

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-90655; File No. SR-BX-2020-037)

December 14, 2020

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing of Proposed Rule Change to Amend BX Options 7, Section 2 and Section 3

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 1, 2020, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“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 BX Options 7, Section 2, “BX Options Market- Fees and Rebates,” and Options 7, Section 3, “BX Options Market - Ports and other Services.”

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/bx/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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 the places specified in

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 BX’s Pricing Schedule at Options 7, Section 2, “BX Options Market- Fees and Rebates,” and Options 7, Section 3, “BX Options Market - Ports and other Services.” Each change will be described in detail below.

Options 7, Section 2

The Exchange proposes to remove the options tier schedules applicable to Select Symbols<sup>3</sup> and SPY pricing. With this proposal, all pricing within Options 7, Section 2 would be subject to either the Penny Symbol or Non-Penny Symbol pricing tier schedules.

Today, the Exchange assesses fees and rebates for Penny Symbols and Non-Penny Symbols, excluding Select Symbols and SPY. Today, both Select Symbols and options overlying “SPY” are subject to alternative pricing as detailed below.

Today, the Exchange assesses fees and pays rebates for Penny and Non-Penny Symbols in accordance with the below table and corresponding Penny and Non-Penny tier schedules.

**Fees and Rebates (per executed contract)**

	<b>Customer</b>	<b>BX Options Market Maker</b>	<b>Non-Customer<sup>1</sup></b>	<b>Firm</b>
<b>Penny Symbols (Excluding Options in Select Symbols):</b>				
<b>Rebate to Add Liquidity</b> #		\$0.10 <sup>2</sup>	N/A	N/A

<sup>3</sup> The following are current Select Symbols within Options 7, Section 2: ASHR, DIA, DXJ, EEM, EFA, EWJ, EWT, EWW, EWY, EWZ, FAS, FAZ, FXE, FXI, FXP, GDX, GLD, HYG, IWM, IYR, KRE, OIH, QID, QLD, QQQ, RSX, SDS, SKF, SLV, SRS, SSO, TBT, TLT, TNA, TZA, UNG, URE, USO, UUP, UVXY, UYG, VXX, XHB, XLB, XLE, XLF, XLI, XLK, XLP, XLU, XLV, XLY, XME, XOP, XRT.

**Fees and Rebates (per executed contract)**

	<b>Customer</b>	<b>BX Options Market Maker</b>	<b>Non-Customer<sup>1</sup></b>	<b>Firm</b>
<b>Fee to Add Liquidity</b>	#	\$0.39 <sup>3</sup>	\$0.45	\$0.45
<b>Rebate to Remove Liquidity</b>	#	N/A	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	#	\$0.46	\$0.46
<b>Non-Penny Symbols:</b>				
<b>Rebate to Add Liquidity</b>	*	N/A	N/A	N/A
<b>Fee to Add Liquidity</b>	*	\$0.50/\$0.95 <sup>5</sup>	\$0.98	\$0.98
<b>Rebate to Remove Liquidity</b>	*	N/A	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	*	\$0.89	\$0.89

# Penny Symbols Tier Schedule (excluding Select Symbols Options)

	<b>When:</b>	<b>Rebate to Add Liquidity Customer</b>	<b>Fee to Add Liquidity Customer</b>	<b>Rebate to Remove Liquidity Customer</b>	<b>Fee to Remove Liquidity BX Options Market Maker Customer</b>	<b>Fee To Remove Liquidity BX Options Market Maker Non-Customer, BX Options Market Maker, or Firm</b>
Tier 1	Participant executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month.	\$0.00	\$0.39	\$0.00	\$0.39	\$0.46
Tier 2	Participant executes 0.05% to less	\$0.10	\$0.39	\$0.25	\$0.39	\$0.46

	than 0.15% of total industry customer equity and ETF option ADV contracts per month.					
Tier 3	Participant executes 0.15% or more of total industry customer equity and ETF option ADV contracts per month	\$0.20	\$0.39	\$0.35	\$0.30	\$0.46

\* Non-Penny Symbols Tier Schedule

		<b>Rebate to Add Liquidity</b>	<b>Fee to Add Liquidity</b>	<b>Rebate to Remove Liquidity</b>	<b>Fee to Remove Liquidity</b>	<b>Fee To Remove Liquidity</b>
	<b>When:</b>	<b>Customer</b>	<b>Customer</b>	<b>Customer</b>	<b>BX Options Market Maker</b>	<b>BX Options Market Maker</b>
	<b>Trading with:</b>	<b>Non-Customer, BX Options Market Maker, or Firm</b>	<b>Customer</b>	<b>Non-Customer, BX Options Market Maker, Customer, or Firm</b>	<b>Customer</b>	<b>Non-Customer, BX Options Market Maker, or Firm</b>
Tier 1	Participant executes less than 0.05% of total	\$0.00	\$0.85	\$0.80	\$0.89	\$0.89

	industry customer equity and ETF option ADV contracts per month.					
Tier 2	Participant executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month.	\$0.10	\$0.85	\$0.80	\$0.89	\$0.89
Tier 3	Participant executes 0.15% or more of total industry customer equity and ETF option ADV contracts per month.	\$0.20	\$0.85	\$0.80	\$0.60	\$0.89

Select Symbols

With respect to Select Symbols Options, the following tier schedule<sup>4</sup> applies today:

Select Symbols Options Tier Schedule

<sup>4</sup> Volume from all products listed on BX Options applies to the Select Symbols Options Tiers.

		<b>Rebate to Add Liquidity Customer</b>	<b>Fee to Add Liquidity BX Options Market Maker Customer</b>	<b>Rebate to Remove Liquidity Customer</b>	<b>Fee to Remove Liquidity BX Options Market Maker Customer</b>	<b>Fee to Add Liquidity BX Options Market Maker Non-Customer or BX Options Market Maker, or Firm</b>
	<b>When:</b>					
	<b>Trading with:</b>	<b>Non-Customer or BX Options Market Maker, or Firm</b>		<b>Non-Customer, BX Options Market Maker, Customer, or Firm</b>		
Tier 1	Participant executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month.	\$0.00	\$0.44	\$0.00	\$0.42	\$0.14
Tier 2	Participant executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month.	\$0.10	\$0.44	\$0.25	\$0.42	\$0.10
Tier 3	Participant executes 0.15% or more of total industry customer equity and ETF option ADV contracts per month	\$0.20	\$0.40	\$0.37	\$0.39	\$0.04

Tier 4	Participant executes greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month	\$0.25	\$0.29	\$0.37	\$0.25	\$0.00
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The Exchange proposes to remove the Select Symbols Options Tier Schedule and corresponding notes and instead assess each Select Symbol as either a Penny<sup>5</sup> or Non-Penny Symbol.

Among the Select Symbols noted within Options 7, Section 2, the following are Penny Symbols: ASHR, DIA, EEM, EFA, EWJ, EWW, EWY, EWZ, FAS, FXI, GDX, GLD, HYG, IWM, IYR, KRE, OIH, QQQ, RSX, SDS, SLV, SSO, TBT, TLT, TNA, UNG, USO, UUP, UVXY, VXX, XLB, XLE, XLF, XLI, XLK, XLP, XLU, XLV, XLY, XME, XOP, and XRT.

Among the Select Symbols noted within Options 7, Section 2, the following are Non-Penny Symbols: DXJ, EWT, FAZ, FXE, FXP, QID, QLD, SKF, SRS, SSO, TZA, URE, UYG, and XHB.

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<sup>5</sup> Penny Symbols must comply with the requirements for the Penny Interval Program within Supplementary Material .01 to Options 3, Section 3.

### Select Symbols to be Priced as Penny Symbols

With respect to the impact on pricing for the above-referenced Select Symbols,<sup>6</sup> which would be priced as Penny Symbols with this proposal, the Exchange notes the below changes in pricing.

#### *Customers*

Today, Customers are paid Rebates to Add Liquidity in Select Symbols when trading against Non-Customers, BX Options Market Makers or Firms which range from \$0.00 to \$0.25 per contract.<sup>7</sup> Today, Customers are paid a Rebate to Remove Liquidity in Select Symbols when trading against Non-Customers, BX Options Market Makers, Customers or Firms which range from \$0.00 to \$0.37 per contract.<sup>8</sup> Today, the Customer Fee to Add Liquidity in Select Symbols when contra to another Customer is \$0.33 per contract.

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<sup>6</sup> Among the Select Symbols noted within Options 7, Section 2, the following are Penny Symbols: ASHR, DIA, EEM, EFA, EWJ, EWW, EWY, EWZ, FAS, FXI, GDX, GLD, HYG, IWM, IYR, KRE, OIH, QQQ, RSX, SDS, SLV, SSO, TBT, TLT, TNA, UNG, USO, UUP, UVXY, VXX, XLB, XLE, XLF, XLI, XLK, XLP, XLU, XLV, XLY, XME, XOP, and XRT.

<sup>7</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Add Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.10 per contract Select Symbol Rebate to Add Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.20 per contract Select Symbol Rebate to Add Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.25 per contract Select Symbol Rebate to Add Liquidity for Tier 4.

<sup>8</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Remove Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.25 per contract Select Symbol Rebate to Remove Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 3. Participants

With this proposal, Customers would receive a Penny Symbol Rebate to Add Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.00 to \$0.20 per contract.<sup>9</sup> With this proposal, Customers would receive a Penny Symbol Rebate to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, Customer or Firm which ranges from \$0.00 to \$0.35 per contract.<sup>10</sup> With this proposal, Customers would pay a Penny Symbol Fee to Add Liquidity when trading against a Customer of \$0.39 per contract, regardless of the tier.<sup>11</sup> With this proposal, Customers would not pay a Penny Symbol Fee to Remove Liquidity.

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that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 4.

<sup>9</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.10 per contract Penny Symbol Rebate to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would receive a \$0.20 per contract Penny Symbol Rebate to Add Liquidity in Tier 3.

<sup>10</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Remove Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.25 per contract Penny Symbol Rebate to Remove Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month will would receive a \$0.35 per contract Penny Symbol Rebate to Remove Liquidity in Tier 3.

<sup>11</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 3.

### *BX Options Market Makers*

Today, BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Customer which ranges from \$0.44 to \$0.29 per contract.<sup>12</sup> Today, BX Options Market Makers pay a Fee to Remove Liquidity in Select Symbols when trading against a Customer which ranges from \$0.42 to \$0.25 per contract.<sup>13</sup> Today, BX Options Market Makers pay a Fee to Remove Liquidity in Select Symbols when trading against a Firm, Non-Customer, or BX Options Market Maker of \$0.46 per contract. Today, BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.14 to \$0.00 per contract.<sup>14</sup>

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<sup>12</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.40 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Add Liquidity of \$0.29 per contract in Tier 4.

<sup>13</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Remove Liquidity of \$0.25 per contract in Tier 4.

<sup>14</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.14 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.10 per contract in Tier 2. Participants that execute 0.15% or more of

With this proposal, BX Options Market Makers would receive a Penny Symbol Rebate to Add Liquidity of \$0.10 per contract only when the BX Options Market Maker is contra to a Non-Customer, Firm, or BX Options Market Maker. With this proposal, BX Options Market Makers would receive no Penny Symbol Rebate to Remove Liquidity. With this proposal, BX Options Market Makers would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity only when the BX Options Market Maker is contra to a Customer. With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Customer which ranges from \$0.39 to \$0.30 per contract.<sup>15</sup> With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm of \$0.46 per contract, regardless of the tier.<sup>16</sup>

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total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.04 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay no Select Symbol Fee to Add Liquidity in Tier 4.

<sup>15</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.30 per contract in Tier 3.

<sup>16</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 3.

### *Non-Customers*

Today, Non-Customers pay a Fee to Add Liquidity and a Fee to Remove Liquidity in Select Symbols of \$0.46 per contract, regardless of counterparty. Today, Non-Customers receive no Select Symbol rebates.

With this proposal, Non-Customers would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity. With this proposal, Non-Customers would pay a Penny Symbol Fee to Add Liquidity of \$0.45 per contract. With this proposal, Non-Customers would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract.

### *Firms*

Today, Firms pay a Select Symbol Fee to Add Liquidity and a Fee to Remove Liquidity of \$0.37 per contract, regardless of counterparty. Today, Firms receive no Select Symbol rebates.

With this proposal, Firms would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity. With this proposal, Firms would pay a Penny Symbol Fee to Add Liquidity of \$0.45 per contract. With this proposal, Firms would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract.

### Select Symbols to be Priced as Non-Penny Symbols

With respect to the impact on pricing for Select Symbols which would be priced as Non-Penny Symbols (DXJ, EWT, FAZ, FXE, FXP, QID, QLD, SKF, SRS, SSO, TZA, URE, UYG, and XHB) with this proposal, the Exchange notes the below changes in pricing.

## *Customers*

Today, Customers are paid Rebates to Add Liquidity in Select Symbols when trading against Non-Customers, BX Options Market Makers or Firms which range from \$0.00 to \$0.25 per contract.<sup>17</sup> Today, Customers are paid a Rebate to Remove Liquidity in Select Symbols when trading against Non-Customers, BX Options Market Makers, Customers or Firms which range from \$0.00 to \$0.37 per contract.<sup>18</sup> Today, the Customer Fee to Add Liquidity in Select Symbols when contra to another Customer is \$0.33 per contract.

With this proposal, Customers would receive a Non-Penny Symbol Rebate to Add Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.00 to \$0.20 per contract.<sup>19</sup> With this proposal, Customers would receive a Non-

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<sup>17</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Add Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.10 per contract Select Symbol Rebate to Add Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.20 per contract Select Symbol Rebate to Add Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.25 per contract Select Symbol Rebate to Add Liquidity for Tier 4.

<sup>18</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Remove Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.25 per contract Select Symbol Rebate to Remove Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 4.

<sup>19</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Non-Penny Symbol Rebate to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry

Penny Symbol Rebate to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, Customer or Firm of \$0.80 per contract, regardless of the tier.<sup>20</sup> With this proposal, Customers would pay a Non-Penny Symbol Fee to Add Liquidity when trading against a Customer of \$0.85 per contract, regardless of the tier.<sup>21</sup> With this proposal, Customers would not pay a Non-Penny Symbol Fee to Remove Liquidity.

*BX Options Market Makers*

Today, BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Customer which ranges from \$0.44 to \$0.29 per contract.<sup>22</sup> Today, BX Options

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customer equity and ETF option ADV contracts per month would receive a \$0.10 per contract Non-Penny Symbol Rebate to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month will would receive a \$0.20 per contract Non-Penny Symbol Rebate to Add Liquidity in Tier 3.

<sup>20</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive a Non-Penny Symbol Rebate to Remove Liquidity of \$0.80 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a Non-Penny Symbol Rebate to Remove Liquidity of \$0.80 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would receive a Non-Penny Symbol Rebate to Remove Liquidity of \$0.80 per contract in Tier 3.

<sup>21</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.85 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.85 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.85 per contract in Tier 3.

<sup>22</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.40 per contract in Tier 3. Participants that execute

Market Makers pay a Fee to Remove Liquidity in Select Symbols when trading against a Customer which ranges from \$0.42 to \$0.25 per contract.<sup>23</sup> Today, BX Options Market Makers pay a Fee to Remove Liquidity in Select Symbols when trading against a Firm, Non-Customer, or BX Options Market Maker of \$0.46 per contract. Today, BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.14 to \$0.00 per contract.<sup>24</sup>

With this proposal, BX Options Market Makers would receive no Non-Penny Symbol Rebate to Add Liquidity or Non-Penny Rebate to Remove Liquidity. With this proposal, BX Options Market Makers would pay a \$0.50 per contract Non-Penny Symbol Fee to Add

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greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Add Liquidity of \$0.29 per contract in Tier 4.

<sup>23</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Remove Liquidity of \$0.25 per contract in Tier 4.

<sup>24</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.14 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.10 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.04 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay no Select Symbol Fee to Add Liquidity in Tier 4.

Liquidity when trading against a BX Options Market Maker, Non-Customer or Firm and a \$0.95 per contract Non-Penny Symbol Fee to Add Liquidity when trading against a Customer. With this proposal, BX Options Market Makers would pay a Non-Penny Symbol Fee to Remove Liquidity when trading against a Customer which ranges from \$0.89 to \$0.60 per contract.<sup>25</sup> With this proposal, BX Options Market Makers would pay a Non-Penny Symbol Fee to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, or Firm of \$0.89 per contract, regardless of the tier.<sup>26</sup>

#### *Non-Customers*

Today, Non-Customers pay a Fee to Add Liquidity and a Fee to Remove Liquidity in Select Symbols of \$0.46 per contract, regardless of counterparty. Today, Non-Customers receive no Select Symbol rebates.

With this proposal, Non-Customers would receive no Non-Penny Symbol Rebate to Add Liquidity or Non-Penny Symbol Rebate to Remove Liquidity. With this proposal, Non-Customers would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.98 per contract. With

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<sup>25</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.60 per contract in Tier 3.

<sup>26</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 3.

this proposal, Non-Customers would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract.

*Firms*

Today, Firms pay a Select Symbol Fee to Add Liquidity and a Fee to Remove Liquidity of \$0.37 per contract, regardless of counterparty. Today, Firms receive no Select Symbol rebates.

With this proposal, Firms would receive no Non-Penny Symbol Rebate to Add Liquidity or Non-Penny Symbol Rebate to Remove Liquidity. With this proposal, Firms would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.98 per contract. With this proposal, Firms would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract.

SPY

Today, the SPY Options Tier Schedule is as follows:

SPY Options Tier Schedule

		<b>Rebate to Remove Liquidity (per contract)</b>
<b>Applied to:</b>		<b>Customer</b>
<b>Trading with:</b>		<b>Non-Customer, BX Options Market Maker, Customer, or Firm</b>
<b>Tier 1</b>	Participant removes less than 500 SPY Options contracts per day in the customer range	\$0.01
<b>Tier 2</b>	Participant removes 500 to not more than 999 SPY Options contracts per day in the customer range	\$0.10
<b>Tier 3</b>	Participant removes 1000 to not more than 1999 SPY Options contracts per day in the customer range	\$0.35
<b>Tier 4</b>	Participant removes 2000 to not more than 3999 SPY Options contracts per day in the customer range	\$0.43
<b>Tier 5</b>	Participant removes more than 3999 SPY Options contracts per day in the customer range	\$0.52

With respect to the impact on pricing for SPY, with this proposal, SPY would be priced as a Penny Symbol the Exchange notes the below changes in pricing.

#### *Customers*

Today, SPY pays Customer Rebates to Remove Liquidity ranging from \$0.01 to \$0.52 per contracts when trading against a Non-Customer, BX Options Market Maker, Customer or Firm.<sup>27</sup> Today, Customers pay SPY Fees to Add Liquidity of \$0.38 per contract when contra to another Customer. Today, Customers pay no SPY fee or receive a SPY rebate for Customer SPY Options that add liquidity when contra to a Firm, BX Options Market Maker or Non-Customer.

With this proposal, Customers would receive a Penny Symbol Rebate to Add Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.00 to \$0.20 per contract.<sup>28</sup> With this proposal, Customers would receive a Penny Symbol Rebate to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker,

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<sup>27</sup> Tier 1 Participants that remove less than 500 SPY Options contracts per day in the customer range receive a \$0.01 per contract rebate. Tier 2 Participants that remove 500 to not more than 999 SPY Options contracts per day in the customer range receive a \$0.10 per contract rebate. Tier 3 Participants that removes 1000 to not more than 1999 SPY Options contracts per day in the customer range receive a \$0.35 per contract rebate. Tier 4 Participants that remove 2000 to not more than 3999 SPY Options contracts per day in the customer range receive a \$0.43 per contract rebate. Tier 5 Participants that remove more than 3999 SPY Options contracts per day in the customer range receive a \$0.52 per contract rebate.

<sup>28</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.10 per contract Penny Symbol Rebate to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would receive a \$0.20 per contract Penny Symbol Rebate to Add Liquidity in Tier 3.

Customer or Firm which ranges from \$0.00 to \$0.35 per contract.<sup>29</sup> With this proposal, Customers would pay a Penny Symbol Fee to Add Liquidity when trading against a Customer of \$0.39 per contract, regardless of the tier.<sup>30</sup> With this proposal, Customers would not pay a Penny Symbol Fee to Remove Liquidity.

*BX Options Market Makers*

Today, with SPY, BX Options Market Makers are paid no rebates. BX Options Market Makers pay a SPY Fee to Remove Liquidity of \$0.44 per contract when trading against a Firm, Non-Customer, or BX Options Market Maker. Today, BX Options Market Makers pay a SPY Fee to Add Liquidity and a SPY Fee to Remove Liquidity of \$0.39 per contract when trading against a Customer. Finally, today, BX Options Market Makers pay a SPY Fee to Add Liquidity of \$0.14 per contract when trading against a Firm, BX Options Market Maker or Non Customer.

With this proposal, BX Options Market Makers would receive a Penny Symbol Rebate to Add Liquidity of \$0.10 per contract only when the BX Options Market Maker is contra to a Non-Customer, Firm, or BX Options Market Maker. With this proposal, BX Options Market Makers would receive no Penny Symbol Rebate to Remove Liquidity. With this proposal, BX Options

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<sup>29</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Remove Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.25 per contract Penny Symbol Rebate to Remove Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month will would receive a \$0.35 per contract Penny Symbol Rebate to Remove Liquidity in Tier 3.

<sup>30</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 3.

Market Makers would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity only when the BX Options Market Maker is contra to a Customer. With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Customer which ranges from \$0.39 to \$0.30 per contract.<sup>31</sup> With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm of \$0.46 per contract, regardless of the tier.<sup>32</sup>

*Non-Customers*

Today, Non-Customers pay a SPY Fee to Add Liquidity and a SPY Fee to Remove Liquidity of \$0.44 per contract, regardless of counterparty. Today, Non-Customers receive no SPY rebates.

With this proposal, Non-Customers would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity. With this proposal, Non-Customers would pay a Penny Symbol Fee to Add Liquidity of \$0.45 per contract. With this

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<sup>31</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.30 per contract in Tier 3.

<sup>32</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 3.

proposal, Non-Customers would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract.

### *Firms*

Today, Firms pay a SPY Fee to Add Liquidity and a SPY Fee to Remove Liquidity of \$0.41 per contract, regardless of counterparty. Today, Firms receive no SPY rebates.

With this proposal, Firms would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity. With this proposal, Firms would pay a Penny Symbol Fee to Add Liquidity of \$0.45 per contract. With this proposal, Firms would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract.

The Exchange believes that this proposal will simplify its transaction fees and rebates by classifying pricing for all options symbols as either Penny or Non-Penny Symbols.

### Technical Amendments

The Exchange proposes to remove footnote 4, which is currently reserved, and renumber current footnote 5 as new footnote 4 within Options 7, Section 2. The Exchange also proposes to remove “(excluding Select Symbols Options)” from the Fees and Rebates table within Options 7, Section 2(1) and from the Penny Symbols Tier Schedule title as that exclusion is no longer necessary because this proposal removes that pricing.

### Options 7, Section 3

The Exchange proposes to amend Options 7, Section 3, “BX Options Market - Ports and other Services,” to remove obsolete text which reflects timeframes which have passed.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>33</sup> in

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<sup>33</sup> 15 U.S.C. 78 f(b).

general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>34</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ ....”<sup>35</sup>

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has

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<sup>34</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>35</sup> NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>36</sup>

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options security transaction services. The Exchange is only one of sixteen options exchanges to which market participants may direct their order flow. Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

#### Options 7, Section 2

##### Select Symbols to be Priced as Penny Symbols

With respect to pricing certain Select Symbols,<sup>37</sup> which would be priced as Penny Symbols with this proposal, the Exchange believes that its proposal is reasonable, equitable and not unfairly discriminatory for the reasons which follow.

##### *Customers*

While this proposal would offer Customers lower Rebates to Add Liquidity in Select Symbols when trading against Non-Customers, BX Options Market Makers, Customer, or Firms which range from \$0.00 to \$0.20 per contract,<sup>38</sup> instead of ranging from \$0.00 to \$0.25 per

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<sup>36</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

<sup>37</sup> Among the Select Symbols noted within Options 7, Section 2, the following are Penny Symbols: ASHR, DIA, EEM, EFA, EWJ, EWW, EWY, EWZ, FAS, FXI, GDX, GLD, HYG, IWM, IYR, KRE, OIH, QQQ, RSX, SDS, SLV, SSO, TBT, TLT, TNA, UNG, USO, UUP, UVXY, VXX, XLB, XLE, XLF, XLI, XLK, XLP, XLU, XLV, XLY, XME, XOP, and XRT.

<sup>38</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Add

contract<sup>39</sup> (no Tier 4 rebate of \$0.25 per contract as was the case for Select Symbols with this proposal), as well as lower Rebates to Remove Liquidity in Select Symbols when trading against Non-Customers, BX Options Market Makers, or Firms which range from \$0.00 to \$0.35 per contract,<sup>40</sup> instead of \$0.00 to \$0.37 per contract,<sup>41</sup> (no Tier 3 and 4 rebate of \$0.37 per contracts

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Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.10 per contract Penny Symbol Rebate to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would receive a \$0.20 per contract Penny Symbol Rebate to Add Liquidity in Tier 3.

<sup>39</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Add Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.10 per contract Select Symbol Rebate to Add Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.20 per contract Select Symbol Rebate to Add Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.25 per contract Select Symbol Rebate to Add Liquidity for Tier 4.

<sup>40</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Remove Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.25 per contract Penny Symbol Rebate to Remove Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month will would receive a \$0.35 per contract Penny Symbol Rebate to Remove Liquidity in Tier 3.

<sup>41</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Remove Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.25 per contract Select Symbol Rebate to Remove Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 4.

as it was for Select Symbols with this proposal), the Exchange believes that these rebates will continue to incentivize Participants to bring Customer liquidity to BX. While the Customer Fee to Add Liquidity in Select Symbols when contra to another Customer would increase from \$0.33 to \$0.39 per contract, regardless of the tier for Select Symbols,<sup>42</sup> the Exchange believes that the fee remains competitive and will continue to attract order flow to BX to the benefit of all market participants. With this proposal, Customers would continue to pay no Penny Symbol Fee to Remove Liquidity.<sup>43</sup>

All pricing would be uniformly assessed to Participants for Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants.

#### *BX Options Market Makers*

With this proposal, BX Options Market Makers would receive a Penny Symbol Rebate to Add Liquidity of \$0.10 per contract only when the BX Options Market Maker is contra to a Non-Customer, Firm, or BX Options Market Maker. Today, BX Options Market Makers receive no

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<sup>42</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 3.

<sup>43</sup> Today, Customers pay no Select Symbol Fee to Remove Liquidity.

Select Symbol Rebate to Add Liquidity. This rebate will incentivize Participants to send order flow to BX. With this proposal, BX Options Market Makers would continue to receive no Rebate to Remove Liquidity.<sup>44</sup> With this proposal, BX Options Market Makers would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity only when the BX Options Market Maker is contra to a Customer as compared to the Select Symbol Fee to Add Liquidity for BX Options Market Makers which ranges from \$0.44 to \$0.29 per contract,<sup>45</sup> as such some Participants will pay a higher Penny Symbol Fee to Add Liquidity while some Participants will pay a lower Penny Symbol Fee to Add Liquidity. The Exchange believes that the fee remains competitive and will continue to attract order flow to BX to the benefit of all market participants. With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Customer which ranges from \$0.39 to \$0.30 per contract.<sup>46</sup> These fees are lower than

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<sup>44</sup> Today, BX Options Market Makers receive no Select Symbol Rebate to Remove Liquidity.

<sup>45</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.40 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Add Liquidity of \$0.29 per contract in Tier 4.

<sup>46</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.30 per contract in Tier 3.

the current Select Symbol Fees to Remove Liquidity when trading against a Customer which range from \$0.42 to \$0.25 per contract.<sup>47</sup> The Exchange believes that these lower fees will attract a greater amount of liquidity to BX. With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm of \$0.46 per contract, regardless of the tier.<sup>48</sup> This proposed Penny Symbol Fee to Remove Liquidity is the same as the current Fee to Remove Liquidity in Select Symbols when trading against a Firm, Non-Customer, or BX Options Market Maker of \$0.46 per contract. With this proposal BX Options Market Makers pay no Penny Symbol Fee to Add Liquidity when contra to a Non-Customer, BX Options Market Maker or Firm. Today, BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.14 to \$0.00 per contract<sup>49</sup> which would be reduced to no fee and attract further liquidity to BX.

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<sup>47</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Remove Liquidity of \$0.25 per contract in Tier 4.

<sup>48</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 3.

<sup>49</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.14 per

All pricing would be uniformly assessed to Participants for Penny Symbols. BX Options Market Makers add value through continuous quoting<sup>50</sup> and are subject to additional requirements and obligations<sup>51</sup> that other market participants are not. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

*Non-Customers*

With this proposal, Non-Customers would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity, as is the case today under Select Symbol pricing. With this proposal, Non-Customers would pay a Penny Symbol Fee to Add Liquidity of \$0.45 per contract, this fee is lower than the current Select Symbol Fee to Add Liquidity of \$0.46 per contract, regardless of counterparty, and will attract liquidity to BX. With this proposal, Non-Customers would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract that is the same as the current Select Symbol Fee to Remove Liquidity in Select Symbols of \$0.46 per contract, regardless of counterparty. All pricing would be uniformly assessed to Participants for Penny Symbols.

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contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.10 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.04 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay no Select Symbol Fee to Add Liquidity in Tier 4.

<sup>50</sup> See Options 2, Section 5.

<sup>51</sup> See Options 2, Section 4.

### *Firms*

With this proposal, Firms would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity, as is the case today under Select Symbol pricing. With this proposal, Firms would pay a Penny Symbol Fee to Add Liquidity of \$0.45 per contract which is higher than the current Select Symbol Firm Fee to Add Liquidity of \$0.37 per contract, regardless of counterparty. With this proposal, Firms would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract which is higher than the current Select Symbol Firm Fee to Remove Liquidity of \$0.37 per contract, regardless of counterparty. Despite the fact that the Penny Symbol Fees to Add and Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. All pricing would be uniformly assessed to Participants for Penny Symbols.

### Select Symbols to be Priced as Non-Penny Symbols

With respect to pricing for Select Symbols that would be priced as Non-Penny Symbols (DXJ, EWT, FAZ, FXE, FXP, QID, QLD, SKF, SRS, SSO, TZA, URE, UYG, and XHB) with this proposal, the Exchange believes that its proposal is reasonable, equitable and not unfairly discriminatory for the reasons which follow. The Exchange notes that, today, Select Symbol pricing is aligned closer to Penny Symbol pricing because the Select Symbols noted above which are proposed to be priced as Non-Penny Symbols were once in the Penny Pilot Program and these symbols are currently not in the Penny Interval Program.

### *Customers*

While this proposal would offer Customers lower Non-Penny Symbol Rebates to Add Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm which

would range from \$0.00 to \$0.25 per contract,<sup>52</sup> instead of ranging from \$0.00 to \$0.20 per contract<sup>53</sup> (no Tier 4 rebate of \$0.25 per contract as was the case for Select Symbols with this proposal), the Exchange believes that these rebates will continue to incentivize Participants to bring Customer liquidity to BX. With this proposal, Customers would receive an increased Non-Penny Symbol Rebate to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, Customer or Firm of \$0.80 per contract, regardless of the tier,<sup>54</sup> as compared to the current Rebate to Remove Liquidity in Select Symbols when trading against Non-Customers,

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<sup>52</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Add Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.10 per contract Select Symbol Rebate to Add Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.20 per contract Select Symbol Rebate to Add Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.25 per contract Select Symbol Rebate to Add Liquidity for Tier 4.

<sup>53</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Non-Penny Symbol Rebate to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.10 per contract Non-Penny Symbol Rebate to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month will would receive a \$0.20 per contract Non-Penny Symbol Rebate to Add Liquidity in Tier 3.

<sup>54</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive a Non-Penny Symbol Rebate to Remove Liquidity of \$0.80 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a Non-Penny Symbol Rebate to Remove Liquidity of \$0.80 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would receive a Non-Penny Symbol Rebate to Remove Liquidity of \$0.80 per contract in Tier 3.

BX Options Market Makers, Customers or Firms which range from \$0.00 to \$0.37 per contract.<sup>55</sup>

The Exchange believes that these rebates will continue to incentivize Participants to bring Customer liquidity to BX. With this proposal, Customers would pay an increased Non-Penny Symbol Fee to Add Liquidity when trading against a Customer of \$0.85 per contract, regardless of the tier,<sup>56</sup> as compared to the current Customer Fee to Add Liquidity in Select Symbols when contra to another Customer of \$0.33 per contract. Despite the fact that the Non-Penny Symbol Fee to Add and Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. With this proposal, Customers would continue not pay a Non-Penny Symbol Fee to Remove Liquidity.

All pricing would be uniformly assessed to Participants for Non-Penny Symbols.

Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market

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<sup>55</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month receive no Select Symbol Rebate to Remove Liquidity for Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month receive a \$0.25 per contract Select Symbol Rebate to Remove Liquidity for Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month receive a \$0.37 per contract Select Symbol Rebate to Remove Liquidity for Tier 4.

<sup>56</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.85 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.85 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Add Liquidity of \$0.85 per contract in Tier 3.

participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants.

### *BX Options Market Makers*

With this proposal, BX Options Market Makers would receive no Non-Penny Symbol Rebate to Add Liquidity or Non-Penny Rebate to Remove Liquidity, as is the case today under Select Symbols as well. With this proposal, BX Options Market Makers would pay a \$0.50 per contract Non-Penny Symbol Fee to Add Liquidity when trading against a BX Options Market Maker, Non-Customer or Firm and a \$0.95 per contract Non-Penny Symbol Fee to Add Liquidity when trading against a Customer. Currently, BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Non-Customer, BX Options Market Maker or Firm which ranges from \$0.14 to \$0.00 per contract<sup>57</sup> and BX Options Market Makers pay a Fee to Add Liquidity in Select Symbols when trading against a Customer which ranges from \$0.44 to \$0.29 per contract.<sup>58</sup> Despite the fact that the Non-Penny Symbol Fees to Add

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<sup>57</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.14 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.10 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.04 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay no Select Symbol Fee to Add Liquidity in Tier 4.

<sup>58</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.44 per contract in Tier 2. Participants that execute 0.15% or more of

Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. With this proposal, BX Options Market Makers would pay a Non-Penny Symbol Fee to Remove Liquidity when trading against a Customer which ranges from \$0.89 to \$0.60 per contract.<sup>59</sup> This fee would be higher than the current BX Options Market Makers pay a Fee to Remove Liquidity in Select Symbols when trading against a Customer which ranges from \$0.42 to \$0.25 per contract.<sup>60</sup> Also, with this proposal, BX Options Market Makers would pay a Non-Penny Symbol Fee to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, or Firm of

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total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Add Liquidity of \$0.40 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Add Liquidity of \$0.29 per contract in Tier 4.

<sup>59</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.60 per contract in Tier 3.

<sup>60</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 1. Participants that executes 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.42 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month pay a Select Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 3. Participants that execute greater than 10,000 PRISM Agency Contracts per month; or Participant executes BX Options Market Maker volume of 0.30% or more of total industry customer equity and ETF options ADV per month pay a Select Symbol Fee to Remove Liquidity of \$0.25 per contract in Tier 4.

\$0.89 per contract, regardless of the tier.<sup>61</sup> This fee would be higher than the current BX Options Market Makers pay a Fee to Remove Liquidity in Select Symbols when trading against a Firm, Non-Customer, or BX Options Market Maker of \$0.46 per contract. Despite the fact that the Non-Penny Symbol Fees to Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants.

All pricing would be uniformly assessed to Participants for Non-Penny Symbols. BX Options Market Makers add value through continuous quoting<sup>62</sup> and are subject to additional requirements and obligations<sup>63</sup> that other market participants are not. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

#### *Non-Customers*

With this proposal, Non-Customers would receive no Non-Penny Symbol Rebate to Add Liquidity or Non-Penny Symbol Rebate to Remove Liquidity as is the case today for Select Symbols. With this proposal, Non-Customers would pay an increased Non-Penny Symbol Fee to Add Liquidity of \$0.98 per contract as compared to the current Non-Customer Fee to Add Liquidity in Select Symbols of \$0.46 per contract, regardless of counterparty. Also, with this

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<sup>61</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract in Tier 3.

<sup>62</sup> See Options 2, Section 5.

<sup>63</sup> See Options 2, Section 4.

proposal, Non-Customers would pay an increased Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract as compared to the current Non-Customer Fee to Remove Liquidity in Select Symbols of \$0.46 per contract, regardless of counterparty. Despite the fact that the Non-Penny Symbol Fees to Add and Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. All pricing would be uniformly assessed to Participants for Non-Penny Symbols.

#### *Firms*

With this proposal, Firms would receive no Non-Penny Symbol Rebate to Add Liquidity or Non-Penny Symbol Rebate to Remove Liquidity as is the case for Select Symbols. With this proposal, Firms would pay an increased Non-Penny Symbol Fee to Add Liquidity of \$0.98 per contract as compared to the current Firm Fee to Add Liquidity in Select Symbols of \$0.37 per contract, regardless of counterparty. With this proposal, Firms would pay an increased Non-Penny Symbol Fee to Remove Liquidity of \$0.89 per contract as compared to the current Firm Fee to Remove Liquidity in Select Symbols of \$0.37 per contract, regardless of counterparty. Despite the fact that the Non-Penny Symbol Fees to Add and Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. All pricing would be uniformly assessed to Participants for Non-Penny Symbols.

#### SPY

With respect to the impact on pricing for SPY that would be priced as a Penny Symbol with this proposal, the Exchange believes that its proposal is reasonable, equitable and not unfairly discriminatory for the reasons which follow.

## *Customers*

With this proposal Customers would receive higher Penny Symbol Rebates to Add Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm which range from \$0.00 to \$0.20 per contract.<sup>64</sup> Today, Customers receive no rebate when add liquidity in SPY when trading against a Non-Customer, BX Options Market Maker or Firm. The Exchange believes that these increased rebates will incentivize Participants to bring Customer liquidity to BX. With this proposal, Customers would receive a lower Penny Symbol Rebate to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, Customer or Firm which ranges from \$0.00 to \$0.35 per contract.<sup>65</sup> Today, Customers receive a SPY Rebate to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker, Customer or Firm which ranges from \$0.01 to \$0.52 per contracts when trading against a Non-Customer, BX Options Market Maker, Customer or Firm.<sup>66</sup> Despite the fact that the Penny Symbol Rebates

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<sup>64</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.10 per contract Penny Symbol Rebate to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would receive a \$0.20 per contract Penny Symbol Rebate to Add Liquidity in Tier 3.

<sup>65</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would receive no Penny Symbol Rebate to Remove Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would receive a \$0.25 per contract Penny Symbol Rebate to Remove Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month will would receive a \$0.35 per contract Penny Symbol Rebate to Remove Liquidity in Tier 3.

<sup>66</sup> Tier 1 Participants that remove less than 500 SPY Options contracts per day in the customer range receive a \$0.01 per contract rebate. Tier 2 Participants that remove 500 to not more than 999 SPY Options contracts per day in the customer range receive a \$0.10 per contract rebate. Tier 3 Participants that removes 1000 to not more than 1999 SPY Options contracts per day in the customer range receive a \$0.35 per contract rebate.

to Remove Liquidity in will be lower, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. With this proposal, Customers would pay an increased Penny Symbol Fee to Add Liquidity when trading against a Customer of \$0.39 per contract, regardless of the tier,<sup>67</sup> as compared to the current Customer SPY Fees to Add Liquidity of \$0.38 per contract when contra to another Customer. Despite the fact that the Penny Symbol Fees to Add Liquidity when contra to another Customer will be higher than the SPY Fee to Add Liquidity when contra to a Customer, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. With this proposal, t will be no Fee to Add Liquidity when contra to Firm, BX Options Market Maker or Non Customer, as is the case today. With this proposal, Customers would not pay a Penny Symbol Fee to Remove Liquidity as is the case for SPY today.

All pricing would be uniformly assessed to Participants for Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market

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Tier 4 Participants that remove 2000 to not more than 3999 SPY Options contracts per day in the customer range receive a \$0.43 per contract rebate. Tier 5 Participants that remove more than 3999 SPY Options contracts per day in the customer range receive a \$0.52 per contract rebate.

<sup>67</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity in Tier 3.

participants (particularly in response to pricing) in turn facilitates tighter spreads that may cause an additional corresponding increase in order flow from other market participants.

*BX Options Market Makers*

With this proposal, BX Options Market Makers would receive a new Penny Symbol Rebate to Add Liquidity of \$0.10 per contract only when the BX Options Market Maker is contra to a Non-Customer, Firm, or BX Options Market Maker, while currently BX Options Market Makers receive no rebates in SPY. This new rebate will incentivize Participants to bring liquidity to BX. With this proposal, BX Options Market Makers would receive no Penny Symbol Rebate to Remove Liquidity, as is the case today for SPY. With this proposal, BX Options Market Makers would pay a \$0.39 per contract Penny Symbol Fee to Add Liquidity only when the BX Options Market Maker is contra to a Customer which is the same as the current BX Options Market Makers SPY Fee to Add Liquidity of \$0.39 per contract when trading against a Customer. With this proposal, the Exchange would not assess a Penny Symbol Fee to Add Liquidity when trading against a Firm, BX Options Market Maker or Non Customer as compared to today, where a BX Options Market Maker pays a SPY Fee to Add Liquidity of \$0.14 per contract when trading against a Firm, BX Options Market Maker or Non Customer. The removal of this fee should incentivize BX Participants to send order flow to BX.

With this proposal, BX Options Market Makers would pay a Penny Symbol Fee to Remove Liquidity when trading against a Customer which ranges from \$0.39 to \$0.30 per contract,<sup>68</sup> as

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<sup>68</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.39 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts

compared to the current BX Options Market Maker Fee to Remove Liquidity in SPY Options of \$0.39 per contract when trading with Customer. With this proposal, the fee will be lower in certain cases depending on the volume tier achieved and may attract higher volume to the Exchange in an effort to obtain the lower fee. With this proposal, BX Options Market Makers would pay an increased Penny Symbol Fee to Remove Liquidity when trading against a Non-Customer, BX Options Market Maker or Firm of \$0.46 per contract, regardless of the tier,<sup>69</sup> as compared to the current BX Options Market Makers pay a SPY Fee to Remove Liquidity of \$0.44 per contract when trading against a Firm, Non-Customer, or BX Options Market Maker. Despite the fact that the Penny Symbol Fee to Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants.

All pricing would be uniformly assessed to Participants for Penny Symbols. BX Options Market Makers add value through continuous quoting<sup>70</sup> and are subject to additional requirements and obligations<sup>71</sup> that other market participants are not. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

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per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.30 per contract in Tier 3.

<sup>69</sup> Participants that executes less than 0.05% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 1. Participants that execute 0.05% to less than 0.15% of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 2. Participants that execute 0.15% or more of total industry customer equity and ETF option ADV contracts per month would pay a Penny Symbol Fee to Remove Liquidity of \$0.46 per contract in Tier 3.

<sup>70</sup> See Options 2, Section 5.

<sup>71</sup> See Options 2, Section 4.

### *Non-Customers*

With this proposal, Non-Customers would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity, as is the case today for SPY. With this proposal, Non-Customers would pay an increased Penny Symbol Fee to Add Liquidity of \$0.45 per contract as compared to the current Non-Customers SPY Fee to Add Liquidity of \$0.44 per contract, regardless of counterparty. With this proposal, Non-Customers would pay an increased Penny Symbol Fee to Remove Liquidity of \$0.46 per contract as compared to the current Non-Customers SPY Fee to Remove Liquidity of \$0.44 per contract, regardless of counterparty. Despite the fact that the Penny Symbol Fees to Add and Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. All pricing would be uniformly assessed to Participants for Penny Symbols.

### *Firms*

With this proposal, Firms would receive no Penny Symbol Rebate to Add Liquidity and no Penny Symbol Rebate to Remove Liquidity, as is the case today with SPY. With this proposal, Firms would pay an increased Penny Symbol Fee to Add Liquidity of \$0.45 per contract as compared to the current Firm SPY Fee to Add Liquidity of \$0.41 per contract, regardless of counterparty. With this proposal, Firms would pay an increased Penny Symbol Fee to Remove Liquidity of \$0.46 per contract as compared to the current Firm SPY Fee to Remove Liquidity of \$0.41 per contract, regardless of counterparty. Despite the fact that the Penny Symbol Fees to Add and Remove Liquidity will be higher, the Exchange believes that the fees remain competitive and will continue to attract order flow to BX to the benefit of all market participants. All pricing would be uniformly assessed to Participants for Penny Symbols.

### Technical Amendments

The Exchange's proposal to make technical amendments to footnote 4 and renumber current footnote within Options 7, Section 2, and remove "(excluding Select Symbols Options)" from Options 7, Section 2(1) are reasonable, equitable and not unfairly discriminatory.

### Options 7, Section 3

The Exchange's proposal to amend Options 7, Section 3, "BX Options Market - Ports and other Services," is reasonable, equitable and not unfairly discriminatory as the rule text is obsolete in that the text reflects timeframes which have passed.

### 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 not necessary or appropriate in furtherance of the purposes of the Act.

### Inter-market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

### Intra-market Competition

The proposed amendments do not impose an undue burden on intra-market competition.

### Options 7, Section 2

#### Select Symbols to be Priced as Penny Symbols

With respect to pricing certain Select Symbols,<sup>72</sup> which would be priced as Penny Symbols with this proposal, the Exchange believes that its proposal does not impose an undue burden on competition.

All pricing would be uniformly assessed to Participants for Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants. BX Options Market Makers add value through continuous quoting<sup>73</sup> and are subject to additional requirements and obligations<sup>74</sup> that other market participants are not. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

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<sup>72</sup> Among the Select Symbols noted within Options 7, Section 2, the following are Penny Symbols: ASHR, DIA, EEM, EFA, EWJ, EWW, EWY, EWZ, FAS, FXI, GDX, GLD, HYG, IWM, IYR, KRE, OIH, QQQ, RSX, SDS, SLV, SSO, TBT, TLT, TNA, UNG, USO, UUP, UVXY, VXX, XLB, XLE, XLF, XLI, XLK, XLP, XLU, XLV, XLY, XME, XOP, and XRT.

<sup>73</sup> See Options 2, Section 5.

<sup>74</sup> See Options 2, Section 4.

### Select Symbols to be Priced as Non-Penny Symbols

With respect to pricing for Select Symbols which would be priced as Non-Penny Symbols (DXJ, EWT, FAZ, FXE, FXP, QID, QLD, SKF, SRS, SSO, TZA, URE, UYG, and XHB) with this proposal, the Exchange believes that its proposal does not impose an undue burden on competition.

All pricing would be uniformly assessed to Participants for Non-Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants. All pricing would be uniformly assessed to Participants for Non-Penny Symbols. BX Options Market Makers add value through continuous quoting<sup>75</sup> and are subject to additional requirements and obligations<sup>76</sup> that other market participants are not. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

### SPY

With respect to the impact on pricing for SPY which would be priced as a Penny Symbol with this proposal, the Exchange believes that its proposal does not impose an undue burden on competition.

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<sup>75</sup> See Options 2, Section 5.

<sup>76</sup> See Options 2, Section 4.

All pricing would be uniformly assessed to Participants for Penny Symbols. Customers would continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities which attracts market makers. An increase in the activity of these market participants (particularly in response to pricing) in turn facilitates tighter spreads which may cause an additional corresponding increase in order flow from other market participants. BX Options Market Makers add value through continuous quoting<sup>77</sup> and are subject to additional requirements and obligations<sup>78</sup> that other market participants are not. Incentivizing Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction.

#### Technical Amendments

The Exchange's proposal to make technical amendments to footnote 4 and renumber current footnote within Options 7, Section 2, and remove "(excluding Select Symbols Options)" from Options 7, Section 2(1) do not impose an undue burden on competition.

#### Options 7, Section 3

The Exchange's proposal to amend Options 7, Section 3, "BX Options Market - Ports and other Services," does not impose an undue burden on competition as the rule text is obsolete in that the text reflects timeframes which have passed.

#### 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.

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<sup>77</sup> See Options 2, Section 5.

<sup>78</sup> See Options 2, Section 4.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>79</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2020-037 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-2020-037. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

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<sup>79</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BX-2020-037 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.<sup>80</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>80</sup> 17 CFR 200.30-3(a)(12).