



December 4, 2020

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE., Washington, DC 20549

**Re: Nasdaq BX, Inc.; Notice of Filing of Proposed Rule Change to Amend Options 4, Section 5, to Limit Short Term Options Series Intervals between Strikes Which are Available for Quoting and Trading on BX (File No. SR-BX-2020-032)**

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates the opportunity to comment upon the above-referenced rule proposal (the “Proposal”) submitted by Nasdaq BX (“BX” or “Exchange”) with the U.S. Securities and Exchange Commission (“SEC” or “Commission”).<sup>2</sup> In the Filing, BX proposes to amend its rules to limit the intervals between strikes for multiply listed equity options classes within BX’s Short Term Options Series (“STOS”) program that have an expiration date more than twenty-one days from the listing date. SIFMA supports BX’s Proposal and believes the Commission should approve it.

SIFMA has long supported a rationalization of the number of options series listed by the options exchanges (i.e., “strikes”) that do not have trading interest and has been frustrated by the exchanges’ inability to work collectively on a harmonized approach to solve this complex issue. SIFMA appreciates the Proposal put forth by BX to modify the listing of weekly options series by limiting the intervals between strikes in multiply listed equity options, excluding ETFs and ETNs, that have an expiration date more than twenty-one days from the proposal. The Proposal does not amend monthly or quarterly strike listings rules, nor does it amend the \$1 Strike Price

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

<sup>2</sup> See Release No. 34-90384 (November 9, 2020), 85 FR 73113 (November 16, 2020).

Interval Program, the \$0.50 Strike Program, the \$2.50 Strike Price Program, or the \$5 Strike Program.

BX notes that the weekly program currently comprises a significant part of the standard listings in the options market. The Exchange states that weekly strikes increased 8.9% compound annual growth rate from 2015 to 2020 compared with a 4.3% rate for standard expirations using the 3<sup>rd</sup> 2015 Friday expiration. BX also highlights, that today, weeklies comprise 16% of the underlying products available for options listing on the Exchange.

Under the Proposal, to determine which strikes should be listed, BX will use a table based on the share price of the underlying security and the average daily volume (“ADV”) of the options contracts on the security over a calendar quarter. The Exchange will use OCC customer-cleared volume for the ADV since it believes this is an appropriate proxy for demand. The Exchange notes that OCC customer-cleared volume represents most of the contracts executed on the Exchange, which in turn reflects the demand in the marketplace.

SIFMA agrees with BX’s proposed methodology to list those strikes on BX that meet customer demand and supports the Exchange’s premise that it will remove repetitive and unnecessary strike listings across the weekly expires that do not have such demand. SIFMA further concurs with BX’s approach to initially address the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality.

The Exchange states that the Proposal will reduce strike listings on BX by 2% of the total number of strikes, which equates to 81,000 strikes. SIFMA further agrees with the approach of curtailing the density of strike intervals listed without reducing the classes of options available for trading on BX. SIFMA also agrees with the Exchange’s rationale that by limiting the intervals between strikes and thus reducing the number of strikes listed on BX, the Proposal would allow market makers to expend their capital in the options market in a more efficient manner, which in turn is designed to improve overall market quality on BX.

The Exchange notes that the Proposal is intended to be the first in a series of proposals to limit the number of options series listed on BX and other Nasdaq affiliated markets. The Exchange further states that it intends to decrease the overall number of strikes listed on the Nasdaq exchanges in a methodical fashion so that it may monitor progress and feedback from its membership. SIFMA agrees this is appropriate since it will allow the Exchange to balance the

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goal of limiting intervals between listed strikes with the ability to offer market participants the opportunity to select the appropriate strike interval to meet their investment objectives.

Upon approval of the filing and successful implementation of the new listing program, SIFMA strongly urges the other U.S. listed options exchanges to institute similar rules expeditiously so that the industry can truly benefit from a reduction of strike listings.

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SIFMA greatly appreciates the Commission's consideration of our comments above and would be pleased to discuss them in greater detail. As noted, we are very supportive of the Proposal and encourage the Commission to swiftly adopt it. If you have any questions or need any additional information, please contact me at [REDACTED]

Sincerely,

*Ellen Greene*

Ellen Greene  
Managing Director  
Equity and Options Market Structure

cc: The Honorable Jay Clayton, Chairman  
The Honorable Hester M. Peirce, Commissioner  
The Honorable Elad L. Roisman, Commissioner  
The Honorable Allison Herren Lee, Commissioner  
The Honorable Caroline A. Crenshaw, Commissioner

Brett Redfearn, Director, Division of Trading and Markets