



DATE: July 27, 2023

TO: Members of MEMX Options

FROM: MEMX Regulation

RE: Process for the Nullification and Adjustment of Options Transactions including Obvious Errors

This regulatory notice is being provided by MEMX LLC (“MEMX” or the “Exchange”) to highlight details related to MEMX Rule 20.6 covering the Nullification and Adjustment of Options Transactions including Obvious Errors.

MEMX Process

To file an Obvious Error Transaction Request for MEMX Options, a member/participant must complete and submit an online filing form to MEMX Market Operations or request access to the MEMX Portal and utilize tools directly within the filing deadline. The request must include all of the following:

Member Information:

Contact Name
Email Address
Executing Firm ID (EFID)
Phone Number

Execution criteria:

Customer / Non-Customer
Normal Review, Catastrophic Error, Erroneous Print
Complex Yes / No
Voluntary adjustment price
OSI Root
Strike Price
Expiration Date
Option Type, Call / Put
Price
Execution Time Range
Multiple Series, Buy / Sell Side
Contract Size
Underlying Ticker Symbol
Approximate Time
Exchange

Deadlines for Timely Filings

Customer - 30 minutes after execution
Non-Customer - 15 minutes after execution
Catastrophic Error - 8:30 am ET on the first trading day following the trade in question (unless option is expiring that trading day – then 45 minutes after the close).

Erroneous Review Guidance

An Options Exchange Official will have deemed a transaction to be an Obvious Error if one of the following criteria is satisfied:

Obvious Error. 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:

Theoretical price	Minimum Amount
Below \$2.00	\$0.25
\$2 - \$5	\$0.40
Above \$5 - \$10	\$0.50
Above \$10 - \$20	\$0.80
Above \$20 - \$50	\$1.00
Above \$50 - \$100	\$1.50
Above \$100	\$2.00

Trading Halts. The exchange shall nullify any transaction that occurs during a trading halt in an affected option on the exchange pursuant to the specific rules of the exchange.

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, provided a party notifies the exchange's Options Exchange Officials in a timely manner. 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), the party must notify the Exchange's Options Exchange Officials within the timeframes set forth below, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) 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.

Erroneous Quote in Underlying. A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth below, provided a party notifies the exchange's Options Exchange Official in a timely manner. 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 a time period encompassing two minutes before and after the dissemination of such quote. 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) it must notify the exchange's Options Exchange Officials as described above.

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.

Rule 20.6. 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 Options Member to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

Contact Information

If you have any questions regarding obvious errors related to MEMX Options, please contact the MEMX Market Operations team at MOPS@memx.com or (833) 415-6677.