Kevin Kennedy
Senior Vice President
North American Markets

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.

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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 BX[2] 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,

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.

OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response..... 38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 73

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2020 - * 032
Amendment No. (req. for Amendments *) 1

Filing by NASDAQ BX, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☐	☑	☐	☑	☐	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposed rule change to amend Options 4, Section 5, Series of Options Contracts Open for Trading. This proposal seeks to limit Short Term Options Series intervals between strikes which are available for quoting and trading on BX.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Angela Last Name * Dunn

Title * Principal Associate General Counsel

E-mail * [redacted]

Telephone * [redacted] Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 02/10/2021

By John Zecca

(Name *)

(Title *)

EVP and Chief Legal Officer

[redacted]

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. ("BX" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend Options 4, Section 5, "Series of Options Contracts Open for Trading." This proposal seeks to limit Short Term Options Series intervals between strikes which are available for quoting and trading on BX. This rule change replaces and supersedes SR-BX-2020-032.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on July 7, 2020. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
215-496-5692

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The Exchange proposes to amend Options 4, Section 5, "Series of Options Contracts Open for Trading." Specifically, this proposal seeks to 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.

Background

Today, BX's listing rules within Options 4, Section 5 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,[3] or ETN[4]) has been approved

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[3] Exchange-Traded Fund Share shall include shares or other securities that are traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (the "Money Market Instruments") (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments (ii) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts,

for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,[5] monthly[6] or quarterly[7]

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swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency ("Commodity Pool ETFs"), (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust or (v) represents an interest in a registered investment company ("Investment Company") organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided the conditions within Options 4, Section 3(i)(A) and (B) are met. See Options 4, Section 3(i).

4 Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index- Linked Securities" or "ETNs") that are principally traded on a national securities exchange and an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described within Options 4, Section 3(l)(i)(1)-(6). See Options 4, Section 3(l)(i).

5 The weekly listing program is known as the Short Term Options Series Program and is described within Supplementary Material .03 of Options 4, Section 5.

6 The Exchange will open at least one expiration month for each class of options open for trading on the Exchange. See Options 4, Section 5(g). The monthly expirations are subject to certain listing criteria for underlying securities described within Options 4, Section 3. Monthly listings expire the third Friday of the month. The term "expiration date" when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit default options or credit default basket options) that are be automatically exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the

basis. Options 4, Section 5(d) sets forth the intervals between strike prices of series of options on individual stocks.[8] In addition to those intervals, the Exchange may list series

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expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such event confirmation is deemed to have been received by the Corporation. "Expiration date" means, in respect of a series of range options expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such series, and, in respect of a series of range options expiring on or after February 1, 2015 means the third Friday of the expiration month of such series, or if such Friday is a day on which the Exchange on which such series is listed is not open for business, the preceding day on which such Exchange is open for business. See The Options Clearing Corporation ("OCC") By-Laws at Section 1.

7 The quarterly listing program is known as the Quarterly Options Series Program and is described within Supplementary Material .04 of Options 4, Section 5.

8 Except as otherwise provided in the Supplementary Material of Options 4, Section 5, the interval between strike prices of series of options on individual stocks will be: (1) $2.50 or greater where the strike price is $25.00 or less; (2) $5.00 or greater where the strike price is greater than $25.00; and (3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

Pursuant to Options 4, Section 5(e), notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust

of options pursuant to the $1 Strike Price Interval Program,[9] the $0.50 Strike Program,[10] the $2.50 Strike Price Program,[11] and the $5 Strike Program.[12]

The Exchange's proposal seeks to amend the listing of weekly series of options as proposed within new Supplementary Material .03(f) of Options 4, Section 5, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. 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.

Short Term Options Series Program

Today, Supplementary Material .03 of Options 4, Section 5 permits BX to open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"), provided an option class has been approved for listing and trading on

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("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be $1 or greater.

9 The $1 Strike Interval Program is described within Supplementary Material .01 of Options 4, Section 5.

10 The $0.50 Strike Interval Program is described within Supplementary Material .05 of Options 4, Section 5.

11 The $2.50 Strike Interval Program is described within Supplementary Material .02 of Options 4, Section 5.

12 The $5.00 Strike Interval Program is described within Supplementary Material .06 of Options 4, Section 5.

the Exchange.[13] Today, the Exchange may open up to thirty initial series for each option class that participates in the Short Term Option Series Program.[14] Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.[15]

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price

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[13] The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. See Supplementary Material .03 of Options 4, Section 5.

[14] See Supplementary Material .03 of Options 4, Section 5(c).

[15] See Supplementary Material .03 of Options 4, Section 5(d).

intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all option classes that participate in the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option.[16]

The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.[17]

BX notes that listings in the weekly program comprise a significant part of the standard listing in options markets. The below diagrams demonstrate the percentage of weekly listings as compared to Long-Term Option Series or LEAPs and quarterly listings

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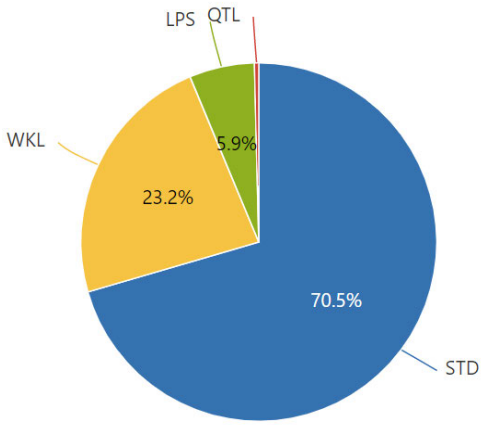
[16] See Options 4, Section 5(e).

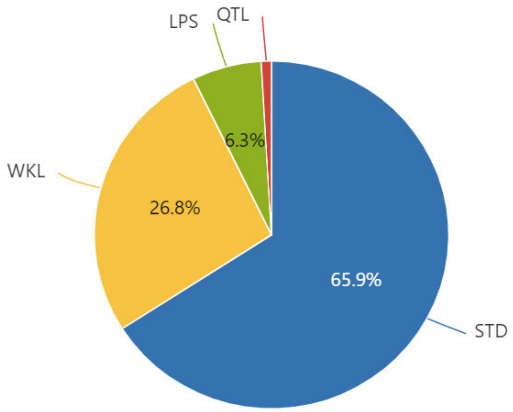
[17] See Supplementary Material .03(a) of Options 4, Section 5.

in 2015 as compared to 2020. The weekly strikes increased 8.9% compound annual growth rate ("CAGR") from 2015 as compared to a 4.3% CAGR for standard expirations using 3rd 2015 Friday expirations.

2015:



2020:



Proposal

BX proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days from the listing date, by adopting proposed Supplementary Material .03(f) of Options 4, Section 5 as well as proposed Supplementary Material .07 of Options 4,

Section 5, with respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs) (collectively "Strike Interval Proposal"). BX's Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Supplementary Material .07 of Options 4, Section 5. With the Strike Interval Proposal, BX would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.[18] The below table indicates the applicable strike intervals and would supersede Supplementary Material .03(d) which currently permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. As a result, the Exchange would not be able to utilize the rule text within Supplementary Material .03(d) to permit additional series to be opened for trading on BX which have an expiration date more than twenty-one days from the listing date despite the noted circumstances when such additional series could otherwise be added.

		Share Price				
Tier	**Average Daily Volume**	**less than $25**	**$25 to less than $75**	**$75 to less than $150**	**$150 to less than $500**	**$500 or greater**
1	greater than 5,000	$0.50	$1.00	$1.00	$5.00	$5.00
2	1,000 to 5,000	$1.00	$1.00	$1.00	$5.00	$10.00

[18] Additional information comparing the current listing program to this proposal is available at: https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal.

		Share Price				
3	0 to 1,000	$2.50	$5.00	$5.00	$5.00	$10.00

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.[19] Under current rules, if the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday, as is the case today for STOs as specified within Supplementary .03 to Options 4, Section 5.

The Exchange proposes that Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3(a) will not be subject to this proposed Supplementary .07 until after the end of the first full calendar quarter following the date

[19] For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

the option class was first listed for trading on any options market.[20] The Exchange would be permitted to list options on newly eligible listings, without any curtailment in strike intervals, until the end of the first full quarter after they were listed. BX's proposal would thereby permit BX to add strikes to meet customer demand in the options class. By deferring the curtailment until after the end of the first full calendar quarter, additional information on the underlying security would be available to market participants and public investors. During this period of deferment the price of the underlying would have an opportunity to settle based on the price discovery that has occurred in the primary market. An options class that represents a newly listed primary security may fluctuate in price after its initial listing; such volatility reflects a natural uncertainty about the security. Also, BX would have the ability to list as many strikes as are permissible for the Short Term Options Series once the expiry is within twenty-one days. Short Term Options Series which have an expiration date less than twenty-one days from the listing date are not subject to the curtailment, thereby allowing BX to list additional, and potentially narrower, strikes in the event of market volatility or other market events.

BX proposes to make publically available a 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

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[20] For example, if an options became newly eligible for listing pursuant to Options 4, Section 3 on March 1, 2021, the first full quarterly lookback would be available on July 1, 2021. This option would become subject to the curtailment on July 2, 2021.

customer volume of the option in that underlying.[21] The average daily customer volume data will be sourced from OCC. 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. BX will produce the report by the close of business on the first trading day of the quarter.[22] 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. The report will be based on information that BX will obtain as described herein. 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 BX is posting to its website.

In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitations imposed by Options 4, Section 5 at proposed Supplementary Material .07, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Options 4, Section 5 at Supplementary Material .03, regarding the Short Term Option Series Program.

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[21] BX will make this information available on BX's website. This information will be freely-accessible to the public.

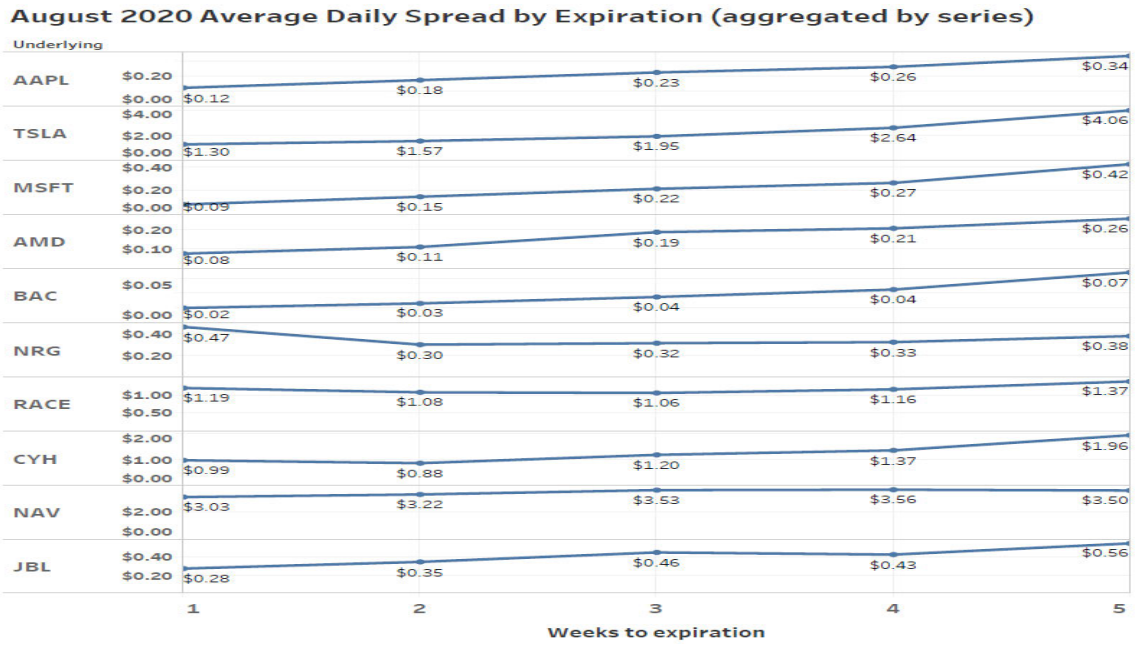
[22] OCC data becomes available for the end of a quarter on the first trading day of a new quarter.

By way of example, if the Share Price for a symbol was $142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed $1.00 apart, that strike interval would apply for the calendar quarter, regardless of whether the Share Price changed to greater than $150 during that calendar quarter.[23]

The proposed table within Supplementary Material .07 of Options 4, Section 5 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. BX would utilize OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on BX are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side. The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. BX's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality. Below are two tables which focus on data for 10 of the most and least actively traded

[23] The Exchange notes that any limits on intervals imposed by the Exchange's Rules will continue to apply. In this example, the strikes would be in $1 intervals up to $150, which is the upper limit imposed by Supplementary Material .03(e) of Options 4, Section 5.

symbols[24] and demonstrate average spreads in weekly options during the month of August 2020.



The proposed table within Supplementary Material .07 of Options 4, Section 5 is intended to distribute strike intervals in multiply listed equity options where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares

24 The table represents stock in the following securities: Apple, Tesla, Microsoft Corporation, Advanced Micro Devices, Inc., Bank of America Corp., NRG Energy Inc., Ferrari NV, Community Health Systems Inc., Navistar International Corp, and Jabil Inc.

have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.[25]

Today, weeklies are available on 16% of underlying products. The Exchange's Strike Interval Proposal curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on BX. Short Term Options Series with an expiration date greater than twenty-one days from the listing date equates to 7.5% of the total number of strikes in the options market, which equals 81,000 strikes.[26] This proposal would result in the curtailment of approximately 20,000 strikes within the Short Term Options Series which is 2% of the total strikes in the options markets.[27]

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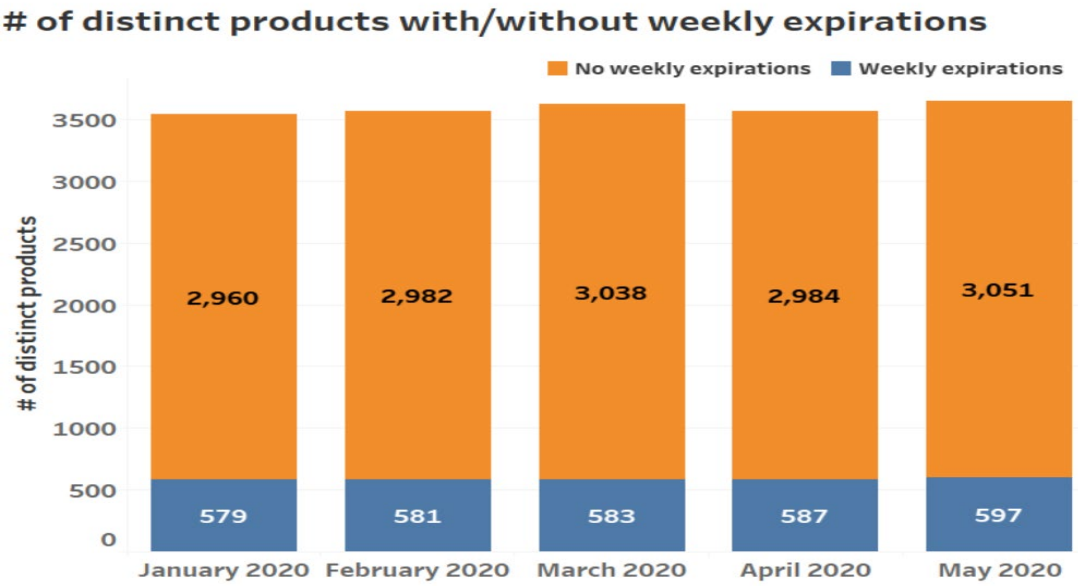
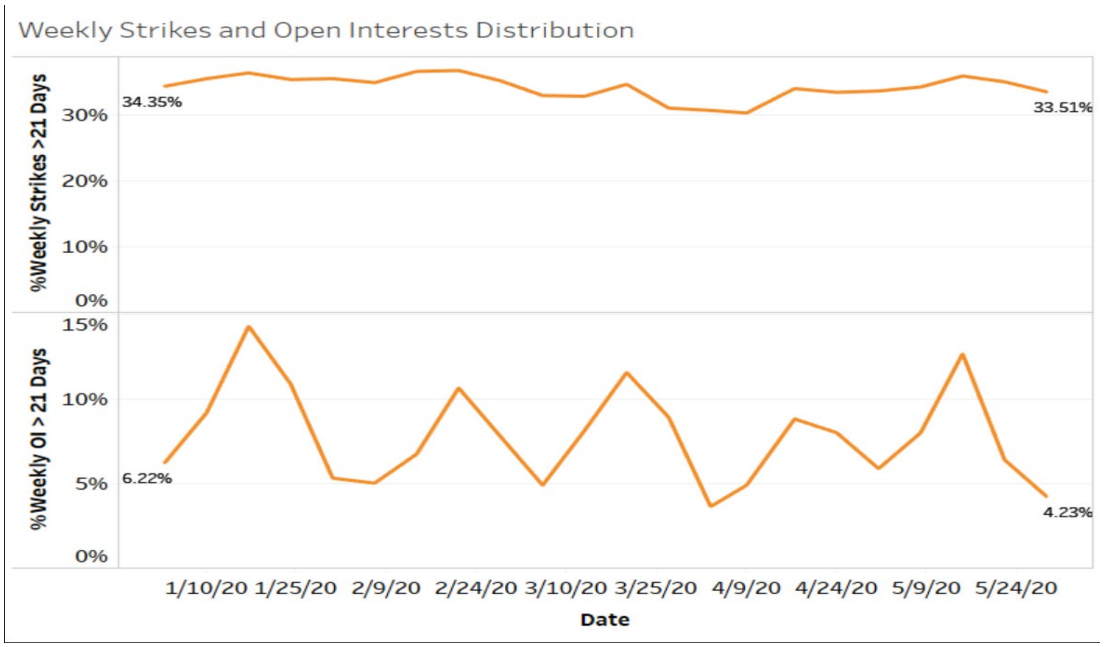
[25] The Exchange notes that is has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

[26] The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The above-referenced data, specifically the percentage of underlying products and percentage of and total number of strikes, are approximations and may vary slightly at the time of this filing.

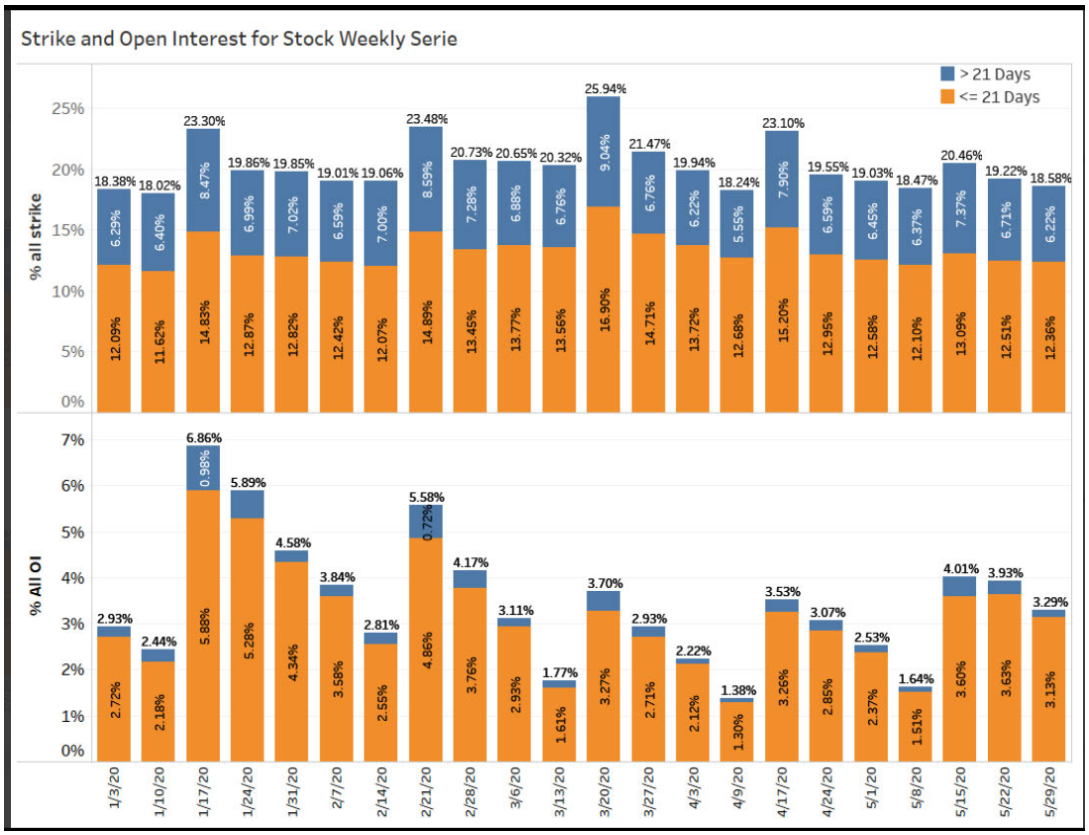
[27] This information was derived from information from the time period from January 2020 through May 2020.





The above table represents the inconsistency of demand for series of options beyond twenty-one calendar days.

BX's Strike Interval Proposal focuses on strikes in multiply listed equity options, and excludes Exchange-Traded Fund Shares and ETNs, as the majority of strikes reside within equity options.



While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX's Strike Interval Proposal reduces the number of listed weekly options. As BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain options classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity

options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,[28] rendering these strikes less useful.

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned options series to maintain liquidity in the market.[29] With an increasing number of strikes being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes, reducing the number of strikes listed on BX, and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner. Due to this increased efficiency, the Exchange believes that this Strike Interval Proposal would improve overall market quality on BX by limiting the intervals between strikes in multiply listed equity options that have an expiration date more than twenty-one days, from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq

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[28] For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

[29] See Options 2, Sections 4(j) and 5.

exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, BX's Strike Interval Proposal is intended to balance that goal with the needs of market participants. BX believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

Implementation

The Exchange intends to begin implementation of the proposed rule change prior to June 30, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[30] in general, and furthers the objectives of Section 6(b)(5) of the Act,[31] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Strike Proposal seeks to limit the intervals between strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit BX to list a number of weekly strikes on its market, the Exchange's Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers

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30 15 U.S.C. 78f(b).

31 15 U.S.C. 78f(b)(5).

to deploy capital more efficiently and improving market quality overall on BX through limiting the intervals between strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending BX's listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange's Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on BX.

The Strike Interval Proposal 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 Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on BX is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. BX's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.[32]

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on

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[32] The Exchange notes that is 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.

the last day of the previous calendar quarter to have settled[33] and be accounted for in the calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Today, BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.[34] With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on BX and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on BX for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval

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33 Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

34 See Options 2, Sections 4(j) and 5.

table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, BX's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on BX for all BX Participants. While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on BX. As BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes

as a result of the Strike Interval Proposal.

The Exchange's Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on BX, does not impose an undue burden on intra-market competition as all Participants may only transact options in the strike intervals listed for trading on BX. While limiting the intervals of strikes listed on BX is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant's investment objective.

The Exchange's Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, BX is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Members, or Others

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

4. Text of proposed rule change within Amendment No. 1.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-BX-2020-032)

February __, 2021

Self-Regulatory Organizations; 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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and Rule 19b-4 thereunder,[2] notice is hereby given that on February 10, 2021, Nasdaq BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Options 4, Section 5, "Series of Options Contracts Open for Trading." This proposal seeks to limit Short Term Options Series intervals between strikes which are available for quoting and trading on BX. This rule change replaces and supersedes SR-BX-2020-032.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Options 4, Section 5, "Series of Options Contracts Open for Trading." Specifically, this proposal seeks to 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.

Background

Today, BX's listing rules within Options 4, Section 5 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,[3] or ETN[4]) has been approved

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[3] Exchange-Traded Fund Share shall include shares or other securities that are traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (the "Money Market Instruments") (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments (ii) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-

for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,[5] monthly[6] or quarterly[7]

U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency ("Commodity Pool ETFs"), (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust or (v) represents an interest in a registered investment company ("Investment Company") organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided the conditions within Options 4, Section 3(i)(A) and (B) are met. See Options 4, Section 3(i).

4 Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index- Linked Securities" or "ETNs") that are principally traded on a national securities exchange and an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described within Options 4, Section 3(l)(i)(1)-(6). See Options 4, Section 3(l)(i).

5 The weekly listing program is known as the Short Term Options Series Program and is described within Supplementary Material .03 of Options 4, Section 5.

6 The Exchange will open at least one expiration month for each class of options open for trading on the Exchange. See Options 4, Section 5(g). The monthly expirations are subject to certain listing criteria for underlying securities described within Options 4, Section 3. Monthly listings expire the third Friday of the month. The term "expiration date" when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit default options or credit default basket options) that are be automatically

basis. Options 4, Section 5(d) sets forth the intervals between strike prices of series of options on individual stocks.[8] In addition to those intervals, the Exchange may list series

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exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such event confirmation is deemed to have been received by the Corporation. "Expiration date" means, in respect of a series of range options expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such series, and, in respect of a series of range options expiring on or after February 1, 2015 means the third Friday of the expiration month of such series, or if such Friday is a day on which the Exchange on which such series is listed is not open for business, the preceding day on which such Exchange is open for business. See The Options Clearing Corporation ("OCC") By-Laws at Section 1.

7 The quarterly listing program is known as the Quarterly Options Series Program and is described within Supplementary Material .04 of Options 4, Section 5.

8 Except as otherwise provided in the Supplementary Material of Options 4, Section 5, the interval between strike prices of series of options on individual stocks will be: (1) $2.50 or greater where the strike price is $25.00 or less; (2) $5.00 or greater where the strike price is greater than $25.00; and (3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

of options pursuant to the $1 Strike Price Interval Program,[9] the $0.50 Strike Program,[10] the $2.50 Strike Price Program,[11] and the $5 Strike Program.[12]

The Exchange's proposal seeks to amend the listing of weekly series of options as proposed within new Supplementary Material .03(f) of Options 4, Section 5, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. 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.

Short Term Options Series Program

Today, Supplementary Material .03 of Options 4, Section 5 permits BX to open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which

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Pursuant to Options 4, Section 5(e), notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be $1 or greater.

9 The $1 Strike Interval Program is described within Supplementary Material .01 of Options 4, Section 5.

10 The $0.50 Strike Interval Program is described within Supplementary Material .05 of Options 4, Section 5.

11 The $2.50 Strike Interval Program is described within Supplementary Material .02 of Options 4, Section 5.

12 The $5.00 Strike Interval Program is described within Supplementary Material .06 of Options 4, Section 5.

monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"), provided an option class has been approved for listing and trading on the Exchange.[13] Today, the Exchange may open up to thirty initial series for each option class that participates in the Short Term Option Series Program.[14] Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.[15]

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[13] The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. See Supplementary Material .03 of Options 4, Section 5.

[14] See Supplementary Material .03 of Options 4, Section 5(c).

[15] See Supplementary Material .03 of Options 4, Section 5(d).

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all option classes that participate in the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option.[16]

The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.[17]

BX notes that listings in the weekly program comprise a significant part of the

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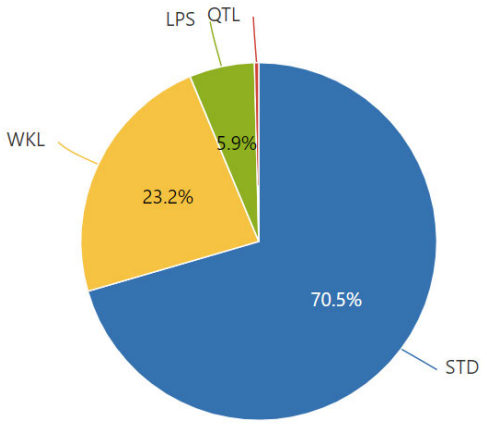
[16] See Options 4, Section 5(e).

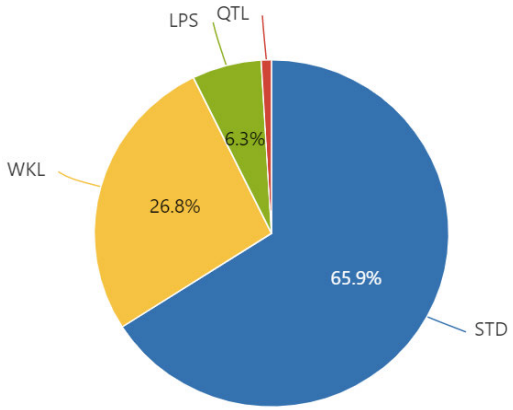
[17] See Supplementary Material .03(a) of Options 4, Section 5.

standard listing in options markets. The below diagrams demonstrate the percentage of weekly listings as compared to Long-Term Option Series or LEAPs and quarterly listings in 2015 as compared to 2020. The weekly strikes increased 8.9% compound annual growth rate ("CAGR") from 2015 as compared to a 4.3% CAGR for standard expirations using 3rd 2015 Friday expirations.

2015:



2020:



Proposal

BX proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one

days from the listing date, by adopting proposed Supplementary Material .03(f) of Options 4, Section 5 as well as proposed Supplementary Material .07 of Options 4, Section 5, with respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs) (collectively "Strike Interval Proposal"). BX's Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Supplementary Material .07 of Options 4, Section 5. With the Strike Interval Proposal, BX would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.[18] The below table indicates the applicable strike intervals and would supersede Supplementary Material .03(d) which currently permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. As a result, the Exchange would not be able to utilize the rule text within Supplementary Material .03(d) to permit additional series to be opened for trading on BX which have an expiration date more than twenty-one days from the listing date despite the noted circumstances when such additional series could otherwise be added.

		Share Price				
Tier	**Average Daily Volume**	**less than $25**	**$25 to less than $75**	**$75 to less than $150**	**$150 to less than $500**	**$500 or greater**

[18] Additional information comparing the current listing program to this proposal is available at: https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal.

		Share Price				
1	greater than 5,000	$0.50	$1.00	$1.00	$5.00	$5.00
2	1,000 to 5,000	$1.00	$1.00	$1.00	$5.00	$10.00
3	0 to 1,000	$2.50	$5.00	$5.00	$5.00	$10.00

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.[19] Under current rules, if the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday, as is the case today for STOs as specified within Supplementary .03 to Options 4, Section 5.

The Exchange proposes that Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3(a) will not be subject to this proposed

[19] For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

Supplementary .07 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.[20] The Exchange would be permitted to list options on newly eligible listings, without any curtailment in strike intervals, until the end of the first full quarter after they were listed. BX's proposal would thereby permit BX to add strikes to meet customer demand in the options class. By deferring the curtailment until after the end of the first full calendar quarter, additional information on the underlying security would be available to market participants and public investors. During this period of deferment the price of the underlying would have an opportunity to settle based on the price discovery that has occurred in the primary market. An options class that represents a newly listed primary security may fluctuate in price after its initial listing; such volatility reflects a natural uncertainty about the security. Also, BX would have the ability to list as many strikes as are permissible for the Short Term Options Series once the expiry is within twenty-one days. Short Term Options Series which have an expiration date less than twenty-one days from the listing date are not subject to the curtailment, thereby allowing BX to list additional, and potentially narrower, strikes in the event of market volatility or other market events.

BX proposes to make publically available a 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

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[20] For example, if an options became newly eligible for listing pursuant to Options 4, Section 3 on March 1, 2021, the first full quarterly lookback would be available on July 1, 2021. This option would become subject to the curtailment on July 2, 2021.

customer volume of the option in that underlying.[21] The average daily customer volume data will be sourced from OCC. 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. BX will produce the report by the close of business on the first trading day of the quarter.[22] 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. The report will be based on information that BX will obtain as described herein. 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 BX is posting to its website.

In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitations imposed by Options 4, Section 5 at proposed Supplementary Material .07, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Options 4, Section 5 at Supplementary Material .03, regarding the Short Term Option Series Program.

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[21] BX will make this information available on BX's website. This information will be freely-accessible to the public.

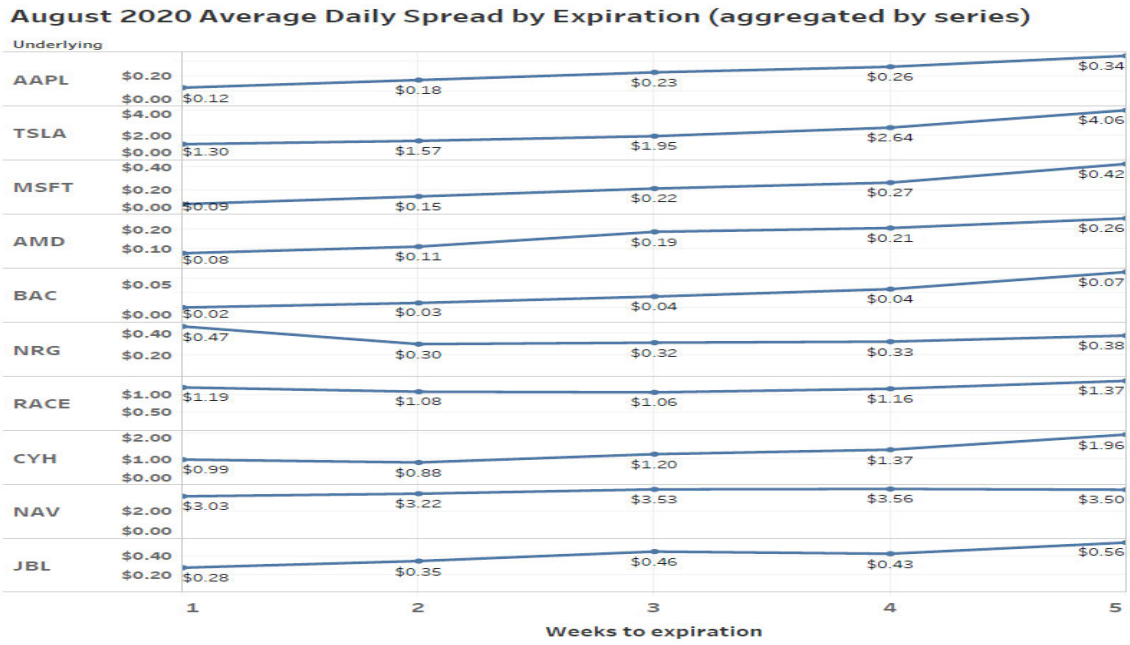
[22] OCC data becomes available for the end of a quarter on the first trading day of a new quarter.

By way of example, if the Share Price for a symbol was $142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed $1.00 apart, that strike interval would apply for the calendar quarter, regardless of whether the Share Price changed to greater than $150 during that calendar quarter.[23]

The proposed table within Supplementary Material .07 of Options 4, Section 5 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. BX would utilize OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on BX are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side. The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. BX's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality. Below are two tables which focus on data for 10 of the most and least actively traded

[23] The Exchange notes that any limits on intervals imposed by the Exchange's Rules will continue to apply. In this example, the strikes would be in $1 intervals up to $150, which is the upper limit imposed by Supplementary Material .03(e) of Options 4, Section 5.

symbols[24] and demonstrate average spreads in weekly options during the month of August 2020.



The proposed table within Supplementary Material .07 of Options 4, Section 5 is intended to distribute strike intervals in multiply listed equity options where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares

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24 The table represents stock in the following securities: Apple, Tesla, Microsoft Corporation, Advanced Micro Devices, Inc., Bank of America Corp., NRG Energy Inc., Ferrari NV, Community Health Systems Inc., Navistar International Corp, and Jabil Inc.

have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.[25]

Today, weeklies are available on 16% of underlying products. The Exchange's Strike Interval Proposal curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on BX. Short Term Options Series with an expiration date greater than twenty-one days from the listing date equates to 7.5% of the total number of strikes in the options market, which equals 81,000 strikes.[26] This proposal would result in the curtailment of approximately 20,000 strikes within the Short Term Options Series which is 2% of the total strikes in the options markets.[27]

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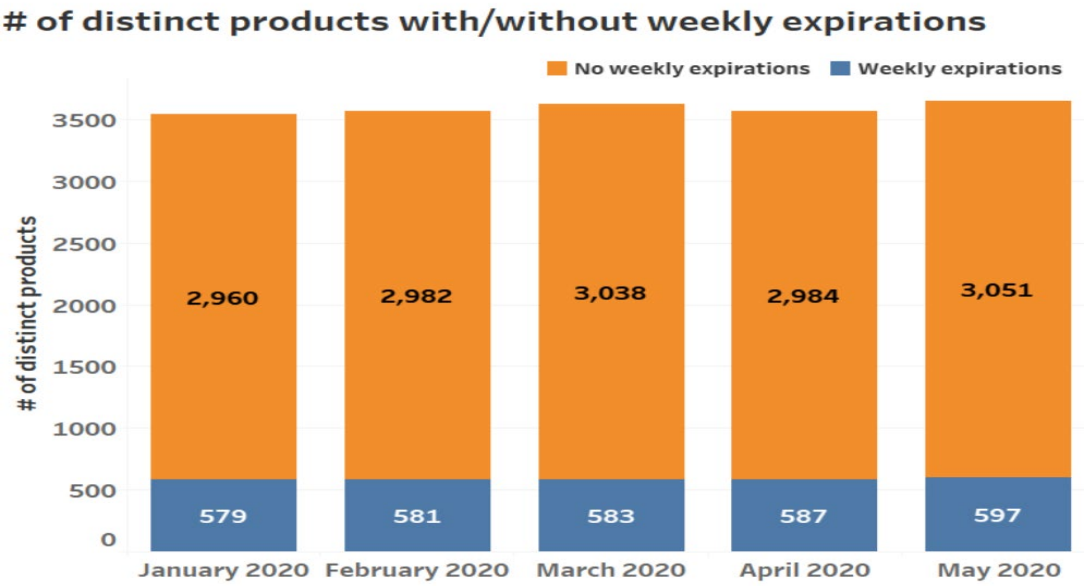
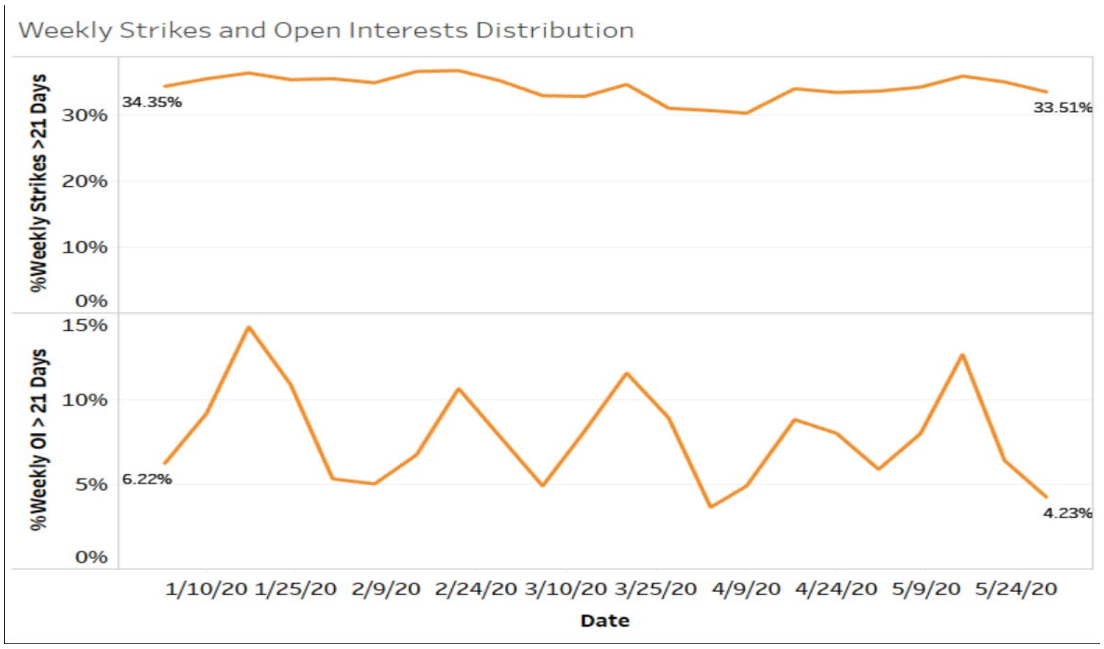
[25] The Exchange notes that is has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

[26] The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The above-referenced data, specifically the percentage of underlying products and percentage of and total number of strikes, are approximations and may vary slightly at the time of this filing.

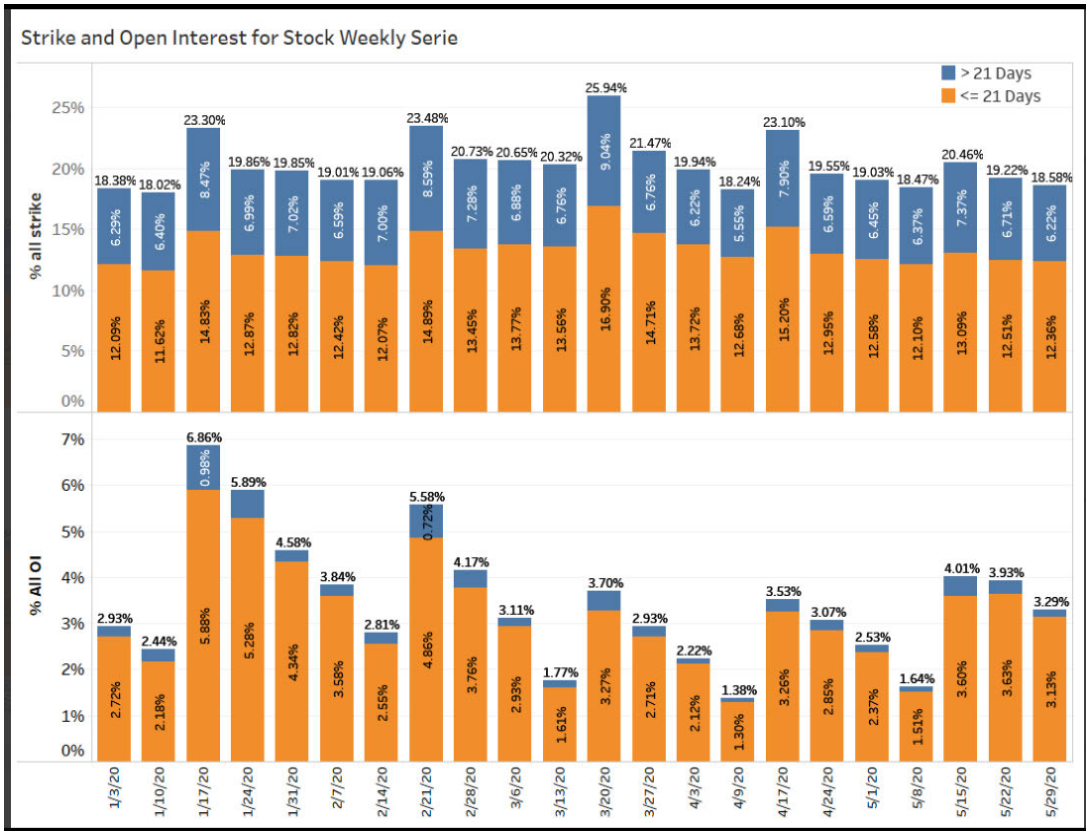
[27] This information was derived from information from the time period from January 2020 through May 2020.





The above table represents the inconsistency of demand for series of options beyond twenty-one calendar days.

BX's Strike Interval Proposal focuses on strikes in multiply listed equity options, and excludes Exchange-Traded Fund Shares and ETNs, as the majority of strikes reside within equity options.



While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX's Strike Interval Proposal reduces the number of listed weekly options. As BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain options classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity

options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,[28] rendering these strikes less useful.

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned options series to maintain liquidity in the market.[29] With an increasing number of strikes being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes, reducing the number of strikes listed on BX, and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner. Due to this increased efficiency, the Exchange believes that this Strike Interval Proposal would improve overall market quality on BX by limiting the intervals between strikes in multiply listed equity options that have an expiration date more than twenty-one days, from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq

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[28] For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

[29] See Options 2, Sections 4(j) and 5.

exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, BX's Strike Interval Proposal is intended to balance that goal with the needs of market participants. BX believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

Implementation

The Exchange intends to begin implementation of the proposed rule change prior to June 30, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[30] in general, and furthers the objectives of Section 6(b)(5) of the Act,[31] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Strike Proposal seeks to limit the intervals between strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit BX to list a number of weekly strikes on its market, the Exchange's Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers

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[30] 15 U.S.C. 78f(b).

[31] 15 U.S.C. 78f(b)(5).

to deploy capital more efficiently and improving market quality overall on BX through limiting the intervals between strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending BX's listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange's Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on BX.

The Strike Interval Proposal 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 Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on BX is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. BX's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.[32]

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on

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[32] The Exchange notes that is 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.

the last day of the previous calendar quarter to have settled[33] and be accounted for in the calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Today, BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.[34] With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on BX and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on BX for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval

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33 Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

34 See Options 2, Sections 4(j) and 5.

table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, BX's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on BX for all BX Participants. While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on BX. As BX's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.

The Exchange's Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on BX, does not impose an undue burden on intra-market competition as all Participants may only transact options in the strike intervals listed for trading on BX. While limiting the intervals of strikes listed on BX is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant's investment objective.

The Exchange's Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, BX is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2020-032 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2020-032. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing

also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BX-2020-032 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

J. Matthew DeLesDernier
Assistant Secretary

[35] 17 CFR 200.30-3(a)(12).

EXHIBIT 4

Exhibit 4 displays the changes proposed in this Amendment No. 1. The proposed changes in the original filing are shown as if adopted. Proposed additions in this Amendment No. 1 appear underlined.

Nasdaq BX, Inc. Rules

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Options Rules

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Options 4 Options Listing Rules

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Section 5. Series of Options Contracts Open for Trading

(a) After a particular class of options has been approved for listing and trading on the Exchange by the Exchange, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on the Exchange. Prior to the opening of trading in a given series, the Exchange will fix the type of option, expiration month, year and exercise price of that series. Exercise-price setting parameters adopted as part of the Options Listing Procedures Plan ("OLPP") are set forth in Options 4, Section 6(b). For Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .03. For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04.

> (1) Notwithstanding the requirements set forth in this section and any Supplementary Material thereto, the Exchange may list additional expiration months on options classes opened for trading on the Exchange if such expiration months are opened for trading on at least one other registered national securities exchange.

(b) At the commencement of trading on the Exchange of a particular class of options, the Exchange will open a minimum of one (1) series of options in that class. The exercise price of the series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on the Exchange.

(c) Additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five

strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(d) Except as otherwise provided in the Supplementary Material hereto the interval between strike prices of series of options on individual stocks will be:

(1) $2.50 or greater where the strike price is $25.00 or less;

(2) $5.00 or greater where the strike price is greater than $25.00; and

(3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

(e) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be $1 or greater.

(f) $0.50 and $1.00 Strike Price Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the requirements set forth in this section and Supplementary Material .01, .05, and subparagraph (e) above, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

(g) The Exchange will open at least one expiration month for each class of options open for trading on the Exchange.

(h) The interval between strike prices of series of options on Index-Linked Securities, as defined in Options 4, Section 3(l), will be $1 or greater when the strike price is $200 or less and $5 or greater when the strike price is greater than $200.

(i) The interval between strike prices of series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDRs), will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

(j) The interval of strike prices may be $2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of $2.50 on such options class.

(k) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Options 4, Section 6(b).

Supplementary Material to Options 4, Section 5

.01 $1 Strike Price Interval Program

(a) Program Description. The interval between strike prices of series of options on individual stocks may be $1.00 or greater strike price intervals where the strike price is $50 or less, but not less than $1. Except as provided in subparagraph (c) below, the listing of $1 strike price intervals shall be limited to option classes overlying no more than one hundred fifty (150) individual stocks as specifically designated by the Exchange. The Exchange may list $1 strike price intervals on any other option classes if those classes are specifically designated by other national securities exchanges that employ a $1 Strike Price Interval Program under their respective rules. If a class participates in the $1 Strike Price Interval Program, $2.50 strike price intervals are not permitted between $1 and $50 for non-LEAPS and LEAPS.

(b) Initial and Additional Series. To be eligible for inclusion into the $1 Strike Price Interval Program, an underlying security must close below $50 in the primary market on the previous trading day.

After a security is added to the $1 Strike Price Interval Program, the Exchange may list $1 strike price intervals from $1 to $50 according to the following parameters:

(1) If the price of the underlying stock is equal to or less than $20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is $2, the Exchange would be permitted to list the following series: $1, $2, $3, $4, $5, $6 and $7.

(2) If the price of the underlying stock is greater than $20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to $50.

(3) For the purpose of adding strikes under the $1 Strike Price Interval Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in Options 4, Section 6(b)(i).

(4) No additional series in $1 strike price intervals may be listed if the underlying stock closes at or above $50 in its primary market. Additional series in $1 strike price intervals may not be added until the underlying stock closes again below $50.

(5) Long-Term Options Series or "LEAPS". For stocks in the $1 Strike Price Interval Program, the Exchange may list one $1 strike price interval between each standard $5 strike interval, with the $1 strike price interval being $2 above the standard strike for each interval above the price of the underlying stock, and $2 below the standard strike for each interval below the price of the underlying stock ("$2 wings"). For example, if the price of the underlying stock is $24.50, the Exchange may list the following standard strikes in $5 intervals: $15, $20, $25, $30 and $35. Between these standard $5 strikes, the Exchange may list the following $2 wings: $18, $27 and $32. In addition, the Exchange may list the $1 strike price interval, which is $2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price ($24.50) is $20, the Exchange may list a $22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

Additional long-term option strikes may not be listed within $1 of an existing strike until less than nine months to expiration.

A security shall remain in the $1 Strike Price Interval Program until otherwise designated by the Exchange.

(c) The Exchange may list $1 strike prices up to $5 in LEAPS in up to 200 option classes on individual stocks. The Exchange may not list $1 strike price intervals within $0.50 of an existing $2.50 strike in the same expiration.

(d) Delisting Policy. For options classes selected to participate in the $1 Strike Program, the Exchange will, on a monthly basis, review series that were originally listed under the $1 Strike Program with strike prices that are more than $5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the $1 Strike Program that are eligible for delisting.

.02 $2.50 Strike Price Interval Program. The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50 (the "$2.50 Strike Price Program"). On any option class that has been selected as part of this $2.50 Strike Price Program, $2.50 strike prices between $50 and $100 may be listed, provided that $2.50 strike prices between $50 and $100 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price and the $62.50 strike price on the next business day. The Exchange may list a strike price interval of $2.50 in any multiply-traded option once an exchange selects an option as part of the $2.50 Strike Price Program.

.03 Short Term Option Series Program: After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) Classes. The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) Expiration. With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Options Series.

(c) Initial Series. The Exchange may open up to 30 initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) Additional Series. If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices on Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market makers trading for their own account shall not be considered when determining customer interest under this provision.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of new Short Term Option Series shall not affect the series of options of the same class previously opened. Notwithstanding any other provisions in this section, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.

(e) Strike Interval. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this rule ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option. The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all option classes that participate in the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150.

(f) Notwithstanding (e) above, when Short Term Options Series in equity options, excluding Exchange-Traded Funds ("ETFs") and ETNs, have an expiration more than twenty-one days from the listing date, the strike interval for each options class shall be based on the table within Supplementary Material .07.

.04 Quarterly Options Series Program: The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds ("ETFs"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) Expiration. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the approximate value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within $5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Options 4, Section 3(i) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(e) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f)(1) Delisting Policy. With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having a: (a) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (b) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges

with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

.05 $0.50 Strike Program: The interval of strike prices of series of options on individual stocks may be $0.50 or greater beginning at $0.50 where the strike price is $5.50 or less, but only for options classes whose underlying security closed at or below $5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of $0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "$0.50 Strike Program") as specifically designated by the Exchange. The Exchange may list $0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $0.50 Strike Program under their respective rules. A stock shall remain in the $0.50 Strike Program until otherwise designated by the Exchange.

.06 $5 Strike Program: The interval of strike prices may be $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $5 Strike Program under their respective rules.

.07 With respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs, which have an expiration date more than twenty-one days from the listing date, the following table will apply as noted within Supplementary Material .03(e). The below table indicates the applicable strike intervals <u>and supersedes Supplementary Material .03(d) which permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened</u>.

		Share Price				
Tier	**Average Daily Volume**	**less than $25**	**$25 to less than $75**	**$75 to less than $150**	**$150 to less than $500**	**$500 or greater**
1	greater than 5,000	$0.50	$1.00	$1.00	$5.00	$5.00
2	1,000 to 5,000	$1.00	$1.00	$1.00	$5.00	$10.00
3	0 to 1,000	$2.50	$5.00	$5.00	$5.00	$10.00

The Share Price would be the closing price on the primary market on the last day of the calendar quarter.

The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter.

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at The Options Clearing Corporation. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the quarter prior to the last trading calendar quarter.

Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3 will not be subject to this proposed Supplementary .07 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.

In the event of a corporate action, the Share Price of the surviving company would be utilized.

Notwithstanding the limitations imposed by Supplementary Material .07, this proposal does not amend the range of strikes that may be listed pursuant to Supplementary Material .03, regarding the Short Term Option Series Program.

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EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq BX, Inc. Rules

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Options Rules

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Options 4 Options Listing Rules

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Section 5. Series of Options Contracts Open for Trading

(a) After a particular class of options has been approved for listing and trading on the Exchange by the Exchange, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on the Exchange. Prior to the opening of trading in a given series, the Exchange will fix the type of option, expiration month, year and exercise price of that series. Exercise-price setting parameters adopted as part of the Options Listing Procedures Plan ("OLPP") are set forth in Options 4, Section 6(b). For Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .03. For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04.

> (1) Notwithstanding the requirements set forth in this section and any Supplementary Material thereto, the Exchange may list additional expiration months on options classes opened for trading on the Exchange if such expiration months are opened for trading on at least one other registered national securities exchange.

(b) At the commencement of trading on the Exchange of a particular class of options, the Exchange will open a minimum of one (1) series of options in that class. The exercise price of the series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on the Exchange.

(c) Additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New

series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(d) Except as otherwise provided in the Supplementary Material hereto the interval between strike prices of series of options on individual stocks will be:

(1) $2.50 or greater where the strike price is $25.00 or less;

(2) $5.00 or greater where the strike price is greater than $25.00; and

(3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

(e) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be $1 or greater.

(f) $0.50 and $1.00 Strike Price Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the requirements set forth in this section and Supplementary Material .01, .05, and subparagraph (e) above, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

(g) The Exchange will open at least one expiration month for each class of options open for trading on the Exchange.

(h) The interval between strike prices of series of options on Index-Linked Securities, as defined in Options 4, Section 3(l), will be $1 or greater when the strike price is $200 or less and $5 or greater when the strike price is greater than $200.

(i) The interval between strike prices of series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDRs), will be $1 or greater where

the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

(j) The interval of strike prices may be $2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of $2.50 on such options class.

(k) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Options 4, Section 6(b).

Supplementary Material to Options 4, Section 5

.01 $1 Strike Price Interval Program

(a) Program Description. The interval between strike prices of series of options on individual stocks may be $1.00 or greater strike price intervals where the strike price is $50 or less, but not less than $1. Except as provided in subparagraph (c) below, the listing of $1 strike price intervals shall be limited to option classes overlying no more than one hundred fifty (150) individual stocks as specifically designated by the Exchange. The Exchange may list $1 strike price intervals on any other option classes if those classes are specifically designated by other national securities exchanges that employ a $1 Strike Price Interval Program under their respective rules. If a class participates in the $1 Strike Price Interval Program, $2.50 strike price intervals are not permitted between $1 and $50 for non-LEAPS and LEAPS.

(b) Initial and Additional Series. To be eligible for inclusion into the $1 Strike Price Interval Program, an underlying security must close below $50 in the primary market on the previous trading day.

After a security is added to the $1 Strike Price Interval Program, the Exchange may list $1 strike price intervals from $1 to $50 according to the following parameters:

(1) If the price of the underlying stock is equal to or less than $20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is $2, the Exchange would be permitted to list the following series: $1, $2, $3, $4, $5, $6 and $7.

(2) If the price of the underlying stock is greater than $20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to $50.

(3) For the purpose of adding strikes under the $1 Strike Price Interval Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in Options 4, Section 6(b)(i).

(4) No additional series in $1 strike price intervals may be listed if the underlying stock closes at or above $50 in its primary market. Additional series in $1 strike price intervals may not be added until the underlying stock closes again below $50.

(5) Long-Term Options Series or "LEAPS". For stocks in the $1 Strike Price Interval Program, the Exchange may list one $1 strike price interval between each standard $5 strike interval, with the $1 strike price interval being $2 above the standard strike for each interval above the price of the underlying stock, and $2 below the standard strike for each interval below the price of the underlying stock ("$2 wings"). For example, if the price of the underlying stock is $24.50, the Exchange may list the following standard strikes in $5 intervals: $15, $20, $25, $30 and $35. Between these standard $5 strikes, the Exchange may list the following $2 wings: $18, $27 and $32. In addition, the Exchange may list the $1 strike price interval, which is $2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price ($24.50) is $20, the Exchange may list a $22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

Additional long-term option strikes may not be listed within $1 of an existing strike until less than nine months to expiration.

A security shall remain in the $1 Strike Price Interval Program until otherwise designated by the Exchange.

(c) The Exchange may list $1 strike prices up to $5 in LEAPS in up to 200 option classes on individual stocks. The Exchange may not list $1 strike price intervals within $0.50 of an existing $2.50 strike in the same expiration.

(d) Delisting Policy. For options classes selected to participate in the $1 Strike Program, the Exchange will, on a monthly basis, review series that were originally listed under the $1 Strike Program with strike prices that are more than $5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the $1 Strike Program that are eligible for delisting.

.02 $2.50 Strike Price Interval Program. The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50 (the "$2.50 Strike Price Program"). On any option class that has been selected as part of this $2.50 Strike Price Program, $2.50 strike prices between $50 and $100 may be listed, provided that $2.50 strike prices between $50 and $100 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price and the $62.50 strike price on the next business day. The Exchange may list a strike price interval of $2.50 in any multiply-traded option once an exchange selects an option as part of the $2.50 Strike Price Program.

.03 Short Term Option Series Program: After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) Classes. The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) Expiration. With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Options Series.

(c) Initial Series. The Exchange may open up to 30 initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) Additional Series. If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices on Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market makers trading for their own account shall not be considered when determining customer interest under this provision.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of new Short Term Option Series shall not affect the series of options of the same class previously opened. Notwithstanding any other provisions in this section, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.

(e) Strike Interval. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this rule ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option. The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all option classes that participate in the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150.

<u>(f) Notwithstanding (e) above, when Short Term Options Series in equity options, excluding Exchange-Traded Funds (“ETFs”) and ETNs, have an expiration more than twenty-one days from the listing date, the strike interval for each options class shall be based on the table within Supplementary Material .07.</u>

.04 Quarterly Options Series Program: The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds ("ETFs"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) Expiration. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the approximate value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within $5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Options 4, Section 3(i) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(e) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f)(1) Delisting Policy. With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having a: (a) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (b) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges

with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

.05 $0.50 Strike Program: The interval of strike prices of series of options on individual stocks may be $0.50 or greater beginning at $0.50 where the strike price is $5.50 or less, but only for options classes whose underlying security closed at or below $5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of $0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "$0.50 Strike Program") as specifically designated by the Exchange. The Exchange may list $0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $0.50 Strike Program under their respective rules. A stock shall remain in the $0.50 Strike Program until otherwise designated by the Exchange.

.06 $5 Strike Program: The interval of strike prices may be $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $5 Strike Program under their respective rules.

.07 With respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs, which have an expiration date more than twenty-one days from the listing date, the following table will apply as noted within Supplementary Material .03(e). The below table indicates the applicable strike intervals and supersedes Supplementary Material .03(d) which permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

		Share Price				
Tier	**Average Daily Volume**	**less than $25**	**$25 to less than $75**	**$75 to less than $150**	**$150 to less than $500**	**$500 or greater**
1	greater than 5,000	$0.50	$1.00	$1.00	$5.00	$5.00
2	1,000 to 5,000	$1.00	$1.00	$1.00	$5.00	$10.00
3	0 to 1,000	$2.50	$5.00	$5.00	$5.00	$10.00

The Share Price would be the closing price on the primary market on the last day of the calendar quarter.

The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter.

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at The Options Clearing Corporation. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the quarter prior to the last trading calendar quarter.

Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3 will not be subject to this proposed Supplementary .07 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.

In the event of a corporate action, the Share Price of the surviving company would be utilized.

Notwithstanding the limitations imposed by Supplementary Material .07, this proposal does not amend the range of strikes that may be listed pursuant to Supplementary Material .03, regarding the Short Term Option Series Program.

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Thank you for taking the time to comment on this release.

COMPANY FILINGS

Your comments for file number SR-BX-2020-032 were received on February 10, 2021.

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Comments received from:

Full Name: Kevin Kennedy
Affiliation: Nasdaq, Inc.
Mailing Address: 805 King Farm Blvd
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State: Maryland
ZipCode: 20850
Country: United States
Email: kevin.kennedy@nasdaq.com
Phone Number: 215-496-5467
isThirdParty: False

Comments:

Comments Attached

Attachment 1: SR-BX-2020-032 A-1 Comment Letter.pdf

Thank you for submitting a comment to the U.S. Securities and Exchange Commission. This auto-reply message is your notification that we have received your comment letter.

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We appreciate your taking the time to communicate your thoughts on our proposed rules.

Sincerely,
Office of the Secretary
U.S. Securities and Exchange Commission

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