Security Traders Association
1115 Broadway, Suite 1110
New York, NY 10010
646.699.5996

sta@securitytraders.org
www.securitytraders.org

December 9, 2020

J. Matthew DeLesDernier
Assistant Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number BX-2020-032

Dear Mr. DeLesDernier,

The Security Traders Association[1] ("STA") appreciates the opportunity to provide comments in response to the Nasdaq BX ("Nasdaq") Notice of Filing of Proposed Rule Change to Amend Options 4, Section 5, to Limit Short Term Options Series Intervals between Strikes ("strikes" or "strike prices") Which are Available for Quoting and Trading on BX, ("Proposal" or, "Strike Interval Proposal"). STA is an organization comprised of individuals involved in the trading of securities in the U.S and Canada. Our members represent companies with many of the business models in the financial services sector including, but not limited to retail brokerage firms; options market makers and liquidity providers; agency only broker dealers; and asset owners and managers.

Strike Interval Proposal Summary

The Proposal seeks to limit the Short Term Options Series intervals between strikes which are available for quoting and trading on BX. Specifically, the Proposal would limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date.

STA believes the Strike Interval Proposal introduces an efficient strike listing standard that balances the interests of option market makers, liquidity providers and investors and, if

[1] STA is a trade organization founded in 1934 for individual professionals in the securities industry. STA is comprised of 24 affiliate organizations in North America with individual members who are engaged in the buying, selling and trading of securities. STA is committed to promoting goodwill and fostering high standards of integrity in accord with the Association's founding principle, Dictum Meum Pactum – "My Word is My Bond." For more information, visit https://securitytraders.org/.

replicated by other option exchanges, would foster market growth, better ensure investor protections, and ultimately improve the liquidity of the market. Therefore, STA recommends that the Commission approve the Proposal.

Background

It is our view that the proliferation of series of options for quoting and trading has overly complicated the options markets and necessitates the use of excessive (and thus inefficient) bandwidth incurring substantial technology costs. If left unabated, this condition may degrade market quality as measured by spreads and liquidity - both displayed and total available per strike. In our letter[2] to the Commission dated April 5, 2019, STA expressed concerns with the design of the Options Listing Procedure Plan[3] ("OLPP") and its inability to provide a coordinated process for determining the appropriate number of strikes per underlying issue.. While STA's concerns were and continued to be related to strikes, they are not exclusive to the listed options markets. The listed options and equity markets are highly interconnected and factors impacting one of these markets necessarily impacts the other. At the time of our letter, there were over 900,000 series of options available for quoting and trading on 4,300 products. Today, there are over one million series of options, which demonstrates the proliferation continues.

In addition to the lack of a coordinated process for determining the appropriate number of strikes per underlying issue, the proliferation of strikes per underlying issue has been elevated by the growing popularity of short-term options commonly referred to as "Weeklies."[4] These products are a capital efficient vehicle for investors seeking to gain exposure on an investment opinion or hedge an existing position.

The listed options marketplace is quote driven. The displayed strike prices are designed in part to reflect the ability of market makers willing to commit capital. Listed options market makers and liquidity providers rely on technology to manage risks associated with quoting strike prices, the inherent cost for this technology is indirectly reflected in the spreads at which they quote, i.e., more strikes necessitate the higher technology inputs which cost more money. This cost is reflected in spreads. We note that there are large amounts of strikes with no or de minimis

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[2] April 5, 2019 letter to Brett Redfearn, Director, Division of Trading and Markets, Securities and Exchange Commission https://securitytraders.org/wp-content/uploads/OptionsLetterFinal26.pdf

[3] https://www.sec.gov/rules/proposed/34-49505.pdf

[4] Interest in Weeklies -- which, as the name suggests, are options that trade for about one week -- is driven by their potential to help traders employ short-term strategies including targeting volatility associated with an earnings announcement, economic report, or other key event that might occur on a specified date in the short term. Today, Weeklies are regularly offered on a range of indices, ETFs and over 400 equity issues.

amounts of trading activity that drive yet higher technology inputs to facilitate quoting updates based on changes in the underlying product.

It is important to balance the interests of investors who find listed options as an attractive investment vehicle with those of market makers and liquidity providers, who assume costs for technology to manage risk. STA believes the Proposal is a thoughtful response and well-designed plan which is a bona fide, first step towards improving market structure inefficiency. The Proposal also serves as a template for other option exchanges to follow.

Remarks on the Proposal

The Proposal employs a formula for identifying strikes with little to no activity and investor interest. The formula takes into account customer demand for certain options classes by considering both the share price and the average daily volume in the underlying security to arrive at the manner in which weekly strike intervals would be listed in the later weeks for each multiply listed equity options class. The Proposal's approach for identifying strikes which should be eliminated is sensible and non-arbitrary.

Based on data provided in the Proposal, the reduction in the total number of strikes on the BX would be 81,000, or 2% of the total number of strikes. STA views that as an incremental change which would greatly limit any potential harm from any unforeseen negative consequence.

The Proposal only aims to reduce the density of strike intervals that would be listed in later weeks. STA believes the remaining strike intervals would continue to meet the investment objectives of investors and market participants.

STA agrees with the following statement made in the Proposal[5]: "The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals."

Conclusion

The listed options markets serve an important role for a broad base of investor types. Reducing the number of strikes under the guidelines of the Proposal would allow market makers and other liquidity providers to expend their capital in a more efficient and consolidated manner, while also meeting the investment objectives of investors and market participants. STA greatly appreciates Nasdaq for making this initial attempt at reducing strikes. We strongly urge the

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[5] Footnote 22.

Commission to approve the Proposal and we look forward to engaging with Nasdaq on future filings which continue to reduce strikes.

Sincerely Yours,

Chris Halverson
Chairman of the Board

James Toes
President & CEO

cc: Chairman Jay Clayton
Commissioner Caroline A. Crenshaw
Commissioner Allison H. Lee
Commissioner Hester M. Peirce
Commissioner Elad L. Roisman