

February 10, 2021

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

Re: SR-BX-2020-032

Dear Ms. Countryman:

Nasdaq BX, Inc. (“BX”) submits this comment letter in response to a comment from Cboe BZX Exchange, Inc. (“Cboe BZX”), Cboe C2 Exchange, Inc. (“C2”), Cboe EDGX Exchange, Inc. (“Cboe EDGX”), and Cboe Exchange, Inc. (collectively “Cboe Options Exchanges”) with respect to BX’s proposed rule change to amend Options 4, Section 5 of its rules to limit the intervals between strikes of multiply listed equity option classes within the short term options series (“STOS”) that have an expiration date more than twenty-one days from the listing date, which was submitted to the Securities and Exchange Commission on October 23, 2020 (the “BX Strike Proposal”).¹ BX appreciates Cboe Options Exchanges’ comments on the BX Strike Proposal and endeavors to address those comments below. In addition, BX submits Amendment No. 1 to SR-BX-2020-032 along with this letter.

Amendment to STOS Program

The Cboe Options Exchanges note in their comment letter that using tiered average daily volume (“ADV”) and underlying share price components to limit strike intervals of farther out STOS is unduly burdensome from an exchange operational perspective. Further, the Cboe Options Exchanges state the BX Strike Proposal could create significant operational overhead with respect to implementing and maintaining this proposed strike listing regime, that it would result in a limited strike reduction, and the complexity may also cause confusion among participants regarding permissible strikes.

The BX Strike Proposal was not intended to amend the current STOS program, rather the intent was to curtail certain strike intervals within STOS to avoid operational burdens to listing exchanges. BX believes the Cboe Options Exchanges’ proposed alternative may have a detrimental impact on meeting customer demand in terms of the availability of STOS which are listed today. The BX Strike Proposal does not impact the underlying, rather BX proposes to curtail the strike intervals for all listed STOS.

¹ See Securities Exchange Act Release No. 90384 (November 9, 2020), 85 FR 73113 (November 16, 2020) (SR-BX-2020-032).

Clarifying Comments

The Cboe Options Exchanges note that certain elements of the BX Strike Proposal require clarification. The first example is whether exceptions would apply to extremely active option classes or new options on equities that were subject to recent initial public offerings (“IPOs”). BX agrees with the Cboe Options Exchanges that IPOs often increase customer demand for more strikes. BX proposes to amend its BX Strike Proposal to specify that options that are newly eligible for listing pursuant to Options 4, Section 3 will not be subject to proposed Supplementary .07 to Options 4, Section 5 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market. The Exchange believes this amendment would allow the initial customer demand to be met, and for price discovery to occur in the offering, prior to implementation of the proposed decrease in strike intervals which would take effect after the first full calendar quarter following the date the option class was first listed for trading on any options market. At the time a newly eligible security is listed, BX may list as many strikes as are permissible, pursuant to STOS, until the curtailment is in effect. BX’s proposal otherwise permits STOS which have an expiration date of less than twenty-one days from the listing date to be listed without curtailment, thereby allowing BX to list additional, and potentially narrower, strikes in the event of market volatility or other market events.

The Cboe Options Exchanges note in a second example that portions of Supplementary Material .03 to Options 4, Section 5 permit BX to open additional series for trading when it deems necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying security moves substantially, however they note that proposed Supplementary Material .07 to Options 4, Section 5 states it does not amend the range of strikes that may be listed pursuant to Supplementary Material .03 regarding the STOS program. BX agrees that this intersection between Supplementary Material .03 and proposed Supplementary Material .07 requires clarification. The Exchange intends to amend its rule text to make clear that opening additional series for trading when it deems necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying security moves substantially pursuant to Supplementary Material .03 is subject to the proposed curtailments specified within proposed Supplementary Material .07.

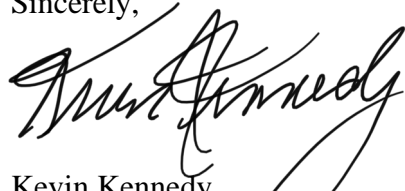
Reduction of Operational Burden Introduced with New Listing Criteria

In response to Cboe Options Exchanges’ comment that BX should use quarterly ADV data from a centralized party when identifying classes subject to the strike interval limits to ensure fair and consistent application of the rule across the industry, BX intends to provide publically available data to ensure consistency. Specifically, BX will create a publically available report on a quarterly basis which indicates, for each Short Term Options Series eligible to be listed under proposed Supplementary Material .07 of Options 4, Section 5, the applicable tiering of the underlying, which includes the closing price of the underlying, and the average daily customer volume of the option in that underlying. BX will produce the report by the close of business on the first trading day of the quarter. The Exchange notes that the report will be posted on BX’s website on the first day of a new quarter to support listing decisions, pursuant to the Short Term Options Series Program, for the most recent listing within the Short Term Options Program. This information is available to other options markets and is being made available by BX to provide consistency and relieve administrative burdens on other options markets. Other

exchanges may elect to utilize BX's report to validate their own information or they may otherwise elect another method to consume similar information as BX² is posting to its website.

BX appreciates the opportunity to respond to Cboe Options Exchanges' comments. The BX Strike Proposal is intended to reduce strike intervals to increase market efficiencies, particularly for options market makers who are critical market participants. Further, BX believes that the BX Strike Proposal will improve overall market quality while continuing to balance customer demand.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Kennedy". The signature is fluid and cursive, with a large loop at the end.

Kevin Kennedy
Senior Vice President
North American Markets

² The average daily customer volume data will be sourced from The Options Clearing Corporation. The closing price of the underlying will be sourced from the closing prices for Tape A, B and C securities published by the UTP and CTA/CQ Plans.