered into the System directly by the Electronic Access Member or by the solicited party (either directly or through another Member), if the Member fails to expose orders on the Exchange as required by Rule 717(e).

.03 Reserved

.04 Reserved.

.05 With respect to the non-displayed reserve portion of a reserve order, the exposure requirement of paragraphs (d) and (e) are satisfied if the displayable portion of the reserve order is displayed at its displayable price for one second.

.06 The exposure requirement of paragraph (d) and (e) of Rule 717 applies to the entry of orders with knowledge that there is a pre-existing unexecuted agency, proprietary, or solicited order on the Exchange. Members may demonstrate that orders were entered without knowledge by providing evidence that effective information barriers between the persons, business units and/or systems entering the orders onto the Exchange were in existence at the time the orders were entered. Such information barriers must be fully documented and provided to the Exchange upon request.

[Amended May 10, 2015 (SR-ISE-2015-10); amended September 30, 2015 (SR-ISE Gemini-2015-14); amended October 26, 2016 (SR-ISE Gemini-2016-13); amended February 10, 2017 (SR-ISE Gemini-2016-17); amended February 24, 2017 (SR-ISE Gemini-2017-08).]

**Rule 718. Reserved****Rule 719. Transaction Price Binding**

The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was reported to have been executed in error.

**Rule 720. Nullification and Adjustment of Options Transactions including Obvious Errors**

The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any Member to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

**(a) Definitions.**

(1) *Customer.* For purposes of this Rule, Customer has the same definition as Priority Customer in Rule 100(a)(37A).

(2) *Erroneous Sell/Buy Transaction.* For purposes of this Rule, an “erroneous sell transaction” is one in which the price received by the person selling the option is erroneously low, and an “erroneous buy transaction” is one in which the price paid by the person purchasing the option is erroneously high.

(3) *Official.* For purposes of this Rule, an Official is an Officer of the Exchange or such other employee designee of the Exchange that is trained in the application of this Rule.

(4) *Size Adjustment Modifier.* For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

| <b>Number of Contracts per Execution</b> | <b>Adjustment – TP Plus/Minus</b> |
|--|-----------------------------------|
| 1-50                                     | N/A                               |
| 51-250                                   | 2 times adjustment amount         |
| 251-1000                                 | 2.5 times adjustment amount       |
| 1001 or more                             | 3 times adjustment amount         |

(b) *Theoretical Price.* Upon receipt of a request for review and prior to any review of a transaction execution price, the “Theoretical Price” for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in sub-paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to the Exchange’s receipt of the order. The Exchange will rely on this paragraph (b) and Commentary .04 of this Rule when determining Theoretical Price.

(1) *Transactions at the Open.* For a transaction occurring during the opening rotation (see Rule 701) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

(2) *No Valid Quotes.* The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:

(A) all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a “crossed market”);

(B) quotes published by the Exchange that were submitted by either party to the transaction in question;

(C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange’s best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and

(D) quotes published by another options exchange against which the Exchange has declared self-help.

(3) *Wide Quotes.* The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount

during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

| <b>Bid Price at Time of Trade</b> | <b>Minimum Amount</b> |
|-----------------------------------|-----------------------|
| Below \$2.00                      | \$0.75                |
| \$2.00 to \$5.00                  | \$1.25                |
| Above \$5.00 to \$10.00           | \$1.50                |
| Above \$10.00 to \$20.00          | \$2.50                |
| Above \$20.00 to \$50.00          | \$3.00                |
| Above \$50.00 to \$100.00         | \$4.50                |
| Above \$100.00                    | \$6.00                |

(c) *Obvious Errors.*

(1) *Definition.* For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| <b>Theoretical Price</b>  | <b>Minimum Amount</b> |
|---------------------------|-----------------------|
| Below \$2.00              | \$0.25                |
| \$2.00 to \$5.00          | \$0.40                |
| Above \$5.00 to \$10.00   | \$0.50                |
| Above \$10.00 to \$20.00  | \$0.80                |
| Above \$20.00 to \$50.00  | \$1.00                |
| Above \$50.00 to \$100.00 | \$1.50                |
| Above \$100.00            | \$2.00                |

(2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of an Obvious Error must notify the Exchange's Market Control in the manner specified from time to time by the Exchange in a circular distributed to Members. Such notification must be received by the Exchange's Market Control within the timeframes specified below:

(A) *Customer Orders.* For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and

(B) *"Non-Customer" Orders.* For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.

(C) *Linkage Trades.* Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange (“linkage trades”). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non-Customer order).

(3) *Official Acting on Own Motion.* An Official may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Official that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Official shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Official act later than 8:30 a.m. Eastern Time on the next trading day following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with paragraph (k) below; however, a determination by an Official not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Official’s own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) *Adjust or Bust.* If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) *Non-Customer Transactions.* Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

| <b>Theoretical Price (TP)</b> | <b>Buy Transaction Adjustment – TP Plus</b> | <b>Sell Transaction Adjustment – TP Minus</b> |
|-------------------------------|---|---|
| Below \$3.00                  | \$0.15                                      | \$0.15  |
| At or above \$3.00            | \$0.30                                      | \$0.30  |

(B) *Customer Transactions.* Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to sub-paragraph (C) below.

(C) If any Member submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that Member has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in sub-paragraph (A) above to such transactions.

(d) *Catastrophic Errors.*

(1) *Definition.* For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

| <b>Theoretical Price</b>  | <b>Minimum Amount</b> |
|---------------------------|-----------------------|
| Below \$2.00              | \$0.50                |
| \$2.00 to \$5.00          | \$1.00                |
| Above \$5.00 to \$10.00   | \$1.50                |
| Above \$10.00 to \$20.00  | \$2.00                |
| Above \$20.00 to \$50.00  | \$2.50                |
| Above \$50.00 to \$100.00 | \$3.00                |
| Above \$100.00            | \$4.00                |

(2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify the Exchange's Market Control in the manner specified from time to time by the Exchange in a circular distributed to Members. Such notification must be received by the Exchange's Market Control by 8:30 a.m. Eastern Time on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify the Exchange's Market Control within 45 minutes after the close of trading that same day.

(3) *Adjust or Bust.* If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final

action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

| <b>Theoretical Price (TP)</b> | <b>Buy Transaction Adjustment – TP Plus</b> | <b>Sell Transaction Adjustment – TP Minus</b> |
|-------------------------------|---|---|
| Below \$2.00                  | \$0.50                                      | \$0.50  |
| \$2.00 to \$5.00              | \$1.00                                      | \$1.00  |
| Above \$5.00 to \$10.00       | \$1.50                                      | \$1.50  |
| Above \$10.00 to \$20.00      | \$2.00                                      | \$2.00  |
| Above \$20.00 to \$50.00      | \$2.50                                      | \$2.50  |
| Above \$50.00 to \$100.00     | \$3.00                                      | \$3.00  |
| Above \$100.00                | \$4.00                                      | \$4.00  |

(e) *Significant Market Events.*

(1) *Definition.* For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of \$30,000,000, where the Worst-Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

- (i) \$0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times
- (ii) the contract multiplier for each traded contract; times
- (iii) the number of contracts for each trade; times
- (iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;

(C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of \$100,000,000 are potentially erroneous;

(D) 10,000 transactions are potentially erroneous.

(2) *Coordination with Other Options Exchanges.* To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) *Adjust or Bust.* If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

| <b>Theoretical Price (TP)</b> | <b>Buy Transaction Adjustment – TP Plus</b> | <b>Sell Transaction Adjustment – TP Minus</b> |
|-------------------------------|---|---|
| Below \$3.00                  | \$0.15                                      | \$0.15  |
| At or above \$3.00            | \$0.30                                      | \$0.30  |

(B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution

price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

(4) *Nullification of Transactions.* If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(5) *Final Rulings.* With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.

(f) *Trading Halts.* The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Rule 702.

(g) *Erroneous Print in Underlying.* A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies the Exchange's Market Control in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify the Exchange's Market Control within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification.

(h) *Erroneous Quote in Underlying.* A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in sub-paragraph (c)(4) this Rule, provided a party notifies the Exchange's Market Control in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of

sample quotations at regular 15-second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify the Exchange's Market Control in accordance with sub-paragraph (c)(2) above.

(i) *Stop (and Stop-Limit) Order Trades Triggered by Erroneous Trades.*

Transactions resulting from the triggering of a stop or stop-limit order by an erroneous trade in an option contract shall be nullified by the Exchange, provided a party notifies the Exchange's Market Control in a timely manner as set forth below. If a party believes that it participated in an erroneous transaction pursuant to this paragraph it must notify the Exchange's Market Control within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification of the nullification of transaction(s) that triggered the stop or stop-limit order.

(j) *Linkage Trades.* If the Exchange routes an order pursuant to the Plan (as defined in Rule 1900(n)) that results in a transaction on another options exchange (a "Linkage Trade") and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.

(k) *Appeals.* If a Member affected by a determination made under this Rule so requests within the time permitted below, the Obvious Error Panel ("Obvious Error Panel") will review decisions made by the Official under this Rule, including whether an obvious error occurred and whether the correct determination was made.

(1) The Obvious Error Panel will be comprised of representatives from four (4) Members. Two (2) of the representatives must be directly engaged in market making (any such representative, a "MM Representative") and the other two (2) representatives must be employed by an Electronic Access Member (any such representative, a "Non-MM Representative"). To qualify as a representative of a Member other than a Member engaged in market making, a person must:

(A) be employed by a Member whose revenues from options market making activity do not exceed ten percent (10%) of its total revenues; or

(B) have as his or her primary responsibility the handling of Public Customer orders or supervisory responsibility over persons with such responsibility, and not have any responsibilities with respect to market making activities.

(2) The Exchange shall designate at least ten (10) MM Representatives and at least ten (10) Non-MM Representatives to be called upon to serve on the Obvious Error Panel as needed. In no case shall an Obvious Error Panel include a person affiliated with a party to the trade in question. To the

extent reasonably possible, the Exchange shall call upon the designated representatives to participate on an Obvious Error Panel on an equally frequent basis.

(3) A request for review on appeal must be made in writing via e-mail or other electronic means specified from time to time by the Exchange in a circular distributed to Members within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The Obvious Error Panel shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received after 3:00 p.m. Eastern Time, a decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution under review.

(4) The Obvious Error Panel may overturn or modify an action taken by the Official under this Rule. All determinations by the Obvious Error Panel shall constitute final action by the Exchange on the matter at issue.

(5) If the Obvious Error Panel votes to uphold the decision made pursuant to paragraph (k)(1) above, the Exchange will assess a \$5,000.00 fee against the Member(s) who initiated the request for appeal. In addition, in instances where the Exchange, on behalf of a Member, requests a determination by another market center that a transaction is clearly erroneous, the Exchange will pass any resulting charges through to the relevant Member.

(6) Any determination by an Official or by the Obvious Error Panel shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

### ***Supplementary Material to Rule 720***

.01 Limit Up-Limit Down State. During a pilot period set to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Plan"), including any extensions to the pilot period for the Plan, an execution will not be subject to review as an Obvious Error or Catastrophic Error pursuant to paragraph (c) or (d) of this Rule if it occurred while the underlying security was in a "Limit State" or "Straddle State," as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan"). Nothing in this provision shall prevent such execution from being reviewed on an Official's own motion pursuant to sub-paragraph (c)(3) of this Rule, or a bust or adjust pursuant to paragraphs (e) through (j) of this Rule.

.02 For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

.03 When Market Control determines that an Error has occurred and action is warranted under paragraphs (c) or (d) above, the identity of the parties to the trade will be disclosed to each other in order to encourage conflict resolution.

.04 Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

(a) The Exchange will request Theoretical Price from the third party vendor defined in paragraph (d) below ("TP Provider") to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described below.

(b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official shall contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange shall also promptly provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.

(c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.

(d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: CBOE Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the "TP Provider"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Commentary .04. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider shall have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.

[Amended May 8, 2015 (SR-ISE Gemini-2015-11); amended October 20, 2015 (SR-ISE-Gemini-2015-22); amended August 3, 2017 (SR-GEMX-2017-36), operative September 2, 2017.]

**Rule 720A. Erroneous Trades due to System Disruptions and Malfunctions**

*(a) Verifiable Disruptions or Malfunctions of Exchange Systems.*

(1) Transactions arising out of a “verifiable disruption or malfunction” in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system may either be nullified or adjusted by Market Control. Transactions that qualify for price adjustment will be adjusted in accordance with the guidelines contained in Rule 720(b)(2)(i)(A) and (B).

(2) Absent extraordinary circumstances, any such action by Market Control pursuant to this Rule shall be initiated within sixty (60) minutes of the occurrence of the erroneous transaction that resulted from a verifiable disruption or malfunction. Each member involved in the transaction shall be notified as soon as practicable.

(3) Any member aggrieved by the action of Market Control taken pursuant to paragraph (1) above may appeal such action in accordance with the provisions of subsection (b).

*(b) Procedures for Review of Decisions Made Pursuant to Rule 720A(a).*

(1) If a party to a ruling by Market Control made pursuant to subsection (a) of this Rule requests within the time permitted below, a Review Panel, will be utilized to review decisions made by Market Control under this Rule.

(i) The Review Panel will be comprised of representatives from four (4) Member firms. Two (2) of the representatives must be directly engaged in market making activity and two (2) of the representatives must be employed by an Electronic Access Member. To qualify as a representative of an Electronic Access Member on a Review Panel, a person must (i) be employed by a Member whose revenues from options market making activity do not exceed ten percent (10%) of its total revenues; or (ii) have as his or her primary responsibility the handling of Public Customer orders or supervisory responsibility over persons with such responsibility, and not have any responsibilities with respect to market making activities.

(ii) The Exchange shall designate at least five (5) market maker representatives and at least five (5) Electronic Access Member representatives to be called upon to serve on the Review Panel as needed. In no case shall a Review Panel include a person related to a

party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate on a Review Panel on an equally frequent basis.

(iii) A request for review on appeal must be made via facsimile or e-mail within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The Review Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.

(iv) The Review Panel may overturn or modify an action taken by the Exchange under this Rule. All determinations by the Review Panel shall constitute final action by the Exchange on the matter at issue.

[Amended July 24, 2014 (SR-ISE Gemini-2014-18).]

### **Rule 721. Crossing Orders**

(a) Customer Cross Orders are automatically executed upon entry provided that the execution is at or between the best bid and offer on the Exchange and (i) is not at the same price as a Priority Customer Order on the Exchange's limit order book and (ii) will not trade through the NBBO.

(1) Customer Cross Orders will be automatically canceled if they cannot be executed.

(2) Customer Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 710.

(3) Supplementary Material .01 to Rule 717 applies to the entry and execution of Customer Cross Orders.

Qualified Contingent Cross Order functionality will not be available as of a certain date in the first quarter of 2017 to be announced in a notice. The Exchange will recommence Qualified Contingent Cross Order functionality on Nasdaq GEMX within one year from the date of the filing of SR-ISE Gemini-2016-17 to be announced in a separate notice.

(b) Qualified Contingent Cross Orders are automatically executed upon entry provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's limit order book and (ii) is at or between the NBBO.

(1) Qualified Contingent Cross Orders will be automatically canceled if they cannot be executed.

(2) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under in Rule 710.

[Amended October 26, 2016 (SR-ISEGemini-2016-13); amended February 10, 2017 (SR-ISEGemini-2016-17); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017.]

**Rule 722. Reserved.**

**Rule 723. Price Improvement Mechanism for Crossing Transactions**

(a) The Price Improvement Mechanism is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate an order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against an order it represents as agent (a "Crossing Transaction").

(b) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

For the period beginning January 19, 2017 until a date specified by the Exchange in a Regulatory Information Circular, which date shall be no later than April 15, 2017, the following provisions shall be in effect:

(1) If the Agency Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer ("NBBO") is \$0.01, the Electronic Access Member shall not enter a Crossing Transaction unless such Crossing Transaction is entered at one minimum price improvement increment better than the NBBO on the opposite side of the market from the Agency Order and better than the limit order or quote on the Nasdaq GEMX order book on the same side of the Agency Order. Failure to provide such price improvement will subject Members to the fines set forth in Nasdaq ISE Rule 1614(d)(4).

(2) If the Agency Order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is equal to or better than the NBBO and better than the limit order or quote on the Nasdaq GEMX order book on the same side of the Agency Order.

(3) The Crossing Transaction may be priced in one-cent increments.

(4) The Crossing Transaction may not be canceled, but the price of the Counter-Side Order may be improved during the exposure period.

After the date specified by the Exchange in a Regulatory Information Circular, which date shall be no later than April 15, 2017, the following provisions shall be in effect:

(1) If the Agency Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer (“NBBO”) is \$0.01, the Crossing Transaction must be entered at one minimum price improvement increment better than the NBBO on the opposite side of the market from the Agency Order and better than the limit order or quote on the Nasdaq GEMX order book on the same side of the Agency Order.

(2) If the Agency Order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is equal to or better than the national best bid or offer (“NBBO”) and better than the limit order or quote on the Nasdaq GEMX order book on the same side of the Agency Order.

(3) The Crossing Transaction may be priced in one-cent increments.

(4) The Crossing Transaction may not be canceled, but the price of the Counter-Side Order may be improved during the exposure period.

(c) Exposure Period. Upon entry of a Crossing Transaction into the Price Improvement Mechanism, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent to all Members. This broadcast message will not be included in the Exchange’s disseminated best bid or offer and will not be disseminated through OPRA.

(1) The Exchange will designate via circular a time of no less than 100 milliseconds and no more than 1 second for Members to indicate the size and price at which they want to participate in the execution of the Agency Order (“Improvement Orders”).

(2) Improvement Orders may be entered by all Members for their own account or for the account of a Public Customer in one-cent increments at the same price as the Crossing Transaction or at an improved price for the Agency Order, and for any size up to the size of the Agency Order.

(3) During the exposure period, Improvement Orders may not be canceled, but may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Order for any size up to the size of the Agency Order.

(4) During the exposure period, responses (including the Counter-Side Order, Improvement Orders, and any changes to either) submitted by Members shall not be visible to other auction participants.

(5) The exposure period will automatically terminate (i) at the end of the time period designated by the Exchange pursuant to Rule 723(c)(1) above, (ii) upon the receipt of a market or marketable limit order on the Exchange in the same series, or (iii) upon the receipt of a non-marketable limit order in the same series on the same side of the market as the Agency Order that would cause the price of the Crossing Transaction to be outside of the best bid or offer on the Exchange.

(d) Execution. At the end of the exposure period the Agency Order will be executed in full at the best prices available, taking into consideration orders and quotes in the Exchange market, Improvement Orders, and the Counter-Side Order. The Agency Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

(1) At a given price, Priority Customer interest is executed in full before Professional Orders and any other interest of Members (i.e., proprietary interest from Electronic Access Members and Exchange market makers).

(2) After Priority Customer interest at a given price, Professional Orders and Members' interest will participate in the execution of the Agency Order based upon the percentage of the total number of contracts available at the price that is represented by the size of the Members' interest.

(3) In the case where the Counter-Side Order is at the same price as Members' interest in (d)(2), the Counter-Side order will be allocated the greater of one (1) contract or forty percent (40%) of the initial size of the Agency Order before other Member interest is executed. Upon entry of Counter-Side orders, Members can elect to automatically match the price and size of orders, quotes and responses received during the exposure period up to a specified limit price or without specifying a limit price. In this case, the Counter-Side order will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the Counter-Side order shall be allocated the greater of one contract or forty percent (40%) of the original size of the Agency Order, but only after Priority Customer Orders at such price point are executed in full. Thereafter, all other orders, Responses, and quotes at the price point will participate in the execution of the Agency Order based upon the percentage of the total number of contracts available at the price that is represented by the size of the order, Response or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(4) When a market order or marketable limit order on the opposite side of the market from the Agency Order ends the exposure period, it will

participate in the execution of the Agency Order at the price that is mid-way between the best counter-side interest and the NBBO, so that both the market or marketable limit order and the Agency Order receive price improvement. Transactions will be rounded, when necessary, to the \$.01 increment that favors the Agency Order.

(5) If a trading halt is initiated after an order is entered into the Price Improvement Mechanism, such auction will be automatically terminated without execution.

### ***Supplementary Material to Rule 723***

.01 It shall be considered conduct inconsistent with just and equitable principles of trade for any Member to enter orders, quotes, Agency Orders, Counter-Side Orders or Improvement Orders for the purpose of disrupting or manipulating the Price Improvement Mechanism. Such conduct includes, but is not limited to, engaging in a pattern of conduct where the Member submitting the Agency Order into the PIM breaks-up the Agency Order into separate orders for two (2) or fewer contracts for the purpose of gaining a higher allocation percentage than the Member would have otherwise received in accordance with the allocation procedures contained in paragraph (d) above.

.02 The Price Improvement Mechanism may only be used to execute bona fide Crossing Transactions.

.03 There will be no minimum size requirements for orders to be eligible for the Price Improvement Mechanism.

.04 Only one PIM may be ongoing at any given time in a series. PIMs will not queue or overlap in any manner.

.05 Pursuant to Rule 723(c)(2), Electronic Access Members may enter Improvement Orders for the account of Public Customers.

.06 Any solicited Counter-Side Orders submitted by an Electronic Access Member to trade against Agency Orders may not be for the account of an Exchange market maker assigned to the options class.

.07 Reserved.

.08 Counter-Side Orders and Improvement Orders entered into the Price Improvement Mechanism only will execute against the Agency Order, and any unexecuted interest will be automatically cancelled.

.09 PIM ISO Order. A PIM ISO order (PIM ISO) is the transmission of two orders for crossing pursuant to Rule 723 without regard for better priced Protected Bids or Protected Offers (as defined in Rule 1900) because the

Member transmitting the PIM ISO to the Exchange has, simultaneously with the routing of the PIM ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PIM auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIM order.

[Amended September 27, 2013 (SR-Topaz-2013-05); amended February 10, 2014 (SR-Topaz-2014-06); amended July 18, 2014 (SR-ISE Gemini-2014-17); amended July 25, 2014 (SR-ISE Gemini-2014-19); amended November 3, 2014 (SR-ISE Gemini-2014-26); amended July 17, 2015 (SR-ISE Gemini-2015-13) amended July 14, 2016 (SR-ISE Gemini-2016-07); amended October 26, 2016 (SR-ISE Gemini-2016-13); amended January 4, 2017 (SR-ISE Gemini-2016-14); amended January 18, 2017 (SR-ISE Gemini-2016-23); amended February 10, 2017 (SR-ISE Gemini-2016-17); amended March 7, 2017 (SR-ISE Gemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## CHAPTER 8

### Market Makers

#### **Rule 800. Registration of Market Makers**

(a) A market maker is a Member with Designated Trading Representatives registered pursuant to Rule 801. Market makers are registered with the Exchange for the purpose of making transactions as dealer-specialists in accordance with the provisions of this Chapter. Registered market makers are designated as specialists on the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder.

(b) To register as a Competitive or Primary Market Maker, a Member shall file an application in writing on such forms as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider an applicant's market making ability and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant's registration as a Competitive or Primary Market Maker.

(c) The registration of any Member as a Competitive or Primary Market Maker may be suspended or terminated by the Exchange upon a determination that such Member has failed to properly perform as a market maker.

#### **Rule 801. Designated Trading Representatives**

(a) Market maker quotations and orders may be submitted to the Exchange's System only by Designated Trading Representatives ("DTRs"). A DTR is permitted to enter quotes and orders only for the account of the market maker with which he is associated.

(b) *Registration of Designated Trading Representatives.* The Exchange may, upon receiving an application in writing from a market maker on a form prescribed by the Exchange, approve a person as a DTR.

(1) DTRs may be:

(i) individual Members registered with the Exchange as market makers, or

(ii) officers, partners, employees or associated persons of Members that are registered with the Exchange as market makers.

(2) The Exchange may require a market maker to provide additional information the Exchange considers necessary to establish whether a person should be approved.

(3) A person may be conditionally approved as a DTR subject to any conditions the Chief Regulatory Officer considers appropriate in the interests of maintaining a fair and orderly market.

*(c) Suspension or Withdrawal of Registration.*

(1) The Exchange may suspend or withdraw the registration previously given to a person to be a DTR if the Exchange determines that:

(i) the person has caused the market maker to fail to comply with the Rules of the Exchange;

(ii) the person is not properly performing the responsibilities of a DTR;

(iii) the person has failed to meet the conditions set forth under paragraph (b) above; or

(iv) the Exchange believes it is in the best interest of fair and orderly markets.

(2) If the Exchange suspends the registration of a person as a DTR, the market maker must not allow the person to submit quotes and orders into the Exchange's System.

(3) The registration of a DTR will be withdrawn upon the written request of the Member for which the DTR is registered. Such written request shall be submitted on the form prescribed by the Exchange.

**Rule 802. Appointment of Market Makers**

(a) In the manner prescribed by the Exchange, a market maker may seek appointment to one or more options classes traded on the Exchange. The Board or a committee designated by the Board shall appoint classes of options contracts traded on the Exchange to market makers taking into consideration: (i) the financial resources available to the market maker, (ii) the market maker's experience and expertise in market making or options trading, and (iii) the maintenance and enhancement of competition among market makers in each class of options contracts to which they are appointed. The Board or designated committee shall make appointments in the best interest of the Exchange to provide competitive markets. No appointment of a market maker shall be without the market maker's consent to such appointment, provided that refusal to accept an appointment may be deemed sufficient cause for termination or suspension of a market maker's registration.

(b) Appointments to Primary Market Makers. A Primary Market Maker shall be appointed to each options class traded on the Exchange.

(1) A Primary Market Maker seeking appointment to options on equity indexes, foreign currency indexes, foreign currency options and Exchange-Traded Fund Shares (collectively “ Index-Based Products”) shall provide, at the discretion of the Exchange, and upon its request, specific performance commitments, which shall include, at a minimum, commitments regarding (i) the average quotation size it will disseminate in the Index-Based Product, and (ii) the maximum quotation spread it will disseminate in such product at least ninety percent of the time.

(c) Appointments to Competitive Market Makers. Competitive market makers may request appointments to options classes traded on the Exchange, subject to the trading licensing requirements of Rule 2013 with respect to index options and Rule 2213 with respect to foreign currency options.

(1) On a quarterly basis, the Exchange shall assign points to each options class equal to its percentage of overall industry volume (not including exclusively traded index options), rounded down to the nearest one hundredth of a percentage with a maximum of 15 points. New listings will be assigned a point value of zero for the remainder of the quarter in which it was listed.

(2) A Competitive Market Maker may seek appointments to options classes that total: (A) 20 points for the first CMM Right it holds; and (B) 10 points for the second and each subsequent CMM Right it holds.

(3) A Competitive Market Maker may request changes to its appointments at any time upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

(d) The Exchange may suspend or terminate any appointment of a market maker under this Rule and may make additional appointments whenever, in the Exchange’s judgment, the interests of a fair and orderly market are best served by such action. In the case of an Index-Based Product, during the term of that appointment, the Exchange may also base a decision to suspend or terminate a Primary Market Maker’s appointment on the failure of the Primary Market Maker to meet the terms of its commitments under paragraph (b)(1) above.

(e) Market Maker Performance. In making appointments to market makers, the Exchange may evaluate the performance of market makers relating to, among other things, quality of markets, competition among market makers, observance of ethical standards, and administrative factors. The Exchange may consider any relevant information, including but not limited to the results of a market maker evaluation questionnaire, trading data, a market maker’s regulatory history and such other factors and data as may be pertinent in the circumstances. Moreover, failure by a market maker to meet minimum performance standards may result in, among other things: (1) suspension, termination or restriction of an appointment to one or more of the options classes appointed to the market maker; (2) restriction of appointments to additional options classes; or (3) suspension, termination, or restriction of the market maker’s registration.

***Supplementary Material to Rule 802***

.01 Index-Based Options. Pursuant to paragraph (b)(1) of Rule 802, a Primary Market Maker shall specify the average size and maximum quotation spread to which it will commit on a quarterly basis for four successive calendar quarters. The Primary Market Maker may specify differing size and quotation commitments for different series of an options class, such as by committing to a larger size and narrower quotations for the at-the-money series or series nearer to expiration. A Primary Market Maker also may, but is not required to, provide commitments regarding marketing or other support with respect to the Index-Based Product. In addition, a Primary Market Maker may, but is not required to, provide information regarding order flow arrangements with order flow providers. When an Index-Based Product is allocated to a Primary Market Maker, that Primary Market Maker's size and spread quotations for the fourth quarter following listing shall remain in effect thereafter on a quarter-to-quarter basis unless the Primary Market Maker has requested, and the Exchange or designated committee has approved, a change in such commitments. Any other commitments that a Primary Market Maker has made also shall remain in effect until modified by the Exchange or designated committee upon the request of the Primary Market Maker.

.02 A Member that is approved to act in the capacity of a Competitive Market Maker with respect to one or more CMM Rights may voluntarily be appointed to act as an "Alternative Primary Market Maker," so long as the Exchange has determined that such Member has the appropriate systems and procedures in place to undertake the responsibilities of a Primary Market Maker.

(a) The Exchange may appoint an Alternative Primary Market Maker to an options class only in the event that no Primary Market Makers seek allocation of the security.

(b) If no Primary Market Makers seek allocation of an options class, all eligible Competitive Market Makers will be given notice and an opportunity to seek allocation of the security as an Alternative Primary Market Maker. Such allocations will be made by the Allocation Committee according to the guidelines contained in Rule 802.

(c) An Alternative Primary Market Maker shall have all of the responsibilities and privileges of a Primary Market Maker under the Rules with respect to all appointed options classes.

(d) If an Alternative Primary Market Maker ceases trading of an options class, the class will be reallocated by the Exchange to a Primary Market Maker or another Alternative Primary Market Maker, as appropriate.

.03 There is no restriction on a Competitive Market Maker seeking appointment to options classes in which it or an affiliated market-maker holds a

Competitive Market Maker or Primary Market Maker appointment, provided that such Member has sufficient Competitive Market Maker points for each such appointment.

**Rule 803. Obligations of Market Makers**

(a) *General.* Transactions of a market maker should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and market makers should not make bids or offers or enter into transactions that are inconsistent with such a course of dealings. Ordinarily, market makers are expected to:

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

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

(b) *Appointment.* With respect to each options class to which a market maker is appointed under Rule 802, the market maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular options contract, or a temporary distortion of the price relationships between options contracts of the same class. Without limiting the foregoing, a market maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(1) To compete with other market makers to improve the market in all series of options classes to which the market maker is appointed.

(2) To make markets that, absent changed market conditions, will be honored for the number of contracts entered into the Exchange's System in all series of options classes to which the market maker is appointed.

(3) To update market quotations in response to changed market conditions in all series of options classes to which the market maker is appointed.

(4) To price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer following the opening rotation in an equity or index options contract. Prior to the opening rotation, spread differentials shall be no more than \$.25 between the bid and offer for each options contract for which the bid is less than \$2, no more than \$.40 where the bid is at least \$2 but does not

exceed \$5, no more than \$.50 where the bid is more than \$5 but does not exceed \$10, no more than \$.80 where the bid is more than \$10 but does not exceed \$20, and no more than \$1 where the bid is \$20 or greater, provided that the Exchange may establish differences other than the above for one or more options series.

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

(ii) The Exchange or its authorized agent may calculate bids and asks for various indices for the sole purpose of determining permissible bid/ask differentials on options on these indices. These values will be calculated by determining the weighted average of the bids and asks for the components of the corresponding index. These bids and asks will be disseminated by the Exchange at least every fifteen (15) seconds during the trading day solely for the purpose of determining the permissible bid/ask differential that market-makers may quote on an in-the-money option on the indices. For in-the-money series in index options where the calculated bid/ask differential is wider than the applicable differential set out in paragraph (b)(4) of this Rule, the bid/ask differential in the index options series may be as wide as the calculated bid/ask differential in the underlying index. The Exchange will not make a market in the basket of stock comprising the indices and is not guaranteeing the accuracy or the availability of the bid/ask values.

(c) Reserved.

(d) *Classes of Options To Which Not Appointed.* With respect to classes of options to which a market maker is not appointed, it should not engage in transactions for an account in which it has an interest that are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in paragraph (b) above with respect to those classes of options to which it is appointed. Market makers should not:

(1) Individually or as a group, intentionally or unintentionally, dominate the market in options contracts of a particular class, or

(2) Effect purchases or sales on the Exchange except in a reasonable and orderly manner.

### **Supplementary Material to Rule 803**

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

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

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

(b) Designate Members pursuant to the standards established in paragraph (a) of this rule and require participation by such designated Members in scheduled functional and performance testing of the operation of such plans, in the manner and frequency specified by the Exchange, provided that such frequency shall not be less than once every 12 months. The Exchange will provide at least 6 months prior notice to Members that are designated for mandatory testing, and participation of such Members is a condition of membership.

[Amended January 23, 2014 (SR-Topaz-2013-18); amended February 17, 2014 (SR-Topaz-2014-05); amended August 1, 2014 (SR-ISE Gemini-2014-15); amended October 23, 2015 (SR-ISE Gemini-2015-23); amended March 26, 2016 (SR-ISE Gemini-2016-02); amended October 26, 2016 (SR-ISE Gemini-2016-13); amended December 12, 2016 (SR-ISE-Gemini-2016-24); amended February 10, 2017 (SR-ISE Gemini-2016-17).]

#### **Rule 804. Market Maker Quotations**

(a) *Options Classes.* A quotation only may be entered by a market maker, and only in the options classes to which the market maker is appointed under Rule 802.

(b) *Price and Size Associated with Quotes.* A market maker's bid and offer for a series of options contracts shall state a price accompanied by the number of contracts at that price the market maker is willing to buy or sell upon receipt of an order or upon interaction with a quotation entered by another market maker on the Exchange.

(1) *Price.* The price of market maker quotes shall be in the minimum trading increments applicable to the security under Rule 710.

(2) *Size.* Unless the Exchange has declared a fast market pursuant to Rule 704, the initial size of a market maker's opening quote must be for the minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract.

(c) *Two-Sided Quotes.* A market maker that enters a bid (offer) on the Exchange must enter an offer (bid) within the spread allowable under Rule 803(b)(4).

(d) *Firm Quotes.*

(1) Market maker bids and offers are firm for orders and Exchange market maker quotations both under this Rule and Rule 602 of Regulation NMS under the Exchange Act (“Rule 602 of Reg NMS”) for the number of contracts specified according to the requirements of paragraph (b) above. Market maker bids and offers are not firm under this Rule and Rule 602 of Reg NMS if:

(i) a system malfunction or other circumstance impairs the Exchange’s ability to disseminate or update market quotes in a timely and accurate manner;

(ii) the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange, and as a result, the market in the option is declared to be “fast” pursuant to Rule 704;

(iii) during trading rotations; or

(iv) any of the circumstances provided in paragraph (c)(3) of Rule 602 of Reg NMS exist.

(2) Notwithstanding paragraph (1) above, if a market maker's bid (offer) can trade with the offer (bid) of another market maker, the Exchange shall have the authority to implement a delay so that no execution shall occur between such quotations for a period of no more than one second. During such period, the System will update quotations that may be received; provided however, that during such period all quotations shall otherwise remain firm and the System shall automatically execute all incoming orders against such quotations.

(e) *Continuous Quotes.* A market maker must enter continuous quotations for the options classes to which it is appointed pursuant to the following:

(1) *Primary Market Makers.* Primary Market Makers must enter continuous quotations and enter into any resulting transactions in all of the series listed on the Exchange of the options classes to which it is appointed on a daily basis.

(2) *Competitive Market Makers.*

(i) On any given day, a Competitive Market Maker is not required to enter quotations in the options classes to which it is appointed.

(ii) A Competitive Market Maker may initiate quoting in options classes to which it is appointed intraday.

(iii) Whenever a Competitive Market Maker enters a quote in an options class to which it is appointed, it must maintain continuous quotations in that class for 60% of the time the class is open for trading on the Exchange; provided, however, that a Competitive Market Maker shall be required to maintain continuous quotations for 90% of the time the class is open for trading on the Exchange in any options class in which it receives Preferred Orders (see Supplementary Material .03 to Rule 713 regarding Preferred Orders).

(iv) A Competitive Market Maker may be called upon by an Exchange official designated by the Board to submit a single quote or maintain continuous quotes in one or more of the series of an options class to which the Competitive Market Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of fair and orderly markets.

(f) *Temporary Withdrawal of Quotations by Primary Market Makers.*

A Primary Market Maker may apply to the Exchange to withdraw temporarily from its Primary Market Maker status in an options class. The Primary Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such a request, and, if the request is granted, the Exchange will temporarily reassign the options class to another Primary Market Maker.

(g) *Automated Quotation Adjustments.*

(1) Market Makers are required to utilize the Percentage, Volume, Delta and Vega Thresholds, each a Threshold, described in (A) - (D) below. For each of these features, the Exchange's system ("System") will automatically remove a Market Maker's quotes in all series in an options class when any of the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold, as described below, has been exceeded. A Market Maker is required to specify a period of time not to exceed 30 seconds ("Specified Time Period") during which the system will automatically remove a Market Maker's quotes in all series of an options class. The Specified Time Period will commence for an options class every time an execution occurs in any series in such option class and will continue until the System removes quotes as described in (2) or (3) or the Specified Time Period expires. The Specified Time Period operates on a rolling basis among all series in an options class in that there may be Specified Time Periods occurring simultaneously for each Threshold and such Specified Time Periods may overlap. The Specified Time Periods will be the same value for each protection described in (A) – (D) below.

(A) **Percentage Threshold.** A Market Maker must provide a

specified percentage ("Percentage Threshold"), of not less than 1%, by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each series in an options class, the System will determine (i) during a Specified Time Period and for each side in a given series, a percentage calculated by dividing the size of a Market Maker's quote size executed in a particular series (the numerator) by the Market Maker's quote size available at the time of execution plus the total number of the Market Maker's quote size previously executed during the unexpired Specified Time Period (the denominator) ("Series Percentage"); and (ii) the sum of the Series Percentage in the options class ("Issue Percentage") during a Specified Time Period. The System tracks and calculates the net impact of positions in the same options class; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage exceeds the Percentage Threshold the System will automatically remove a Market Maker's quotes in all series of the options class during the Specified Time Period.

(B) **Volume Threshold.** A Market Maker must provide a Volume Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class when the Market Maker executes a number of contracts which exceeds the designated number of contracts in all series in an options class.

(C) **Delta Threshold .** A Market Maker must provide a Delta Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each class of options, the System will maintain a Delta counter, which tracks the absolute value of the difference between (i) purchased call contracts plus sold put contracts and (ii) sold call contracts plus purchased put contracts. If the Delta counter exceeds the Delta Threshold established by the Member, the System will automatically remove a Market Maker's quotes in all series of the options class.

(D) **Vega Threshold.** A Market Maker must provide a Vega Threshold by which the System will automatically remove a Market Maker's quotes in all series of an options class. For each class of options, the System will maintain a Vega counter, which tracks the absolute value of purchased contracts minus sold contracts. If the Vega counter exceeds the Vega Threshold established by the Member, the System will automatically remove a Market Maker's quotes in all series of the options class.

(2) The System will automatically remove quotes in all series of an options class when the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold has been exceeded. The System will send a Purge Notification Message to the Market Maker for all affected series when the

above thresholds have been exceeded.

(A) The Percentage Threshold, Volume Threshold, Delta Threshold and Vega Threshold are considered independently of each other.

(B) Quotes will be automatically executed up to the Market Maker's size regardless of whether the execution would cause the Market Maker to exceed the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold.

(3) Notwithstanding Rule 804(g)(1) and (2) above, if a Market Maker requests the System to remove quotes in all series of an options class, the System will automatically reset all Thresholds.

(4) When the System removes quotes as a result of exceeding the Percentage Threshold, Volume Threshold, Delta Threshold or Vega Threshold, the Market Maker must send a re-entry indicator to re-enter the System.

(5) If a Market Maker does not provide a parameter for each of the automated quotation removal protections described in (1) (A-D) above, the Exchange will apply default parameters, which are announced to members.

(6) In addition to the automated quotation removal protections described in (1) (A-D) above, a Market Maker must provide a market wide parameter by which the Exchange will automatically remove a Market Maker's quotes in all classes when, during a time period established by the Market Maker, the total number of quote removal events specified in Rule 804(g)(1)(A) – (D) exceeds the market wide parameter provided to the Exchange by the Market Maker. Market Makers may request the Exchange to set the market wide parameter to apply to just Nasdaq GEMX or across Nasdaq GEMX and Nasdaq ISE.

(h) In order to control the number of quotations the Exchange disseminates, the Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when:

(1) the Exchange's disseminated bid or offer price increases or decreases;

(2) the size associated with the Exchange's disseminated bid or offer decreases; or

(3) the size associated with the Exchange's bid (offer) increases by an amount greater than or equal to a percentage (never to exceed 20%) of the size associated with previously disseminated bid (offer). Such percentage, which shall never exceed 20%, shall be determined on an issue-by-issue basis by the Exchange and announced to membership via Exchange circular.

**Supplementary Material to Rule 804**

.01 Continuous Quotations. A Primary Market Maker shall be deemed to have provided continuous quotes pursuant to paragraph (e)(1) of Rule 804 if it provides two-sided quotes for 90% of the time that an options class is open for trading on the Exchange. Compliance with this Primary Market Maker quoting requirement and the Competitive Market Maker quoting requirements contained in (e)(2)(iii) above will be applied to all option classes quoted collectively on a daily basis. Overall compliance with market maker quoting obligations will be determined on a monthly basis. However, the ability of the Exchange to determine compliance on a monthly basis does not: (1) relieve market makers from their obligation to meet daily quoting requirements in Rule 804; and (2) prohibit the Exchange from bringing disciplinary action against a market maker for failure to meet its daily quoting requirements set forth in Rule 804. If a technical failure or limitation of a system of the Exchange prevents a market maker from maintaining, or prevents a market maker from communicating to the Exchange, timely and accurate quotes, the market maker shall promptly notify the Exchange and the duration of such failure shall not be considered in determining whether the market maker has satisfied the quoting requirements. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

.02 The obligation contained in paragraph (e)(2)(iii) of Rule 804 does not include adjusted option series, nor series with a time to expiration of nine (9) months or greater for options on equities and exchange-traded funds or with a time to expiration of twelve (12) months or greater for index options. Competitive Market Makers may choose to quote such series in addition to regular series in the options class, but such quotations will not be considered when determining whether a Competitive Market Maker has met the obligation contained in paragraph (e)(2)(iii). A CMM that chooses to quote adjusted series and/or long-term options must meet all of the quoting obligations applicable to CMMs generally, and may be preferenced in such series and receive enhanced allocations pursuant to Nasdaq ISE Rule 713, Supplementary Material .03, only if it complies with the heightened 90% quoting requirement contained in Rule 804(e)(2)(iii). For purposes of Rule 804, an adjusted options series is an options series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or exchange-traded fund shares.

03. Anti-Internalization - Notwithstanding Rule 804(d)(1) above, quotes and orders entered by Market Makers using the same member identifier will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same member identifier. In such a case, the system will cancel the resting quote or order back to the entering party prior to execution. This functionality shall not apply in any auction.

[Amended October 30, 2013 (SR-Topaz-2013-06); amended January 23, 2014 (SR-

Topaz-2013-18); amended February 17, 2014 (SR-Topaz-2014-04); amended September 19, 2014 (SR-ISE Gemini-2014-09); amended October 26, 2016 (SR-ISEGemini-2016-13); amended February 10, 2017 (SR-ISEGemini-2016-17); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03); amended April 24, 2017 (SR-GEMX-2017-04); amended July 6, 2017 (SR-GEMX-2017-32).]

**Rule 805. Market Maker Orders**

(a) *Options Classes to Which Appointed.* Market makers may not place principal orders to buy or sell options in the options classes to which they are appointed under Rule 802, other than opening only orders, immediate-or-cancel orders, market orders, fill-or-kill orders, sweep orders, and block-size orders executed through the Block Order Mechanism pursuant to Rule 716(c). Competitive Market Makers shall comply with the provisions of Rule 804(e)(2)(iii) upon the entry of such orders if they were not previously quoting in the series.

(b) *Options Classes Other Than Those to Which Appointed.*

(1) A market maker may enter all order types permitted to be entered by non-customer participants under the Rules to buy or sell options in classes of options listed on the Exchange to which the market maker is not appointed under Rule 802, provided that:

(i) the spread between a limit order to buy and a limit order to sell the same options contract complies with the parameters contained in Rule 803(b)(4); and

(ii) the market maker does not enter orders in options classes to which it is otherwise appointed, either as a Competitive or Primary Market Maker.

(2) *Competitive Market Makers.* The total number of contracts executed during a quarter by a Competitive Market Maker in options classes to which it is not appointed may not exceed twenty-five percent (25%) of the total number of contracts traded by such Competitive Market Maker in classes to which it is appointed and with respect to which it was quoting pursuant to Rule 804(e)(2).

(3) *Primary Market Makers.* The total number of contracts executed during a quarter by a Primary Market Maker in options classes to which it is not appointed may not exceed ten percent (10%) of the total number of contracts traded per each Primary Market Maker Membership.

[Amended March 26, 2014 (SR-ISE Gemini-2014-11); September 18, 2014 (SR-ISE Gemini-2014-22); amended October 26, 2016 (SR-ISEGemini-2016-13).]

## **Rule 806. Trade Reporting and Comparison**

The details of each trade executed on the Exchange are automatically reported at the time of execution. Members need not separately report their transactions for trade comparison purposes.

## **Rule 807. Securities Accounts and Orders of Market Makers**

(a) *Identification of Accounts.* A Primary Market Maker in Exchange-Traded Fund Shares, as defined in Rule 502(h), is obligated to conduct all trading in Exchange-Traded Fund Shares in account(s) that have been reported to the Exchange. In addition, in a manner prescribed by the Exchange, each market maker shall file with the Exchange and keep current a list identifying all accounts for stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity and related securities trading in which the market maker may, directly or indirectly, engage in trading activities or over which it exercises investment direction. No market maker shall engage in stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity or any other derivatives based on such currency or related securities trading in an account which has not been reported pursuant to this Rule.

(b) *Reports of Orders.* Each market maker shall, upon the request of the Exchange and in the prescribed form, report to the Exchange every order entered by the market maker for the purchase or sale of (i) a security underlying options traded on the Exchange, or (ii) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Rule. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.

(c) *Joint Accounts.* No market maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is a Member and unless such account is reported to and not disapproved by the Exchange. Such reports in a form prescribed by the Exchange shall be filed with the Exchange before any transaction is effected on the Exchange for such joint account. A participant in a joint account must:

- (1) Be either a market maker or a Clearing Member that carries the joint account.

(2) File and keep current a completed application on such form as is prescribed by the Exchange.

(3) Be jointly and severally responsible for assuring that the account complies with all the Rules of the Exchange.

(4) Not be a market maker appointed to the same options classes to which the joint account holder is also appointed as a market maker.

**Rule 808. Letters of Guarantee**

(a) *Required of Each Market Maker.* No market maker shall make any transactions on the Exchange unless a Letter of Guarantee has been issued for such Member by a Clearing Member and filed with the Exchange, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Rule.

(b) *Terms of Letter of Guarantee.* A Letter of Guarantee shall provide that the issuing Clearing Member accepts financial responsibilities for all Exchange transactions made by the guaranteed Member.

(c) *Revocation of Letter of Guarantee.* A Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange. A revocation shall in no way relieve a Clearing Member of responsibility for transactions guaranteed prior to the effective date of such revocation.

**Rule 809. Financial Requirements for Market Makers**

(a) *Primary Market Makers.* Every Primary Market Maker shall maintain net liquidating equity of not less than \$3,250,000 plus \$25,000 excess equity for each underlying security upon which appointed options are open for trading in excess of the initial ten (10) underlying securities.

(b) *Competitive Market Makers.* Every Competitive Market Maker shall maintain net liquidating equity of not less than \$1,000,000.

(c) Each market maker that makes an arrangement to finance his transactions as a market maker must identify to the Exchange the source of the financing and its terms. The Exchange must be informed immediately of the intention of any party to terminate or change any such arrangement.

***Supplementary Material to Rule 809***

.01 For purposes of Rule 809, the term “net liquidating equity” means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.

[Amended October 26, 2016 (SR-ISEGemini-2016-13).]

**Rule 810. Reserved**

**Rule 811. Directed Orders**

Directed Order functionality will not be available as of a certain date in the first quarter of 2017 to be announced in a notice. The Exchange will recommence Directed Order functionality on Nasdaq GEMX within one year from the date of the filing of SR-ISEGemini-2016-17 to be announced in a separate notice.

(a) Definitions.

(1) A "Directed Order" is an order routed from an Electronic Access Member to an Exchange market maker through the Exchange's System.

(2) A "Directed Market Maker" is a market maker that receives a Directed Order.

(3) The "NBBO" is defined in Rule 1900.

(b) Exchange market makers may only receive and handle orders on an agency basis if they are Directed Orders and only in the manner prescribed in this Rule 811. A market maker can elect whether or not to accept Directed Orders on a daily basis. If a market maker elects to be a Directed Market Maker, it must accept Directed Orders from all Electronic Access Members and cannot reject a Directed Order. The identity of the Electronic Access Member that entered the Directed Order will be made available to the Directed Market Maker.

(c) Obligations of Directed Market Makers.

(1) Directed Market Makers must hold the interests of orders entrusted to them above their own interests and fulfill in a professional manner all other duties of an agent, including, but not limited to, ensuring that each such order, regardless of its size or source, receives proper representation and timely, best possible execution in accordance with the terms of the order and the rules and policies of the Exchange.

(2) Directed Market Makers must ensure that their acceptance and execution of Directed Orders as agent are in compliance with applicable Federal and Exchange rules and policies.

(3) Within one (1) second of receipt of a Directed Order, Directed Market Makers must either enter the Directed Order into the PIM pursuant to Rule 723 or release the Directed Order to the Exchange's limit order book pursuant to paragraph (e) of this Rule.

(i) If the Directed Market Maker is quoting at the NBBO on the opposite side of the Directed Order, the Directed Market Maker is prohibited from adjusting the price of its quote to a price that is less favorable than the price available at the NBBO or reducing the size of its quote prior to submitting the Directed Order to the PIM, unless such quote change is the result of an automated quotation system that operates independently from the existence or non-existence of a pending Directed Order. Otherwise changing a quote on the opposite side of the Directed Order except as specifically permitted herein will be a violation of Rule 400 (Just and Equitable Principles of Trade).

(ii) If a Directed Market Maker fails to either enter a Directed Order into the PIM or release the order within one (1) second of its receipt, the Directed Order will be automatically released by the System and processed according to paragraph (e) of this Rule.

(d) Directed Market Maker Guarantee. If the Directed Market Maker is quoting at the NBBO on the opposite side of the market from a Directed Order at the time the Directed Order is received by the Directed Market Maker, and the Directed Order is marketable, the System will automatically guarantee execution of the Directed Order against the Directed Market Maker at the price and the size of its quote (the "Guarantee"). The Directed Market Maker cannot alter the Guarantee.

(e) Except as provided in this paragraph (e), when a Directed Order is released, the System processes the order in the same manner as any other order received by the Exchange. Directed Orders will not be automatically executed at a price that is inferior to the NBBO and, except as provided in paragraph (e)(3), will be handled pursuant to Supplementary Material .02 and .03 to Rule 1901 when the Exchange best bid or offer is inferior to the NBBO.

(1) A marketable Directed Order will be matched against orders and quotes according to Rule 713 except that, at any given price level, the Directed Market Maker will be last in priority.

(i) If, after all other interest at the NBBO is executed in full, there is any remaining unexecuted quantity of the Directed Order and the Directed Market Maker is quoting at the NBBO or a Guarantee exists, a broadcast message will be sent to all Members. After one (1) second, any additional interest at the same or better price will be executed according to Rule 713.

(ii) If there continues to be any remaining unexecuted quantity of the Directed Order, it will be executed against any interest at the same price from the Directed Market Maker. If a Guarantee exists at that price, an execution will occur for at least the size of the Guarantee.

(iii) If there continues to be any remaining unexecuted quantity of the Directed Order and the Directed Order is marketable at the next price level without trading through the NBBO, the Directed Order will be allocated according to Rule 713 except that the Directed Market Maker will be last in priority. If an execution at any given price level would cause the Directed Order to be executed at a price inferior to the NBBO, the order will be handled according to Supplementary Material .02 and .03 to Rule 1901.

(iv) Paragraph (e)(1)(iii) will be repeated until the Directed Order is (A) fully executed, (B) handled according to Supplementary Material .02 and .03 to Rule 1901, or (C) no longer marketable, in which case it will be placed on the limit order book.

(2) If a Directed Order is not marketable at the time it is released:

(i) If a Guarantee exists, a broadcast message will be sent to all Members. After one (1) second, the Directed Order will be executed against any contra interest at the Guarantee price or better according to Rule 713. Thereafter, the Directed Order will be executed against the Directed Market Maker for at least the size of the Guarantee. If there is any remaining unexecuted quantity of the Directed Order, it will be placed on the Exchange's limit order book.

(ii) If no Guarantee exists, the Directed Order will be placed on the Exchange's limit order book. In this case, the Directed Market Maker may not enter a proprietary order to execute against the Directed Order during the one (1) second following the release of the Directed Order.

(3) If, at the time a Directed Order is released by the Directed Market Maker, the Directed Order is marketable but the Exchange best bid or offer is inferior to the NBBO, and the Directed Market Maker is the Primary Market Maker in the option class for the Directed Order, then a broadcast message shall be sent to all Members displaying the Directed Order. After one (1) second, the Directed Order will be executed against any contra interest at the NBBO price or better according to Rule 713, except that the Directed Market Maker will be last in priority. Thereafter, if there is any remaining unexecuted quantity of the Directed Order, it will be handled according to Supplementary Material .02 and .03 to Rule 1901.

[Amended January 23, 2014 (SR-Topaz-2013-18; amended July 25, 2014 (SR-ISE Gemini-2014-19); amended February 10, 2017 (SR-ISE Gemini-2016-17); amended March 7, 2017 (SR-ISE Gemini-2017-13), operative April 3, 2017.]

## CHAPTER 9

### Consolidated Audit Trail Compliance Rule

#### Rule 900. Consolidated Audit Trail – Definitions

For purposes of this Chapter 9:

(a) “Account Effective Date” means:

(1) with regard to those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution:

(A) when the trading relationship was established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, either

(i) the date the relationship identifier was established within the Industry Member;

(ii) the date when trading began (i.e., the date the first order was received) using the relevant relationship identifier; or

(iii) if both dates are available, the earlier date will be used to the extent that the dates differ; or

(B) when the trading relationship was established on or after November 15, 2018 for Industry Members other than Small Industry Members, or on or after November 15, 2019 for Small Industry Members, the date the Industry Member established the relationship identifier, which would be no later than the date the first order was received;

(2) where an Industry Member changes back office providers or clearing firms prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the date an account was established at the relevant Industry Member, either directly or via transfer;

(3) where an Industry Member acquires another Industry Member prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the date an account was established at the relevant Industry Member, either directly or via transfer;

(4) where there are multiple dates associated with an account established prior to November 15, 2018 for Industry Members other than Small

Industry Members, or prior to November 15, 2019 for Small Industry Members, the earliest available date;

(5) with regard to Industry Member proprietary accounts established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members:

(A) the date established for the account in the Industry Member or in a system of the Industry Member or

(B) the date when proprietary trading began in the account (i.e., the date on which the first orders were submitted from the account).

With regard to paragraphs (2) – (5), the Account Effective Date will be no later than the date trading occurs at the Industry Member or in the Industry Member's system.

(b) "Active Accounts" means an account that has had activity in Eligible Securities within the last six months.

(c) "Allocation Report" means a report made to the Central Repository by an Industry Member that identifies the Firm Designated ID for any account(s), including subaccount(s), to which executed shares are allocated and provides the security that has been allocated, the identifier of the firm reporting the allocation, the price per share of shares allocated, the side of shares allocated, the number of shares allocated to each account, and the time of the allocation; provided, for the avoidance of doubt, any such Allocation Report shall not be required to be linked to particular orders or executions.

(d) "Business Clock" means a clock used to record the date and time of any Reportable Event required to be reported under this Chapter 9.

(e) "CAT" means the consolidated audit trail contemplated by SEC Rule 613.

(f) "CAT NMS Plan" means the National Market System Plan Governing the Consolidated Audit Trail, as amended from time to time.

(g) "CAT-Order-ID" means a unique order identifier or series of unique order identifiers that allows the Central Repository to efficiently and accurately link all Reportable Events for an order, and all orders that result from the aggregation or disaggregation of such order.

(h) "CAT Reporting Agent" means a Data Submitter that is a third party that enters into an agreement with an Industry Member pursuant to which the CAT Reporting Agent agrees to fulfill such Industry Member's reporting obligations under this Chapter 9.

(i) “Central Repository” means the repository responsible for the receipt, consolidation, and retention of all information reported to the CAT pursuant to SEC Rule 613 and the CAT NMS Plan.

(j) “Compliance Threshold” has the meaning set forth in Rule 910(d).

(k) “Customer” means:

(1) the account holder(s) of the account at an Industry Member originating the order; and

(2) any person from whom the Industry Member is authorized to accept trading instructions for such account, if different from the account holder(s).

(l) “Customer Account Information” shall include, but not be limited to, account number, account type, customer type, date account opened, and large trader identifier (if applicable); except, however, that:

(1) in those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution, the Industry Member will:

(A) provide the Account Effective Date in lieu of the “date account opened”;

(B) provide the relationship identifier in lieu of the “account number”; and

(C) identify the “account type” as a “relationship”;

(2) in those circumstances in which the relevant account was established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, and no “date account opened” is available for the account, the Industry Member will provide the Account Effective Date in the following circumstances:

(A) where an Industry Member changes back office providers or clearing firms and the date account opened is changed to the date the account was opened on the new back office/clearing firm system;

(B) where an Industry Member acquires another Industry Member and the date account opened is changed to the date the account was opened on the post-merger back office/clearing firm system;

(C) where there are multiple dates associated with an account in an Industry Member’s system, and the parameters of each date are determined by the individual Industry Member; and

(D) where the relevant account is an Industry Member proprietary account.

(m) “Customer Identifying Information” means information of sufficient detail to identify a Customer, including, but not limited to:

(1) with respect to individuals: name, address, date of birth, individual tax payer identification number (“ITIN”)/social security number (“SSN”), individual’s role in the account (e.g., primary holder, joint holder, guardian, trustee, person with the power of attorney); and

(2) with respect to legal entities: name, address, Employer Identification Number (“EIN”)/Legal Entity Identifier (“LEI”) or other comparable common entity identifier, if applicable; provided, however, that an Industry Member that has an LEI for a Customer must submit the Customer’s LEI in addition to other information of sufficient detail to identify a Customer.

(n) “Data Submitter” means any person that reports data to the Central Repository, including national securities exchanges, national securities associations, broker-dealers, the SIPs for the CQS, CTA, UTP and Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information (“OPRA”) Plans, and certain other vendors or third parties that may submit data to the Central Repository on behalf of Industry Members.

(o) “Eligible Security” includes (1) all NMS Securities and (2) all OTC Equity Securities.

(p) “Error Rate” means the percentage of Reportable Events collected by the Central Repository in which the data reported does not fully and accurately reflect the order event that occurred in the market.

(q) “Firm Designated ID” means a unique identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, where each such identifier is unique among all identifiers from any given Industry Member for each business date.

(r) “Industry Member” means a member of a national securities exchange or a member of a national securities association.

(s) “Industry Member Data” has the meaning set forth in Rule 902(a)(2).

(t) “Initial Plan Processor” means the first Plan Processor selected by the Operating Committee in accordance with SEC Rule 613, Section 6.1 of the CAT NMS Plan and the National Market System Plan Governing the Process for Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail.

(u) “Listed Option” or “Option” have the meaning set forth in Rule 600(b)(35) of Regulation NMS.

(v) “Manual Order Event” means a non-electronic communication of order-related information for which Industry Members must record and report the time of the event.

(w) “Material Terms of the Order” includes: the NMS Security or OTC Equity Security symbol; security type; price (if applicable); size (displayed and non-displayed); side (buy/sell); order type; if a sell order, whether the order is long, short, short exempt; open/close indicator (except on transactions in equities); time in force (if applicable); if the order is for a Listed Option, option type (put/call), option symbol or root symbol, underlying symbol, strike price, expiration date, and open/close (except on market maker quotations); and any special handling instructions.

(x) “NMS Security” means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in Listed Options.

(y) “NMS Stock” means any NMS Security other than an option.

(z) “Operating Committee” means the governing body of the CAT NMS, LLC designated as such and described in Article IV of the CAT NMS Plan.

(aa) “Options Market Maker” means a broker-dealer registered with an exchange for the purpose of making markets in options contracts traded on the exchange.

(bb) “Order” or “order”, with respect to Eligible Securities, shall include:

- (1) Any order received by an Industry Member from any person;
- (2) Any order originated by an Industry Member; or
- (3) Any bid or offer.

(cc) “OTC Equity Security” means any equity security, other than an NMS Security, subject to prompt last sale reporting rules of a registered national securities association and reported to one of such association’s equity trade reporting facilities.

(dd) “Participant” means each Person identified as such in Exhibit A of the CAT NMS Plan, as amended, in such Person’s capacity as a Participant in CAT NMS, LLC.

(ee) “Person” means any individual, partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association and

any heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so permits.

(ff) “Plan Processor” means the Initial Plan Processor or any other Person selected by the Operating Committee pursuant to SEC Rule 613 and Sections 4.3(b)(i) and 6.1 of the CAT NMS Plan, and with regard to the Initial Plan Processor, the National Market System Plan Governing the Process for Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail, to perform the CAT processing functions required by SEC Rule 613 and set forth in the CAT NMS Plan.

(gg) “Received Industry Member Data” has the meaning set forth in Rule 902(a)(2).

(hh) “Recorded Industry Member Data” has the meaning set forth in Rule 902(a)(1).

(ii) “Reportable Event” includes, but is not limited to, the original receipt or origination, modification, cancellation, routing, execution (in whole or in part) and allocation of an order, and receipt of a routed order.

(jj) “SRO” means any self-regulatory organization within the meaning of Section 3(a)(26) of the Exchange Act.

(kk) “SRO-Assigned Market Participant Identifier” means an identifier assigned to an Industry Member by an SRO, or an identifier used by a Participant.

(ll) “Small Industry Member” means an Industry Member that qualifies as a small broker-dealer as defined in Rule 0-10(c) under the Securities Exchange Act of 1934, as amended.

(mm) “Trading Day” shall have the meaning as is determined by the Operating Committee. For the avoidance of doubt, the Operating Committee may establish different Trading Days for NMS Stocks (as defined in SEC Rule 600(b)(47)), Listed Options, OTC Equity Securities, and any other securities that are included as Eligible Securities from time to time.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

### **Rule 901. Consolidated Audit Trail - Clock Synchronization**

#### **(a) Clock Synchronization**

(1) Each Industry Member shall synchronize its Business Clocks, other than such Business Clocks used solely for Manual Order Events or used solely for the time of allocation on Allocation Reports, at a minimum to within a fifty (50) millisecond tolerance of the time maintained by the atomic clock of the National Institute of Standards and Technology (“NIST”), and maintain such synchronization.

(2) Each Industry Member shall synchronize (A) its Business Clocks used solely for Manual Order Events and (B) its Business Clocks used solely for the time of allocation on Allocation Reports at a minimum to within a one second tolerance of the time maintained by the NIST atomic clock, and maintain such synchronization.

(3) The tolerance for paragraphs (a)(1) and (2) of this Rule includes all of the following:

(A) The difference between the NIST atomic clock and the Industry Member's Business Clock;

(B) The transmission delay from the source; and

(C) The amount of drift of the Industry Member's Business Clock.

(4) Business Clocks must be synchronized every business day before market open to ensure that timestamps for Reportable Events are accurate. To maintain clock synchronization, Business Clocks must be checked against the NIST atomic clock and re-synchronized, as necessary, throughout the day.

(b) Documentation

Industry Members must document and maintain their synchronization procedures for Business Clocks. Industry Members must keep a log of the times when they synchronize their Business Clocks and the results of the synchronization process. This log should include notice of any time a Business Clock drifts more than the applicable tolerance specified in paragraph (a) of this Rule. Such log must include results for a period of not less than five years ending on the then current date, or for the entire period for which the Industry Member has been required to comply with this Rule if less than five years.

(c) Certification

Each Industry Member shall certify to the Exchange that its Business Clocks satisfy the synchronization requirements set forth in paragraph (a) of this Rule periodically in accordance with the certification schedule established by the Operating Committee pursuant to the CAT NMS Plan.

(d) Violation Reporting

Each Industry Member with Business Clocks must report to the Plan Processor and the Exchange violations of paragraph (a) of this Rule pursuant to the thresholds set by the Operating Committee pursuant to the CAT NMS Plan.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Reporting**  
**Rule 902. Consolidated Audit Trail – Industry Member Data**

(a) Recording and Reporting Industry Member Data

(1) Subject to paragraph (3) below, each Industry Member shall record and electronically report to the Central Repository the following details for each order and each Reportable Event, as applicable (“Recorded Industry Member Data”) in the manner prescribed by the Operating Committee pursuant to the CAT NMS Plan:

- (A) for original receipt or origination of an order:
  - (i) Firm Designated ID(s) for each Customer;
  - (ii) CAT-Order-ID;
  - (iii) SRO-Assigned Market Participant Identifier of the Industry Member receiving or originating the order;
  - (iv) date of order receipt or origination;
  - (v) time of order receipt or origination (using timestamps pursuant to Rule 905); and
  - (vi) Material Terms of the Order;
- (B) for the routing of an order:
  - (i) CAT-Order-ID;
  - (ii) date on which the order is routed;
  - (iii) time at which the order is routed (using timestamps pursuant to Rule 905);
  - (iv) SRO-Assigned Market Participant Identifier of the Industry Member routing the order;
  - (v) SRO-Assigned Market Participant Identifier of the Industry Member or Participant to which the order is being routed;
  - (vi) if routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed; and
  - (vii) Material Terms of the Order;

(C) for the receipt of an order that has been routed, the following information:

- (i) CAT-Order-ID;
- (ii) date on which the order is received;
- (iii) time at which the order is received (using timestamps pursuant to Rule 905);
- (iv) SRO-Assigned Market Participant Identifier of the Industry Member receiving the order;
- (v) SRO-Assigned Market Participant Identifier of the Industry Member or Participant routing the order; and
- (vi) Material Terms of the Order;

(D) if the order is modified or cancelled:

- (i) CAT-Order-ID;
- (ii) date the modification or cancellation is received or originated;
- (iii) time at which the modification or cancellation is received or originated (using timestamps pursuant to Rule 905);
- (iv) price and remaining size of the order, if modified;
- (v) other changes in the Material Terms of the Order, if modified; and
- (vi) whether the modification or cancellation instruction was given by the Customer or was initiated by the Industry Member;

(E) if the order is executed, in whole or in part:

- (i) CAT-Order-ID;
- (ii) date of execution;
- (iii) time of execution (using timestamps pursuant to Rule 905);
- (iv) execution capacity (principal, agency or riskless principal);

- (v) execution price and size;
- (vi) SRO-Assigned Market Participant Identifier of the Industry Member executing the order;
- (vii) whether the execution was reported pursuant to an effective transaction reporting plan or the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information; and

(F) other information or additional events as may be prescribed pursuant to the CAT NMS Plan.

(2) Subject to paragraph (3) below, each Industry Member shall record and report to the Central Repository the following, as applicable (“Received Industry Member Data” and collectively with the information referred to in Rule 902(a)(1) “Industry Member Data”) in the manner prescribed by the Operating Committee pursuant to the CAT NMS Plan:

- (A) if the order is executed, in whole or in part:
    - (i) An Allocation Report;
    - (ii) SRO-Assigned Market Participant Identifier of the clearing broker or prime broker, if applicable; and
    - (iii) CAT-Order-ID of any contra-side order(s);
  - (B) if the trade is cancelled, a cancelled trade indicator;
- and
- (C) for original receipt or origination of an order, the Firm Designated ID for the relevant Customer, and in accordance with Rule 903, Customer Account Information and Customer Identifying Information for the relevant Customer.

(3) Each Industry Member that is an Options Market Maker is not required to report to the Central Repository the Industry Member Data regarding the routing, modification or cancellation of its quotes in Listed Options. Each Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker).

(b) Timing of Recording and Reporting

(1) Each Industry Member shall record Recorded Industry Member Data contemporaneously with the applicable Reportable Event.

(2) Each Industry Member shall report:

(A) Recorded Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member records such Recorded Industry Member Data; and

(B) Received Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member receives such Received Industry Member Data.

(3) Industry Members may, but are not required to, voluntarily report Industry Member Data prior to the applicable 8:00 a.m. Eastern Time deadline.

(c) Applicable Securities

(1) Each Industry Member shall record and report to the Central Repository the Industry Member Data as set forth in paragraph (a) of this Rule for each NMS Security registered or listed for trading on such exchange or admitted to unlisted trading privileges on such exchange.

(2) Each Industry Member shall record and report to the Central Repository the Industry Member Data as set forth in this paragraph (a) of this Rule for each Eligible Security for which transaction reports are required to be submitted to FINRA.

(d) Security Symbology

(1) For each exchange-listed Eligible Security, each Industry Member shall report Industry Member Data to the Central Repository using the symbology format of the exchange listing the security.

(2) For each Eligible Security that is not exchange-listed, each Industry Member shall report Industry Member Data to the Central Repository using such symbology format as approved by the Operating Committee pursuant to the CAT NMS Plan.

(e) Error Correction

For each Industry Member for which errors in Industry Member Data submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on T+3.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 903. Consolidated Audit Trail – Customer Information Reporting**

(a) Initial Set of Customer Information

Each Industry Member shall submit to the Central Repository the Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account prior to such Industry Member's commencement of reporting to the Central Repository and in accordance with the deadlines set forth in Rule 908.

(b) Daily Updates to Customer Information

Each Industry Member shall submit to the Central Repository any updates, additions or other changes to the Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account on a daily basis.

(c) Periodic Updates to Complete Set of Customer Information

On a periodic basis as designated by the Plan Processor and approved by the Operating Committee, each Industry Member shall submit to the Central Repository a complete set of Firm Designated IDs, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account.

(d) Error Correction

For each Industry Member for which errors in Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected data to the Central Repository by 5:00 p.m. on T+3.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 904. Consolidated Audit Trail – Industry Member Information Reporting**

Each Industry Member shall submit to the Central Repository information sufficient to identify such Industry Member, including CRD number and LEI, if such LEI has been obtained, prior to such Industry Member's commencement of reporting to the Central Repository and in accordance with the deadlines set forth in Rule 908, and keep such information up to date as necessary.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 905. Consolidated Audit Trail - Time Stamps**

(a) Millisecond Time Stamps

(1) Subject to paragraphs (a)(2) and (b), each Industry Member shall record and report Industry Member Data to the Central Repository with time stamps in milliseconds.

(2) Subject to paragraph (b), to the extent that any Industry Member's order handling or execution systems utilize time stamps in increments finer than milliseconds, such Industry Member shall record and report Industry Member Data to the Central Repository with time stamps in such finer increment.

(b) One Second Time Stamps/Electronic Order Capture

(i) Each Industry Member may record and report Manual Order Events to the Central Repository in increments up to and including one second, provided that each Industry Member shall record and report the time when a Manual Order Event has been captured electronically in an order handling and execution system of such Industry Member ("Electronic Capture Time") in milliseconds; and

(ii) Each Industry Member may record and report the time of Allocation Reports in increments up to and including one second.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 906. Consolidated Audit Trail – Clock Synchronization Rule Violation**

An Industry Member that engages in a pattern or practice of reporting Reportable Events outside of the required clock synchronization time period as set forth in this Chapter 9 without reasonable justification or exceptional circumstances may be considered in violation of this Rule.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 907. Consolidated Audit Trail – Connectivity and Data Transmission**

(a) Data Transmission

Each Industry Member shall transmit data as required under the CAT NMS Plan to the Central Repository utilizing such format(s) as may be provided by the Plan Processor and approved by the Operating Committee.

(b) Connectivity

Each Industry Member shall connect to the Central Repository using a secure method(s), including but not limited to private line(s) and virtual private network connection(s).

(c) CAT Reporting Agents

(1) Any Industry Member may enter into an agreement with a CAT Reporting Agent pursuant to which the CAT Reporting Agent agrees to fulfill the reporting obligations of such Industry Member under this Chapter 9. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Chapter 9.

(2) All written documents evidencing an agreement described in subparagraph (1) shall be maintained by each party to the agreement.

(3) Each Industry Member remains primarily responsible for compliance with the requirements of this Chapter 9, notwithstanding the existence of an agreement described in this paragraph.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 908. Consolidated Audit Trail – Development and Testing**

(a) Development

(1) Connectivity and Acceptance Testing

(i) Industry Members (other than Small Industry Members) shall begin connectivity and acceptance testing with the Central Repository no later than August 15, 2018.

(ii) Small Industry Members shall begin connectivity and acceptance testing with the Central Repository no later than August 15, 2019.

(2) Reporting Customer and Industry Member Information

(i) Industry Members (other than Small Industry Members) shall begin reporting Customer and Industry Member information, as required by Rules 903(a) and 904, respectively, to the Central Repository for processing no later than October 15, 2018.

(ii) Small Industry Members shall begin reporting Customer and Industry Member information, as required by Rules 903(a) and 904, respectively, to the Central Repository for processing no later than October 15, 2019.

(3) Submission of Order Data

(i) Industry Members (other than Small Industry Members)

(A) Industry Members (other than Small Industry Members) are permitted, but not required, to submit order data for testing purposes beginning no later than May 15, 2018.

(B) Industry Members (other than Small Industry Members) shall participate in the coordinated and structured testing of order submission, which will begin no later than August 15, 2018.

(ii) Small Industry Members

(A) Small Industry Members are permitted, but not required, to submit order data for testing purposes beginning no later than May 15, 2019.

(B) Small Industry Members shall participate in the coordinated and structured testing of order submission, which will begin no later than August 15, 2019.

(4) Submission of Options Market Maker Quote. Industry Members are permitted, but not required to, submit Quote Sent Time on Options Market Maker quotes, beginning no later than October 15, 2018.

(b) Testing

Each Industry Member shall participate in testing related to the Central Repository, including any industry-wide disaster recovery testing, pursuant to the schedule established pursuant to the CAT NMS Plan.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 909. Consolidated Audit Trail - Recordkeeping**

Each Industry Member shall maintain and preserve records of the information required to be recorded under this Chapter 9 for the period of time and accessibility specified in SEC Rule 17a-4(b). The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on “micrographic media” as defined in SEC Rule 17a-4(f)(1)(i) or by means of “electronic storage media” as defined in SEA Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEC Rule 17a-4(f) and be maintained and preserved for the required time in that form.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 910. Consolidated Audit Trail – Timely, Accurate and Complete Data**

(a) General

Industry Members are required to record and report data to the Central Repository as required by this Chapter 9 in a manner that ensures the timeliness, accuracy, integrity and completeness of such data.

(b) LEIs

Without limiting the requirement set forth in paragraph (a), Industry Members are required to accurately provide the LEIs in their records as required by this Chapter 9 and may not knowingly submit inaccurate LEIs to the Central Repository; provided, however, that this requirement does not impose any additional due diligence obligations on Industry Members with regard to LEIs for CAT purposes.

(c) Compliance with Error Rate

If an Industry Member reports data to the Central Repository with errors such that the error percentage exceeds the maximum Error Rate established by the Operating Committee pursuant to the CAT NMS Plan, then such Industry Member would not be in compliance with this Chapter 9.

(d) Compliance Thresholds

Each Industry Member shall be required to meet a separate compliance threshold which will be an Industry Member-specific rate that may be used as the basis for further review or investigation into the Industry Member's performance with regard to the CAT (the "Compliance Thresholds"). Compliance Thresholds will compare an Industry Member's error rate to the aggregate Error Rate over a period of time to be defined by the Operating Committee. An Industry Member's performance with respect to its Compliance Threshold will not signify, as a matter of law, that such Industry Member has violated this Chapter 9.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 911. Consolidated Audit Trail – Compliance Dates**

(a) General

Paragraphs (b) and (c) of this Rule set forth the additional details with respect to the compliance date of the rules in this Chapter 9. Unless otherwise noted, the rules in this Chapter 9 are fully effective upon approval by the Commission and members must comply with their terms.

(b) Clock Synchronization

(1) Each Industry Member shall comply with Rule 901 with regard to Business Clocks that capture time in milliseconds commencing on or before March 15, 2017.

(2) Each Industry Member shall comply with Rule 901 with regard to Business Clocks that do not capture time in milliseconds commencing on or before February 19, 2018 (pending approval of exemptive relief regarding the compliance date for Business Clocks that do not capture time in milliseconds).

(c) CAT Data Reporting

(1) Each Industry Member (other than a Small Industry Member) shall record and report the Industry Member Data to the Central Repository by November 15, 2018.

(2) Each Industry Member that is a Small Industry Member shall record and report the Industry Member Data to the Central Repository by November 15, 2019.

[Adopted March 15, 2017 (SR-ISEGemini-2017-04).]

**Rule 912. Consolidated Audit Trail – Fee Dispute Resolution**

(a) Definitions.

(1) For purposes of this Rule, the terms “CAT NMS Plan”, “Industry Member”, “Operating Committee”, and “Participant” are defined as set forth in the Rule 900 (Consolidated Audit Trail – Definitions).

(2) “Subcommittee” means a subcommittee designated by the Operating Committee pursuant to the CAT NMS Plan.

(3) “CAT Fee” means any fees contemplated by the CAT NMS Plan and imposed on Industry Members pursuant to Exchange Rules.

(b) Fee Dispute Resolution.

Disputes initiated by an Industry Member with respect to CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, shall be resolved by the Operating Committee, or a Subcommittee designated by the Operating Committee, of the CAT NMS Plan, pursuant to the Fee Dispute Resolution Procedures adopted pursuant to the CAT NMS Plan and set forth in paragraph (c) of this Rule. Decisions on such matters shall be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

(c) Fee Dispute Resolution Procedures under the CAT NMS Plan.

(1) Scope of Procedures

These Fee Dispute Resolution Procedures provide the procedure for Industry Members that dispute CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, to apply for an opportunity to be heard and to have the CAT Fees charged to such Industry Member reviewed.

(2) Submission and Time Limitation on Application to CAT NMS, LLC (“Company”)

An Industry Member that disputes CAT Fees charged to such Industry Member and that desires to have an opportunity to be heard with respect to such disputed CAT Fees shall file a written application with the Company within 15 business days after being notified of such disputed CAT Fees. The application shall identify the disputed CAT Fees, state the specific reasons why the applicant takes exception to such CAT Fees, and set forth the relief sought. In addition, if the applicant intends to submit any additional documents, statements, arguments or other material in support of the application, the same should be so stated and identified.

(3) Procedure Following Applications for Hearing

(A) Fee Review Subcommittee

The Company will refer applications for hearing and review promptly to the Subcommittee designated by the Operating Committee pursuant to Section 4.12 of the CAT NMS Plan with responsibility for conducting the reviews of CAT Fee disputes pursuant to these Fee Dispute Resolution Procedures. This Subcommittee will be referred to as the Fee Review Subcommittee. The members of the Fee Review Subcommittee will be subject to the provisions of Section 4.3(d) of the CAT NMS Plan regarding recusal and Conflicts of Interest.

(B) Record

The Fee Review Subcommittee will keep a record of the proceedings.

(C) Hearings and Documents

The Fee Review Subcommittee will hold hearings promptly. The Fee Review Subcommittee will set a hearing date. The parties to the hearing (as described in paragraph (4)(A) below) shall furnish the Fee Review Subcommittee with all materials relevant to the proceedings at

least 72 hours prior to the date of the hearing. Each party shall have the right to inspect and copy the other party's materials prior to the hearing.

(4) Hearing and Decision

(A) Parties

The parties to the hearing shall consist of the applicant and a representative of the Company who shall present the reasons for the action taken by the Company that allegedly aggrieved the applicant.

(B) Counsel

The applicant is entitled to be accompanied, represented and advised by counsel at all stages of the proceedings.

(C) Conduct of Hearing

The Fee Review Subcommittee shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing. Each of the parties shall be permitted to make an opening statement, present witnesses and documentary evidence, cross examine opposing witnesses and present closing arguments orally or in writing as determined by the Fee Review Subcommittee. The Fee Review Subcommittee also shall have the right to question all parties and witnesses to the proceeding. The Fee Review Subcommittee shall keep a record of the hearing. The formal rules of evidence shall not apply.

(D) Decision

The Fee Review Subcommittee shall set forth its decision in writing and send the written decision to the parties to the proceeding. Such decisions shall contain the reasons supporting the conclusions of the Fee Review Subcommittee.

(5) Review

(A) Petition

The decision of the Fee Review Subcommittee shall be subject to review by the Operating Committee either on its own motion within 20 business days after issuance of the decision or upon written request submitted by the applicant within 15 business days after issuance of the decision. The applicant's petition shall be in writing and specify the findings and conclusions to which the applicant objects, together with the reasons for such objections. Any objection to a decision not specified in writing shall be considered to have been abandoned and may be disregarded. Parties may petition to submit a written argument to the

Operating Committee and may request an opportunity to make an oral argument before the Operating Committee. The Operating Committee shall have sole discretion to grant or deny either request.

(B) Conduct of Review

The Operating Committee shall conduct the review. The review shall be made upon the record and shall be made after such further proceedings, if any, as the Operating Committee may order. Based upon such record, the Operating Committee may affirm, reverse or modify, in whole or in part, the decision of the Fee Review Subcommittee. The decision of the Operating Committee shall be in writing, shall be sent to the parties to the proceeding and shall be final.

(6) Time Limit for Review

A final decision regarding the disputed CAT Fees by the Operating Committee, or the Fee Review Subcommittee (if there is no review by the Operating Committee), must be provided within 90 days of the date on which the Industry Member filed a written application regarding disputed CAT Fees with the Company pursuant to Paragraph (2) of these Fee Dispute Resolution Procedures. The Operating Committee may extend the 90-day time limit under this Paragraph (6) at its discretion.

(7) Miscellaneous Provisions

(A) Service of Notice

Any notices or other documents may be served upon the applicant either personally or by leaving the same at its, his or her place of business or by deposit in the United States post office, postage prepaid, by registered or certified mail, addressed to the applicant at its, his or her last known business or residence address.

(B) Extension of Certain Time Limits

Any time limits imposed under these Fee Dispute Resolution Procedures for the submission of answers, petitions or other materials may be extended by permission of the Operating Committee. All papers and documents relating to review by the Fee Review Subcommittee or the Operating Committee must be submitted to the Fee Review Subcommittee or Operating Committee, as applicable.

(8) Agency Review

Decisions on such CAT Fee disputes made pursuant to these Fee Dispute Resolution Procedures shall be binding on Industry Members, without

prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

(9) Payment of Disputed CAT Fees

(A) Timing of Fee Payment

An Industry Member that files a written application with the Company regarding disputed CAT Fees in accordance with these Fee Dispute Resolution Procedures is not required to pay such disputed CAT Fees until the dispute is resolved in accordance with these Fee Dispute Resolution Procedures, including any review pursuant to Paragraph (8). For the purposes of this Paragraph (9), the disputed CAT Fees means the amount of the invoiced CAT Fees that the Industry Member has asserted pursuant to these Fee Dispute Resolution Procedures that such Industry Member does not owe to the Company. The Industry Member must pay any invoiced CAT Fees that are not disputed CAT Fees when due as set forth in the original invoice.

(B) Interest on Unpaid CAT Fees

Once the dispute regarding CAT Fees is resolved pursuant to these Fee Dispute Resolution Procedures, if it is determined that the Industry Member owes any of the disputed CAT Fees, then the Industry Member must pay such disputed CAT Fees that are owed as well as interest on such disputed CAT Fees from the original due date (that is, 30 days after receipt of the original invoice of such CAT Fees) until such disputed CAT Fees are paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

[Adopted August 30, 2017 (SR-GEMX-2017-24).]

## **CHAPTER 10**

### **Closing Transactions**

The rules contained in Nasdaq ISE Chapter 10, as such rules may be in effect from time to time (the "Chapter 10 Rules"), are hereby incorporated by reference into this Nasdaq GEMX Chapter 10, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 10 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 10 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term "Exchange" in the Chapter 10 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term "Rule" in the Chapter 10 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term "Clearing Member" in the Chapter 10 Rules shall be read to refer to the Nasdaq GEMX Clearing Member; and the defined term "Member" in the Chapter 10 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 11**

### **Exercises and Deliveries**

The rules contained in Nasdaq ISE Chapter 11, as such rules may be in effect from time to time (the “Chapter 11 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 11, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 11 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 11 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 11 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 11 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Clearing Member” in the Chapter 11 Rules shall be read to refer to the Nasdaq GEMX Clearing Member; and the defined term “Member” in the Chapter 11 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 12**

### **Margins**

The rules contained in Nasdaq ISE Chapter 12, as such rules may be in effect from time to time (the “Chapter 12 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 12, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 12 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 12 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 12 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 12 Rules shall be read to refer to the Nasdaq GEMX Rule; and the defined term “Member” in the Chapter 12 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 13**

### **Net Capital Requirements**

The rules contained in Nasdaq ISE Chapter 13, as such rules may be in effect from time to time (the “Chapter 13 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 13, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 13 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 13 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 13 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 13 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “President” in the Chapter 13 Rules shall be read to refer to the Nasdaq GEMX President; and the defined term “Member” in the Chapter 13 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 14**

### **Records, Reports and Audits**

The rules contained in Nasdaq ISE Chapter 14, as such rules may be in effect from time to time (the “Chapter 14 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 14, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 14 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 14 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 14 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 14 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Market Maker” in the Chapter 14 Rules shall be read to refer to the Nasdaq GEMX Market Maker; and the defined term “Member” in the Chapter 14 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 15**

### **Summary Suspension**

The rules contained in Nasdaq ISE Chapter 15, as such rules may be in effect from time to time (the “Chapter 15 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 15, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 15 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 15 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 15 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 15 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Board” in the Chapter 15 Rules shall be read to refer to the Nasdaq GEMX Board; and the defined term “Member” in the Chapter 15 Rules shall be read to refer to the Nasdaq GEMX Member. For the avoidance of doubt, the reference to “leases” in Rule 1503 shall not apply to Nasdaq GEMX, since Nasdaq GEMX memberships can’t be leased.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 16**

### **Discipline**

The rules contained in Nasdaq ISE Chapter 16, as such rules may be in effect from time to time (the “Chapter 16 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 16, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 16 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 16 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 16 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 16 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Affiliate” in the Chapter 16 Rules shall be read to refer to the Nasdaq GEMX Affiliate; and the defined term “Member” in the Chapter 16 Rules shall be read to refer to the Nasdaq GEMX Member. In addition, for the avoidance of doubt, the contract with FINRA that is referred to in Rule 1615 also covers Nasdaq GEMX.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 17**

### **Hearings and Review**

The rules contained in Nasdaq ISE Chapter 17, as such rules may be in effect from time to time (the “Chapter 17 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 17, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 17 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 17 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 17 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 17 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Business Conduct Committee” in the Chapter 17 Rules shall be read to refer to the Nasdaq GEMX Business Conduct Committee; and the defined term “Member” in the Chapter 17 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 18**

### **Arbitration**

The rules contained in Nasdaq ISE Chapter 18, as such rules may be in effect from time to time (the “Chapter 18 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 18, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 18 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 18 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 18 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 18 Rules shall be read to refer to the Nasdaq GEMX Rule; and the defined term “Member” in the Chapter 18 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 19**

### **Intermarket Linkage**

The rules contained in Nasdaq ISE Chapter 19, as such rules may be in effect from time to time (the “Chapter 19 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 19, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 19 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 19 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 19 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 19 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Bid” in the Chapter 19 Rules shall be read to refer to the Nasdaq GEMX Bid; and the defined term “Member” in the Chapter 19 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 20**

### **Index Rules**

The rules contained in Nasdaq ISE Chapter 20, as such rules may be in effect from time to time (the “Chapter 20 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 20, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 20 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 20 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 20 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 20 Rules shall be read to refer to the Nasdaq GEMX Rule; the defined term “Exchange Official” in the Chapter 20 Rules shall be read to refer to the Nasdaq GEMX Exchange Official; and the defined term “Member” in the Chapter 20 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]

## **CHAPTER 21**

**[Reserved]**

## **CHAPTER 22**

### **Rate-Modified Foreign Currency Options Rules**

The rules contained in Nasdaq ISE Chapter 22, as such rules may be in effect from time to time (the “Chapter 22 Rules”), are hereby incorporated by reference into this Nasdaq GEMX Chapter 22, and are thus Nasdaq GEMX Rules and thereby applicable to Nasdaq GEMX Members. Nasdaq GEMX Members shall comply with the Chapter 22 Rules as though such rules were fully-set forth herein. All defined terms, including any variations thereof, contained in the Chapter 22 Rules shall be read to refer to the Nasdaq GEMX-related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Chapter 22 Rules shall be read to refer to the Nasdaq GEMX Exchange; the defined term “Rule” in the Chapter 22 Rules shall be read to refer to the Nasdaq GEMX Rule; and the defined term “Member” in the Chapter 22 Rules shall be read to refer to the Nasdaq GEMX Member.

[Amended February 10, 2014 (SR-Topaz-2014-06); amended March 7, 2017 (SR-ISEGemini-2017-13), operative April 3, 2017; amended April 4, 2017 (SR-GEMX-2017-03).]