



Regulatory Notice 23-17

DATE: October 4, 2023

TO: Members of MEMX Options

FROM: MEMX Regulation

RE: Options Risk Settings

This regulatory notice is being provided by MEMX LLC (“MEMX”) to inform Members of MEMX Options (“MEMX Options” or the “Exchange”) of additional details regarding the risk settings made available by the Exchange pursuant to Rules 21.16 and 21.17 of the MEMX Rulebook. This regulatory notice is also to inform Members of MEMX Options that a proposed rule change to adopt Interpretations and Policies .01,.02, and .03 to Rule 21.17, that has been filed by the Exchange, effective immediately. See [SR-MEMX-2023-28](#) for additional details.

Price Protection Mechanisms and Risk Controls

The Exchange provides the following price protection mechanisms and risk controls pursuant to Rules 21.16 and 21.17 of the MEMX Rulebook:

Clear Breach Throttle Control. MEMX Options restricts the number of User underlying, EFID, EFID Group, and Custom Group resets to a maximum of 10 times per second.

Market Order NBBO Width Protection. If a User submits a Market Order to the System when the NBBO width is greater than the percentage of the midpoint of the NBBO set forth in the table below, the System will reject or cancel back to the User the Market Order. This check does not apply to bulk messages.

Option Price Range	% of NBBO Midpoint
\$0 - \$1.99	50%
\$2.00 - \$5.00	35%
\$5.01 - \$10.00	30%
\$10.01 - \$20.00	25%
\$20.01 - \$50.00	20%
\$50.01 - \$100.00	15%
> \$100.00	10%

Limit Order Fat Finger Check. If a User submits a buy (sell) Limit Order to the System with a price that is more than a specified amount above (below) the NBO (NBB) as set forth in the table below, the System will reject or cancel back to the User the Limit Order. This check does not apply to bulk messages.

Option Price Range	Amount above NBO or below NBB
\$0 - \$1.99	\$0.40



\$2.00 - \$5.00	\$1.00
\$5.01 - \$10.00	\$2.00
\$10.01 - \$20.00	\$4.00
\$20.01 - \$50.00	\$10.00
\$50.01 - \$100.00	\$20.00
> \$100.00	\$25.00

Drill-Through Price Protection. The System will execute an incoming order up to an amount above (below) the offer (bid) limit of the NBO (NBB) that existed at the time of order entry, respectively, as set out in the table below (the “Drill-Through Price”). The unexecuted portion of an order will be cancelled back to the User. This protection does not apply to bulk messages.

Option Price Range	Drill Through Price
\$0 - \$1.99	\$0.25
\$2.00 - \$5.00	\$0.40
\$5.01 - \$10.00	\$0.50
\$10.01 - \$20.00	\$0.80
\$20.01 - \$50.00	\$1.00
\$50.01 - \$100.00	\$1.50
> \$100.00	\$2.00

Bulk Message Fat Finger Check. The System will cancel or reject any bulk message bid (offer) with a price that is more than a specified amount above (below) the NBO (NBB), as set out in the table below. This check does not apply to bulk messages submitted when no NBBO is available.

Option Price Range	Amount above NBO or below NBB
\$0 - \$1.99	\$0.40
\$2.00 - \$5.00	\$1.00
\$5.01 - \$10.00	\$2.00
\$10.01 - \$20.00	\$4.00
\$20.01 - \$50.00	\$10.00
\$50.01 - \$100.00	\$20.00
> \$100.00	\$25.00

Optional User-Configurable Risk Settings

The Exchange provides the following optional, User-configurable risk settings pursuant to Interpretations and Policies .01, .02, and .03 of Rule 21.17 of the MEMX Rulebook:

Order Size Controls. MEMX Options offers controls on the maximum dollar amount for a single order and the maximum number of contracts that may be included in a single order. Users may restrict the maximum dollar amount of an order, up to \$500,000,000. The default value for



maximum dollar amount will initially be \$30,000,000. Users may restrict the maximum contracts per order, up to 999,999 contracts. The default value for maximum number of contracts in a single order will initially be 999,999 contracts.

Order Type and Order Modifier Controls. MEMX Options offers allow/block controls on the order types and modifiers that can be utilized. The default value for these controls shall be to allow ISO orders, orders during a crossed market, and market orders. Users may configure the controls to disallow or allow these order types.

Controls on the Options Classes Transacted. MEMX Options offers controls restricting the options classes for which a User may enter orders to test symbols only. The default value shall be to allow transactions in all options classes. Users may elect to restrict activity to test symbols only.

Controls to Prohibit Duplicative Orders. MEMX Options offers controls prohibiting duplicative orders. Users may configure the maximum number of orders with the same EFID, symbol, side, quantity, and price up to 100,000 orders. Users may also configure the time window up to 15 seconds. The initial default values will be 1,000 orders across a 1 second time window.

Controls Restricting the Overall Rate of Orders. MEMX Options offers controls to restrict the rate of orders. Users may configure the overall rate of orders up to a maximum of 1,000,000,000 orders allowable. Users may also configure the time window up to 15 seconds. The initial default values will be 10,000 orders across a 1 second time window.

Controls on Gross and Net Exposure for All New Orders or for Market Orders Only. MEMX Options offers credit controls on gross and net exposure which warn when approached and, when breached, prevent submission of either all new orders or Market Orders only. The default value is the same as the maximum exposure limit in the table below. Users will be able to configure each exposure limit.

Type	Maximum Exposure Limit
Daily Gross Notional Exposure	\$100,000,000,000
Market Order Gross Notional Exposure	\$100,000,000,000
Daily Net Notional Exposure	\$1,000,000,000
Market Order Net Notional Exposure	\$1,000,000,000

Order Block and Order Cancel Controls; Automatic Cancellation of Orders Upon Loss of User Connection to the Exchange. MEMX Options offers functionality that permits a User to (i) cancel all unexecuted orders and quotes in the MEMX Options Book, or (ii) block the entry of any new orders and quotes, or (iii) both cancel all unexecuted orders and quotes in the MEMX Options Book and block the entry of any new orders and quotes. The default value is to 'allow.' In addition to the functionality in (i), (ii), and (iii) of this paragraph, MEMX Options also offers (iv) functionality to cancel a User's orders if the User loses connection to the Exchange.

Batch Cancel Controls on All Orders or a Subset of Orders. MEMX Options offers batch cancel functionality to cancel any orders or quotes in any series of options upon User request. MEMX



Options also permits a User to configure a block on new inbound orders in any series of options. The block will remain in place until the User requests that the Exchange remove the block.

Risk Controls Are Not Designed for 15c3-5 Compliance. The Exchange notes that the risk controls put in place by this rule change are not designed for compliance with Rule 15c3-5 under the Exchange Act of 1934. The risk controls are meant to supplement and not replace the Member's or User's internal risk management systems, monitoring, and procedures. The Exchange notes that all responsibility for compliance with Exchange rules or rules of the Securities and Exchange Commission remains with the Member or User.

Additional Information

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

For questions about rule requirements or other concerns please contact MEMX Regulation regulation@memx.com.