December 7, 2020

Vanessa Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

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,

IMC Chicago, LLC d/b/a IMC Trading ("IMC") appreciates the opportunity to submit comments to the Securities & Exchange Commission ("Commission") regarding the above-referenced rule proposal (the "Strike Interval Proposal") submitted by Nasdaq BX ("BX" or "Exchange").[1] For the reasons identified below, we believe the Strike Interval Proposal represents a long overdue and balanced approach to improve overall market quality and we urge the Commission to approve it.

Background

IMC is part of a global firm with approximately 850 employees worldwide and affiliates trading in Chicago, Amsterdam and Sydney. IMC operates as a proprietary trading firm and registered broker-dealer, engaging in the U.S. financial markets as a bona-fide market maker and providing liquidity on nearly every listed equities and derivatives market in the United States. IMC is a Lead Market Maker in over 500 option classes across 16 options exchanges and a registered Market Maker in over 750 options names across 16 options exchanges. As such, IMC is acutely aware of the obligations of options market makers and the attendant demands on capital required to maintain the necessary infrastructure to meet quoting obligations in assigned options series across all options markets.

The Proposal Strikes an Appropriate Balance

Rationalizing the appropriate number of options series listed by the options exchanges (i.e., "strikes") has long been an issue worthy of review and revision. Indeed, IMC has participated in many discussions over the years imploring exchanges to identify a more reasonable balance between offering strikes designed to meet investment objectives (i.e. strikes that represent legitimate trading interest) with the overall burden on market makers to effectively and efficiently quote across all options exchanges in all options series to which they are assigned. According to the Strike Interval Proposal, the Exchange seeks to do just that by limiting the intervals between strikes in multiply listed equity options, excluding ETFs and ETNs, which have an expiration date more than twenty-one days from the listing date. Specifically, the Strike Interval Proposal seeks to reduce the number of weekly options

[1] See Release No. 34–90384 (November 9, 2020), 85 FR 73113 (November 16, 2020).

that would be listed on BX in later weeks.[2] As a result, market makers such as IMC, would be required to quote in fewer weekly strikes. In designing this Strike Interval Proposal, the Exchange noted 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 3rd 2015 Friday expiration. The Exchange also highlighted that weeklies comprise 16% of the underlying products available for options listing on the Exchange. To determine which strikes should be listed, the Exchange proposes a selection process using average daily OCC customer-cleared volume (over a calendar quarter) as an indicator of investor demand, while further refining the selection based on share price of the underlying security. The Exchange intends to recalibrate its strike selection on a quarterly basis, as a means of continually re-assessing investor demand. In so doing, the Exchange expects that the Strike Interval Proposal will reduce strike listings on BX by 2% of the total number of strikes, which equates to 81,000 strikes.

IMC applauds this attempt to rationalize strike intervals and believes it serves investor demand and improves overall market quality. IMC believes that many remaining strikes will share similar characteristics to the strikes BX is proposing to remove. By reducing the number of strike listings across the weekly expiries, which exhibit wider markets and lower market quality, IMC further believes that the Exchange is offering market makers the ability to expend their capital in a more efficient manner, thereby facilitating improved market quality in the remaining strikes. Importantly, IMC agrees with the Exchange that its approach "curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on BX."

Conclusion: IMC Recommends Approval & Universal Adoption

We appreciate the Exchange's efforts to thoughtfully assess investor demand and remove redundant strikes that attract minimal or no investor interest so that market makers such as ourselves may provide improved market quality in the remaining strikes. For the foregoing reasons, IMC respectfully urges the Commission to approve the Strike Interval Proposal. Upon approval of this filing, IMC urges the other U.S. listed options exchanges to institute similar rules on a universal basis, thereby truly rationalizing available strikes across the options market—to the benefit of all investors. We also encourage all exchanges to adopt a similar approach to rationalizing strikes across all strikes listings, including during the first 21 days, LEAPS and Monthlies.

Should you have any questions in connection with our comments, please feel free to contact me at [redacted].

Sincerely,

Andrew Stevens
General Counsel

[2] This Proposal does not amend monthly or quarterly listing rules nor does it amend the $1 Strike Price Interval Program, the $0.50 Strike Program, the $2.50 Strike Price Program, or the $5 Strike Program.