

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-99008; File No. SR-BX-2023-031)

November 21, 2023

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BX Options 7, Section 2 Regarding Fees and Rebates

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on November 17, 2023, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its Pricing Schedule at Options 7, Section 2.³

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange initially filed the proposed pricing changes on November 14, 2023 (SR-BX-2023-029). On November 16, 2023, the Exchange withdrew that filing and submitted this filing.

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. Specifically, BX proposes to (i) amend BX’s fees and rebates for execution of contracts at Options 7, Section 2(1) including note 1, and reserve note 2; (ii) amend fees for routing contracts to markets other than the Exchange at Options 7, Section 2(3); (iii) amend fees and rebates for execution of contracts on the Exchange that generate an order exposure alert at Options 7, Section 2(4); and (iv) amend fees and rebates for BX Price Improvement Auction (“PRISM”) at Options 7, Section 2(5). Each change will be described below.

Options 7, Section 2(1)

Today, the Exchange assesses the following Penny Symbols and Non-Penny Symbols Maker Rebates and Taker Fees:

Penny Symbols

Market Participant	Maker Rebate	Taker Fee
Lead Market Maker	$(0.29)^2$	\$0.50
Market Maker	$(0.25)^2$	\$0.50
Non-Customer	(0.12)	\$0.50
Firm	(0.12)	\$0.50
Customer	(\$0.30)	\$0.46 ¹

Non-Penny Symbols

Market Participant	Maker Rebate / Fee	Taker Fee
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Lead Market Maker	(0.45)	\$1.10
Market Maker	(0.40)	\$1.10
Non-Customer	\$0.45	\$1.10
Firm	\$0.45	\$1.10
Customer	(\$0.90) ³	\$0.79

At this time, the Exchange proposes to reduce certain Penny Symbol Maker Rebates and Taker Fees and increase certain Non-Penny Symbol Maker Rebates and Taker Fees. With respect to the Penny Symbols, the Exchange proposes to decrease the Maker Rebates for Lead Market Makers⁴ from \$0.29 to \$0.24 per contract and decrease the Maker Rebates for Market Makers⁵ from \$0.25 to \$0.20 per contract. While the Exchange is reducing these Penny Symbol Maker Rebates for Lead Market Makers and Market Makers, the Exchange will continue to offer the rebates to incentivize market participants to direct order flow to BX. Additionally, the Exchange proposes to reduce the Customer⁶ Penny Symbol Taker Fee from \$0.46 to \$0.40 per contract. The Exchange believes reducing this Penny Symbol Taker Fee will attract more Customer order flow to BX.⁷

With respect to Non-Penny Symbols, the Exchange proposes to increase the Maker Rebates for Customers from \$0.90 to \$1.10 per contract and increase the Taker Fees for all Non-

⁴ The term “Lead Market Maker” or (“LMM”) applies to a registered BX Options Market Maker that is approved pursuant to Options 2, Section 3 to be the LMM in an options class (options classes). See BX Options 7, Section 1(a).

⁵ The term “BX Options Market Maker” or (“M”) is a Participant that has registered as a Market Maker on BX Options pursuant to Options 2, Section 1, and must also remain in good standing pursuant to Options 2, Section 9. In order to receive Market Maker pricing in all securities, the Participant must be registered as a BX Options Market Maker in at least one security. See BX Options 7, Section 1(a).

⁶ The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional” (as that term is defined in Options 1, Section 1(a)(48)). See BX Options 7, Section 1(a).

⁷ The Exchange is proposing to add dollar signs in a few places in the table in Options 7, Section 2(1) where the dollar sign is missing.

Customers⁸ from \$1.10 to \$1.25 per contract. The Exchange believes the increase to the Non-Penny Symbol Customer Maker Rebate will attract more Customer order flow to BX. With respect to the Non-Penny Symbol Taker Fee for Non-Customers, while the Exchange is increasing these fees, the Exchange believes that these fees will continue to draw participants seeking liquidity to BX because BX is increasing its Non-Penny Customer Maker Rebate to enhance its market quality and provide more trading opportunities, which benefits all market participants.

The Exchange proposes to amend note 1 of Options 7, Section 2(1) which currently reduces the Customer Penny Symbol Taker Fee from \$0.46 to \$0.33 per contract for trades which remove liquidity in SPDR S&P 500 ETF (“SPY”). With the proposed changes to the Customer Penny Symbol Taker Fee noted herein, note 1 of Options 7, Section 2(1) would reduce the Customer Penny Symbol Taker Fee from \$0.40 to \$0.33 per contract for trades which remove liquidity in SPY. Additionally, the Exchange proposes to extend this Customer Penny Symbol discount to transactions that remove liquidity in Invesco QQQ Trust Series 1 (“QQQ”) and iShares Russell 2000 ETF (“IWM”). The proposed rule text would provide, “Customer Taker Fee will be \$0.33 per contract for trades which remove liquidity in SPY, QQQ, and IWM.” The Exchange believes that note 1 will continue to attract Customer Penny Symbol SPY transactions that remove liquidity as the Exchange will continue to discount these fees for SPY. The addition of Taker Fee discounts for QQQ and IWM will attract additional QQQ and IWM transactions that remove liquidity to BX.

⁸ The term “Non-Customer” shall include a Professional, Broker-Dealer and Non-BX Options Market Maker. See BX Options 7, Section 1(a).

The Exchange also proposes to reserve note 2 of Options 7, Section 2(1) which currently provides, “The Maker Rebate for Lead Market Makers and Market Makers in SPY will be \$0.22 per contract. The Maker Rebate for Lead Market Makers and Market Makers in AAPL and QQQ will be \$0.42 per contract.” Today, the Penny Symbol Maker Rebates for Lead Market Makers and Market Makers in SPY is reduced to \$0.22 per contract with this note 2. The Exchange would no longer reduce the Penny Symbol Maker Rebates for Lead Market Makers and Market Makers in SPY to \$0.22, rather SPY would be paid the same Maker Rebates (a \$0.24 per contract Lead Market Maker Penny Symbol Maker Rebate and a \$0.20 per contract Market Maker Penny Symbol Maker Rebate) as all other options symbols. Additionally, AAPL and QQQ would no longer be paid a \$0.42 per contract Penny Symbol Maker Rebate for Lead Market Makers and Market Makers, rather AAPL and QQQ would be paid the same Maker Rebates (a \$0.24 per contract Lead Market Maker Penny Symbol Maker Rebate and a \$0.20 per contract Market Maker Penny Symbol Maker Rebate) as all other options symbols. With this proposal, the Exchange would uniformly pay the proposed Lead Market Maker and Market Maker Penny Symbol Maker Rebates on all options symbols.

Options 7, Section 2(3)

Currently, BX assesses a Non-Customer routing fee of \$0.99 per contract and a Customer routing fee of \$0.23 per contract, in addition to the actual transaction fee assessed by the away market, for routing contracts to markets other than The Nasdaq Options Market LLC (“NOM”) and Nasdaq Phlx LLC (“Phlx”). Currently, if the away market pays a rebate, the Exchange assesses a Customer a Routing Fee of \$0.13 per contract for markets other than NOM and Phlx. Currently, BX assesses a Customer a \$0.13 per contract Fixed Fee in addition to the actual transaction fee assessed when routing to NOM and Phlx.

At this time, the Exchange proposes to assess a Non-Customer an increased routing fee to route to any options exchange of \$1.20 per contract. The Exchange also proposes to assess a Customer a Fixed Fee of \$0.23 per contract, in addition to the actual transaction fee assessed by the away market, for routing contracts to any options exchange. The Exchange would no longer assess the lower routing of \$0.13 per contract, in addition to the actual transaction fee assessed, when routing to NOM and Phlx. The Exchange will continue to assess a \$0.13 per contract routing fee if the away market pays a rebate, including NOM and Phlx. The purpose of the proposed routing fees is to recoup costs incurred by the Exchange when routing orders to other options exchanges on behalf of options Participants. In determining its proposed routing fees, the Exchange took into account transaction fees assessed by other options exchanges, the Exchange's projected clearing costs, and the projected administrative, regulatory, and technical costs associated with routing orders to other options exchanges. The Exchange will continue to use its affiliated broker-dealer, Nasdaq Execution Services, to route orders to other options exchanges. Routing services offered by the Exchange are completely optional and market participants can readily select between various providers of routing services, including other exchanges and broker-dealers. Also, the Exchange notes that market participants may elect to mark their orders as "Do Not Route" to avoid any routing fees.⁹ The Exchange believes that the proposed Routing Fees would enable the Exchange to recover the costs it incurs to route orders to away markets after taking into account the other costs associated with routing orders to other options exchanges. Also, the Exchange's proposal would uniformly assess the same Customer routing fees, regardless of the away venue, of \$0.23 per contract, in addition to the actual transaction fee assessed, or \$0.13 per contract if the away market pays a rebate.

⁹ See BX Options 3, Section 7(c).

Options 7, Section 2(4)

Today, the Exchange assesses the below fees and pays the below rebates for execution of contracts on BX that generate an order exposure alert¹⁰ pursuant to Options 5, Section 4.

Customer	Lead Market Maker	BX Options Market Maker	Non-Customer	
Penny Symbols:				
Rebate for Order triggering order exposure alert:	\$0.34	\$0.00	\$0.00	\$0.00
Fee for Order responding to order exposure alert:	\$0.39	\$0.39	\$0.39	\$0.45
Non-Penny Symbols:				
Rebate for Order triggering order exposure alert:	\$0.70	\$0.00	\$0.00	\$0.00
Fee for Order responding to order exposure alert:	\$0.85	\$0.85	\$0.85	\$0.89

At this time, the Exchange proposes to amend its pricing related to execution of contracts on BX that generate an order exposure alert. With respect to Customer fees and rebates, the Exchange proposes to increase the Penny Symbol rebate for an order triggering an order exposure alert from \$0.34 to \$0.47 per contract. The Exchange proposes to increase the Customer Penny Symbol fee for orders that respond to an order exposure alert from \$0.39 to \$0.47 per contract. The Exchange proposes to increase the Customer Non-Penny Symbol rebate for an order triggering an order exposure alert from \$0.70 to \$1.10 per contract. The Exchange proposes to increase the Customer Non-Penny Symbol fee for orders that respond to an order exposure alert from \$0.85 to \$1.25 per contract.

With respect to Lead Market Maker fees and rebates, the Exchange proposes to increase the Penny Symbol rebate for an order triggering an order exposure alert from \$0.00 to \$0.10 per

¹⁰ An order exposure alert provides marketable orders on BX's order book an additional opportunity for execution on BX when it is not part of the national best bid or offer ("NBBO") contra to the order and the order locks or crosses the away best bid or offer ("ABBO").

contract. The Exchange proposes to increase the Lead Market Maker Penny Symbol fee for orders that respond to an order exposure alert from \$0.39 to \$0.50 per contract. The Exchange proposes to increase the Lead Market Maker Non-Penny Symbol rebate for an order triggering an order exposure alert from \$0.00 to \$0.25 per contract. The Exchange proposes to increase the Lead Market Maker Non-Penny Symbol fee for orders that respond to an order exposure alert from \$0.85 to \$1.25 per contract.

With respect to Market Maker fees and rebates, the Exchange proposes to increase the Penny Symbol rebate for an order triggering an order exposure alert from \$0.00 to \$0.10 per contract. The Exchange proposes to increase the Market Maker Penny Symbol fee for orders that respond to an order exposure alert from \$0.39 to \$0.50 per contract. The Exchange proposes to increase the Market Maker Non-Penny Symbol rebate for an order triggering an order exposure alert from \$0.00 to \$0.25 per contract. The Exchange proposes to increase the Market Maker Non-Penny Symbol fee for orders that respond to an order exposure alert from \$0.85 to \$1.25 per contract.

With respect to Non-Customer fees and rebates, the Exchange proposes to increase the Penny Symbol rebate for an order triggering an order exposure alert from \$0.00 to \$0.10 per contract. The Exchange proposes to increase the Non-Customer Penny Symbol fee for orders that respond to an order exposure alert from \$0.45 to \$0.50 per contract. The Exchange proposes to increase the Non-Customer Non-Penny Symbol rebate for an order triggering an order exposure alert from \$0.00 to \$0.25 per contract. The Exchange proposes to increase the Non-Customer Non-Penny Symbol fee for orders that respond to an order exposure alert from \$0.89 to \$1.25 per contract.

While the Exchange is increasing fees to respond to an order exposure alert, it is also increasing rebates that trigger an order exposure alert. The Exchange believes that this pricing will continue to provide incentives to Participants to utilize the order exposure functionality which facilitates the ability of the Exchange to bring together participants and encourage more robust competition for orders.

Options 7, Section 2(5)

Currently, the Exchange assesses the below fees and pays the below rebates for orders executed in its PRISM Auction.

Fees and rebates (per contact)

Type of Market Participants	Submitted PRISM Auction Order fee		Response to PRISM Auction fee		PRISM Order Traded With PRISM Response rebate	
	PRISM Order	Initiating Order	Penny Classes	Non-Penny Classes	Penny Classes	Non-Penny Classes
Customer	\$0.00	\$0.00	\$0.49	\$0.94	\$0.35	\$0.70
Lead Market Maker	\$0.00	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00
BX Options Market Maker	\$0.00	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00
Non-Customer	\$0.00	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00

The Exchange proposes to amend its PRISM pricing to delineate PRISM Auction Orders¹¹ in Penny and Non-Penny Classes. Today, the Exchange assesses no PRISM Order¹² fee to any Participant in Penny or Non-Penny Classes and assesses Non-Customers a \$0.05 per

¹¹ A PRISM Auction Order is a two-sided, paired order comprised of a PRISM Order and an Initiating Order. See BX Options 7, Section 2(5).

¹² A PRISM Order is one-side of a PRISM Auction Order that represents an agency order on behalf a Public Customer, broker-dealer or other entity which is paired with an Initiating Order. See BX Options 7, Section 2(5).

contract Initiating Order¹³ fee in Penny and Non-Penny Classes. With respect to PRISM Auction Orders submitted in Penny Classes, the Exchange proposes to continue to assess no PRISM Order fee to any Participant and also proposes to amend the Non-Customer Initiating Order Fees from \$0.05 to \$0.00 per contract. Today, Customers are not assessed an Initiating Order Fee in either Penny or Non-Penny Classes. With this proposed change, no Participant will be assessed an Initiating Order fee in Penny Classes.

With respect to PRISM Auction Orders submitted in Non-Penny Classes, the Exchange proposes to adopt new pricing. The Exchange proposes to pay a Non-Penny Class PRISM Order rebate to a Customer of \$0.12 per contract. Similar to Penny Classes, the Exchange proposes to assess no Non-Penny Class PRISM Order fees or Initiating Order fees to any Participant. The Exchange believes that the proposed pricing will encourage BX Participants to submit a greater amount of PRISM Orders to BX as the Exchange will not assess PRISM Order or Initiating Order fees to any BX Participant (Penny or Non-Penny Class) and it will pay a Non-Penny Class Customer PRISM Order rebate of \$0.12 per contract.

With respect to a PRISM Response¹⁴ to a PRISM Auction¹⁵ the Exchange proposes to increase the \$0.49 per contract fee for Penny Classes, which is currently assessed to all Participants (Customer, Lead Market Maker, BX Options Market Maker, and Non-Customer), to \$0.50 per contract for Lead Market Makers, BX Options Market Makers and Non-Customers. The Exchange proposes to assess a Customer a \$0.40 per contract PRISM Response fee for

¹³ An Initiating Order is one-side of a PRISM Auction Order that represents principal or other interest which is paired with a PRISM Order. See BX Options 7, Section 2(5).

¹⁴ A PRISM Response is interest that executed against the PRISM Order pursuant to Options 3, Section 13. See BX Options 7, Section 2(5).

¹⁵ The Exchange proposes to add the word “PRISM” before “Response” in Options 7, Section 2(5) of the Pricing Schedule to utilize the defined term in the description of the column header.

Penny Classes. Additionally, the Exchange proposes to increase the \$0.94 per contract fee for Non-Penny Classes, which is currently assessed to all Participants (Customer, Lead Market Maker, BX Options Market Maker, and Non-Customer), to \$1.25 per contract for Lead Market Makers, BX Options Market Makers and Non-Customers. The Exchange proposes to assess a Customer a \$0.79 per contract PRISM Response fee for Non-Penny Classes. These proposed fees are the same as the Taker Fees assessed to the same Participants when removing liquidity from the order book. The Exchange is not amending the rebates paid to a PRISM Order when that order trades with a PRISM Response. The Exchange believes that the increased PRISM Response fees will continue to attract order flow to BX since the Exchange is no longer assessing any fees to submit PRISM Orders and Initiating Orders and is now offering a Customer Non-Penny rebate to submit a PRISM Order with this proposal.

Unrelated Market or Marketable Interest

The Exchange assesses fees and pays rebates with respect to unrelated market or marketable interest received prior to the commencement of a PRISM Auction and during a PRISM Auction. Today, when a PRISM Order is a Customer order and executes against unrelated market or marketable interest received *during* a PRISM Auction, the Customer order receives a rebate of \$0.35 per contract for Penny Classes and \$0.70 per contract for Non-Penny Classes, which represents the pricing within Options 7, Section 2(5). In this case, the unrelated market or marketable interest received during a PRISM Auction is assessed a \$0.49 per contract fee for Penny Classes or a \$0.94 per contract fee for Non-Penny Classes as described in Options 7, Section 2(5).

Likewise, today, when a PRISM Order is a Lead Market Maker, BX Options Market Maker or Non-Customer order and executes against unrelated market or marketable interest

received *during* a PRISM Auction, the Lead Market Maker, BX Options Market Maker or Non-Customer order pays no fee, which represents the pricing within Options 7, Section 2(5). In this case, the unrelated market or marketable interest received during a PRISM Auction is assessed a \$0.49 per contract fee for Penny Classes or a \$0.94 per contract fee for Non-Penny Classes as described in Options 7, Section 2(5). In contrast, today, when a PRISM Order is a Customer, Lead Market Maker, BX Options Market Maker or Non-Customer order and executes against unrelated market or marketable interest received *prior* to a PRISM Auction, the Customer, Lead Market Maker, BX Options Market Maker or Non-Customer order is subject to the Taker Fee within Options 7, Section 2(1).¹⁶ The Exchange applies the order book pricing within Options 7, Section 2(1) to interest received *prior to* the PRISM Auction, which is considered unrelated market or marketable interest for purposes of the PRISM Auction. In contrast, the Exchange applies PRISM pricing within Options 7, Section 2(5) to the unrelated market or marketable interest when interest arrived *during* a PRISM Auction.

At this time, the Exchange proposes to amend the unrelated market or marketable interest rule text in Options 7, Section 2(5) to reflect the amendments proposed herein to Options 7, Section 2(1) order book pricing and Options 7, Section 2(5) PRISM pricing. The Exchange believes this pricing will continue to attract liquidity to BX and reward Participants differently for the order flow.

Request for PRISM

¹⁶ Today, BX assesses the following Penny Symbol Taker Fees: \$0.50 per contract for a Lead Market Maker, Market Maker, Non-Customer, and Firm and \$0.46 per contract for a Customer. BX assesses the following Non-Penny Symbol Taker Fees: \$1.10 per contract for a Lead Market Maker, Market Maker, Non-Customer, and Firm and \$0.79 per contract for a Customer. The Exchange is proposing changes to these fees as described herein.

With respect to Request for PRISM¹⁷ Pricing, today, in lieu of Options 7, Section 2(5) pricing, different pricing is assessed and paid to PRISM Auction Orders which commenced as a Request for PRISM pursuant to Options 3, Section 7(e)(1)(A)(1)(b) and executed in the PRISM Auction. With respect to PRISM Orders, today, a rebate of \$0.35 per contract for Penny Classes and \$0.70 per contract for Non-Penny Classes is paid to a PRISM Order when a BX Participant responds to a Request for PRISM with an Initiating Order, provided the PRISM Order trades with an Initiating Order. Also, today, a rebate of \$0.35 per contract for Penny Classes and \$0.70 per contract for Non-Penny Classes is paid to the PRISM Order when the PRISM Order trades with a PRISM Response. This pricing is not being amended.

With respect to Initiating Orders, today, a fee of \$0.49 per contract for Penny Classes and \$0.94 per contract fee for Non-Penny Classes is assessed to the Initiating Order when a BX Participant responds to a Request for PRISM with an Initiating Order, provided the PRISM Order trades with an Initiating Order. This pricing is being amended such that a fee of \$0.50 per contract for Penny Classes and \$1.25 per contract fee for Non-Penny Classes will be assessed to the Initiating Order when a BX Participant responds to a Request for PRISM with an Initiating Order, provided the PRISM Order trades with an Initiating Order.

With respect to Responses to a PRISM Auction, today, Responses to a PRISM Auction is assessed \$0.49 per contract fee for Penny Classes and a \$0.94 per contract fee for Non-Penny Classes. This pricing is being amended such that Responses to a PRISM Auction will be assessed \$0.50 per contract fee for Penny Classes and a \$1.25 per contract fee for Non-Penny Classes.

¹⁷ A Request for PRISM is a mechanism to submit orders into a PRISM Auction as described within Options 3, Section 7(e)(1)(A)(1)(b). See BX Options 7, Section 2(5).

While the Exchange is increasing the pricing to Initiating Orders and Responses to a PRISM Auction, the Exchange believes that this pricing remains competitive and will continue to attract PRISM Auction order flow to BX.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁸ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁹ 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 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 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 Commission²⁰ (“NetCoalition”), the D.C. Circuit stated, “[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’”²¹

¹⁸ 15 U.S.C. 78f(b).

¹⁹ 15 U.S.C. 78f(b)(4) and (5).

²⁰ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

²¹ Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options transaction services. The Exchange is only one of seventeen 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. Within the foregoing context, the proposal represents a reasonable attempt by the Exchange to attract additional order flow to the Exchange and increase its market share relative to its competitors.

Options 7, Section 2(1)

The Exchange's proposal to reduce the Lead Market Maker and Market Maker Penny Symbol Maker Rebates and the Customer Penny Symbol Taker Fee is reasonable. Despite the reduction of these Penny Symbol Maker Rebates for Lead Market Makers and Market Makers, the Exchange will continue to offer these rebates to incentivize Participants to continue to direct order flow to BX. The reduction of the Customer Penny Symbol Taker Fee from \$0.46 to \$0.40 per contract will attract more Customer order flow to BX to take advantage of the lower rate.

The Exchange's proposal to reduce the Lead Market Maker and Market Maker Penny Symbol Maker Rebates and the Customer Penny Symbol Taker Fee is equitable and not unfairly discriminatory. With respect to the amendments to the Lead Market Maker and Market Maker Penny Symbol Maker Rebates, the Exchange notes that unlike other market participants, Lead Market Makers and Market Makers add value through continuous quoting and the commitment of capital.²² Further, differentiating Lead Market Makers and Market Makers is equitable and not unfairly discriminatory because Lead Market Makers are subject to heightened quoting

²² See BX Options 2, Section 4.

obligations²³ as compared to Market Makers. The higher rebate therefore recognizes the differing contributions made to the liquidity and trading environment on the Exchange by Lead Market Makers. Overall, the Exchange believes that incentivizing both Lead Market Makers and Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction. The reduction of the Customer Penny Symbol Taker Fee from \$0.46 to \$0.40 per contract is equitable and not unfairly discriminatory because Customers will continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances market quality on the Exchange by providing more trading opportunities, which benefits all market participants.

The Exchange's proposal to increase²⁴ the Customer Non-Penny Symbol Maker Rebate and Non-Customer Non-Penny Symbol Taker Fees is reasonable. Increasing the Customer Maker Rebate from \$0.90 to \$1.10 per contract will attract more Customer order flow to BX. With respect to increasing the Taker Fees for all Non-Customers from \$1.10 to \$1.25 per contract, the Exchange believes that these fees will continue to draw participants seeking liquidity to BX because BX is increasing its Non-Penny Customer Maker Rebate to enhance its market quality and provide more trading opportunities, which benefits all market participants.

The Exchange's proposal to increase the Customer Non-Penny Symbol Maker Rebate and Non-Customer Non-Penny Symbol Taker Fees is equitable and not unfairly discriminatory. The increase in the Customer Non-Penny Symbol Maker Rebate from \$0.90 to \$1.10 is equitable and not unfairly discriminatory because Customers will continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances market quality on

²³ Id.

²⁴ The Exchange proposes to increase the Maker Rebates for Customer from \$0.90 to \$1.10 per contract and increase the Taker Fees for all Non-Customers from \$1.10 to \$1.25 per contract.

the Exchange by providing more trading opportunities, which benefits all market participants. The increase in the Non-Penny Symbol Taker Fees for all Non-Customers from \$1.10 to \$1.25 per contract, is equitable and not unfairly discriminatory because the Exchange will uniformly assess the Non-Penny Taker Fees to all Non-Customers.

With respect to note 1 of Options 7, Section 2(1), the Exchange's proposal to reduce the Customer Penny Symbol Taker Fee from the proposed \$0.40 per contract to \$0.33 per contract for trades which remove liquidity in SPY, the Exchange believes that this is reasonable because note 1 will continue to attract Customer Penny Symbol SPY transactions that remove liquidity as the Exchange will continue to offer this discount, albeit a lesser discount as proposed. Also, Customers will continue to receive favorable pricing in SPY as compared to Non-Customers. Additionally, the Exchange's proposal to extend this discount to Customer Penny Symbol transactions that remove liquidity in QQQ and IWM will attract QQQ and IWM transactions that remove liquidity to BX. In addition, the Exchange believes that it is reasonable to pay lower fees in SPY, QQQ and IWM as compared to other options symbols because the Exchange is seeking to incentivize greater order flow in these highly liquid Penny Symbols which are subject to greater competition among options exchanges. Finally, the Exchange's proposal to reserve note 2 of Options 7, Section 2(1) is reasonable because the Exchange would assess the Penny Symbol Maker Rebate for Lead Market Makers and Market Makers in SPY, AAPL and QQQ the same fees as it assesses to all other options symbols.

With respect to note 1 of Options 7, Section 2(1), the Exchange's proposal to reduce the Customer Penny Symbol Taker Fee from \$0.40 to \$0.33 per contract for trades which remove liquidity in SPY and also extend this discount to Customer Penny Symbol Taker Fees that remove liquidity in QQQ and IWM is equitable and not unfairly discriminatory because

Customer liquidity enhances market quality on the Exchange by providing more trading opportunities, which benefits all market participants. Additionally, the Exchange will assess the lower Taker Fee uniformly to all Customer Penny Symbol Taker Fees in SPY, QQQ and IWM. Finally, the Exchange's proposal to reserve note 2 of Options 7, Section 2(1) is equitable and not unfairly discriminatory because the Exchange would pay the same Penny Symbol Maker Rebates to Lead Market Makers and Market Makers for all other options symbols.

Options 7, Section 2(3)

The Exchange's proposal to assess a Non-Customer an increased routing fee of \$1.20 to route to another options exchange and a Customer a Fixed Fee of \$0.23 per contract, in addition to the actual transaction fee assessed by the away market, for routing contracts to any options exchange²⁵ is reasonable because the proposed Routing Fees would enable the Exchange to recover the costs it incurs to route orders to away markets after taking into account the other costs associated with routing orders to other options exchanges. In determining its proposed routing fees, the Exchange took into account transaction fees assessed by other options exchanges, the Exchange's projected clearing costs, and the projected administrative, regulatory, and technical costs associated with routing orders to other options exchanges. While the Exchange is no longer offering a discounted Routing Fee to route to NOM and Phlx, the Exchange notes that the Routing Fee will be \$0.13 for these markets, similar to other options markets, if they pay a rebate.²⁶ Routing services offered by the Exchange are completely optional and market participants can readily select between various providers of routing services,

²⁵ The Exchange would no longer assess the lower routing of \$0.13 per contract, in addition to the actual transaction fee assessed, when routing to NOM and Phlx.

²⁶ Both NOM and Phlx offer rebates. See NOM's Pricing Schedule at Options 7, Section 2 and Phlx's Pricing Schedule at Options 7, Sections 2 and 4.

including other exchanges and broker-dealers. Also, the Exchange notes that market participants may elect to mark their orders as “Do Not Route” to avoid any routing fees.²⁷

The Exchange’s proposal to assess a Non-Customer an increased routing fee of \$1.20 to route to another options exchange and a Customer a Fixed Fee of \$0.23 per contract, in addition to the actual transaction fee assessed by the away market, for routing contracts to any options exchange is equitable and not unfairly discriminatory as all Non-Customers would be assessed a uniform routing fee. Additionally, Customers will be uniformly assessed the same fee, regardless of the destination market. Customers will continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances market quality on the Exchange by providing more trading opportunities, which benefits all market participants. Finally, the Exchange notes that market participants may elect to market orders as Do Not Route to avoid any routing fees.

Options 7, Section 2(4)

The Exchange’s proposal to amend its pricing related to execution of contracts on BX that generate an order exposure alert is reasonable. While the Exchange is increasing fees to respond to an order exposure alert, it is also increasing rebates that trigger an order exposure alert. The Exchange believes that this pricing will continue to provide incentives to Participants to utilize the order exposure functionality which facilitates the ability of the Exchange to bring together participants and encourage more robust competition for orders. For Penny Symbols and Non-Penny Symbols, increasing the Customer rebate for orders triggering order exposure alert, and offering higher Customer rebates as compared to Non-Customer rebates is reasonable because it encourages the desired Customer behavior by attracting Customer interest to the

²⁷ See BX Options 3, Section 7(c).

Exchange. Increasing the Customer, Lead Market Maker, Market Maker, and Non-Customer fees for orders responding to order exposure alerts in Penny Symbols and Non-Penny Symbols is reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. Additionally, for Penny Symbols, Customers would pay the lowest fee for responding to order exposure alert while all Participants are assessed the same fee for Non-Penny Symbols.

The Exchange's proposal to amend its pricing related to execution of contracts on BX that generate an order exposure alert is equitable and not unfairly discriminatory. Customers are being paid higher Penny Symbol and Non-Penny Symbol rebates and lower Penny Symbols fees as compared to Non-Customers because Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The Exchange also is assessing the same Non-Penny Symbol fees uniformly to all Participants.

Options 7, Section 2(5)

The Exchange's proposal to amend its PRISM pricing is reasonable because the Exchange proposes to not assess an Initiating Order fee in Penny and Non-Penny Classes. Today, the Exchange assesses no PRISM Order fee to any Participant in Penny or Non-Penny Classes and assesses Non-Customers a \$0.05 per contract Initiating Order fee in Penny and Non-Penny Classes. The Exchange proposes to continue to assess no PRISM Order fee and also proposes to amend the Non-Customer Initiating Order Fees from \$0.05 to \$0.00 per contract. Today, Customers are not assessed an Initiating Order Fee in either Penny or Non-Penny Classes. With this proposed change, no Participant will be assessed an Initiating Order fee in

Penny Classes and Non-Penny Classes. Further, the Exchange proposes to pay a Non-Penny Class PRISM Order rebate to a Customer of \$0.12 per contract. The Exchange believes that the proposed pricing will encourage BX Participants to submit a greater amount of PRISM Orders to BX as the Exchange will not assess PRISM Order or Initiating Order fees to any BX Participant and it will pay a Non-Penny Class PRISM Order rebate to a Customer of \$0.12 per contract.

With respect to a PRISM Response to a PRISM Auction the Exchange's proposal to increase the \$0.49 per contract fee for Penny Classes, which is currently assessed to all Participants to \$0.50 per contract and the proposal to increase the \$0.94 per contract fee for Non-Penny Classes, which is currently assessed to all Participants, to \$1.25 per contract is reasonable because despite these increases, the Exchange believes that the pricing will continue to encourage Participants to send order to BX's PRISM Auction. Additionally, the proposed PRISM Response fees would be equivalent to the Penny Symbol Taker Fees in Options 7, Section 2(1) of \$0.50 per contract for Lead Market Makers, BX Options Market Makers and Non-Customers and \$0.40 per contract for Customers. Additionally, the proposed PRISM Response Fees would be equivalent to the Non-Penny Symbol Taker Fees in Options 7, Section 2(1) of \$1.25 per contract for Lead Market Makers, BX Options Market Makers and Non-Customers and \$0.79 per contract for Customers.

The Exchange's proposal harmonizes the PRISM Response fees for Penny and Non-Penny Classes so that they are the same as the Taker Fees assessed to each market participant when they remove liquidity from the order book. The Exchange believes that it is reasonable to assess Penny and Non-Penny Class PRISM Response Fees that are equivalent to those Taker Fees assessed to Participants for removing liquidity from the order book because orders resting on the order book may respond to PRISM Auctions similar to PRISM Responses entered during a PRISM Auction. The Exchange believes that despite the increase in these PRISM Response

Fees, the fees remain competitive with the pricing to remove liquidity from the order book.

The Exchange's proposal to amend its PRISM pricing is equitable and not unfairly discriminatory. The Exchange will uniformly not assess a Penny Class or Non-Penny Class PRISM Order fee or Initiating Order Fee to any Participant. While Customers will receive a Penny Symbol PRISM Order rebate, the Exchange notes that Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. The proposed PRISM Response Fees would be equivalent to the Penny Symbol Taker Fees in Options 7, Section 2(1) of \$0.50 per contract for Lead Market Makers, Market Makers and Non-Customers and \$0.40 per contract for Customers. Additionally, the proposed PRISM Response Fees would be equivalent to the Non-Penny Symbol Taker Fees in Options 7, Section 2(1) of \$1.25 per contract for Lead Market Makers, Market Makers and Non-Customers and \$0.79 per contract for Customers. Assessing Customers a lower Response Fee as compared to Non-Customers is equitable and not unfairly discriminatory because Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. Further, assessing no fee to the Initiating Order and assessing Response Fees as described above to Participants that respond to the PRISM Auction is equitable and not unfairly discriminatory because the Exchange desires to encourage Participants to submit PRISM Orders to BX. Responders, similar to Participants that remove liquidity from the order book, may interact with the PRISM Order and receive an allocation. Of note, any BX Participant may respond to a PRISM Auction. Similar to the manner in which the Exchange assesses fees to takers of liquidity in Options 7, Section 2(1), Participants who remove liquidity are assessed fees to

interact with the liquidity. The Exchange incentivizes Participants that add liquidity on our markets by assessing lower fees and/or rebates to encourage order flow to be sent to BX. The Exchange believes that creating a similar model to encourage Participants to bring two-sided orders into the PRISM Auction and assessing higher fees for the Participants that interact with those orders is equitable and not unfairly discriminatory as well as consistent with the fee structure in place on BX today. Finally, BX Participants may elect not to utilize the PRISM Auction and only transact options on the order book, in which case they would not incur the Responder Fees.

Unrelated Market or Marketable Interest

The Exchange's proposal to amend the unrelated market or marketable interest rule text in Options 7, Section 2(5) to reflect the proposed changes to Options 7, Section 2(1) order book pricing and Options 7, Section 2(5) PRISM pricing is reasonable because the Exchange seeks to incentivize Participants to submit PRISM Auction Orders to receive a guaranteed execution, potential price improvement, and Customer rebates. The Exchange's PRISM pricing assesses fees to PRISM Responses and unrelated market or marketable interest that allocated in the PRISM Auction and rewards those BX Participants with a guaranteed execution and potential price improvement. The response fees assessed by the Exchange are intended to fund the Customer rebates paid by the Exchange which seek to incentivize increased Customer order flow to the PRISM Auction. While the Exchange's proposal increases these fees, the Exchange believes this pricing will continue to attract liquidity to BX and reward Participants differently for the order flow.

The Exchange's proposal to amend the unrelated market or marketable interest rule text in Options 7, Section 2(5) to reflect the proposed changes to Options 7, Section 2(1) order book

pricing and Options 7, Section 2(5) PRISM pricing is equitable and not unfairly discriminatory. All BX Participants who submitted unrelated market or marketable interest which rested on the order book *prior* to the commencement of a PRISM Auction will be uniformly paid a Maker Rebate. The Exchange's proposal would treat BX Participants who submitted unrelated market or marketable interest which rested on the order book *prior* to the commencement of a PRISM Auction in the same manner as other BX Participants who posted liquidity on the order book as they would both be considered makers of liquidity. Further, all Participants who submitted a PRISM Order that executed against the unrelated market or marketable interest that posted to the order book *prior* to the commencement of a PRISM Auction would be uniformly assessed a Taker Fee. The Exchange's proposal would treat BX Participants who submitted PRISM Order that executed against the unrelated market or marketable interest that posted to the order book *prior* to the commencement of a PRISM Auction in the same manner as other BX Participants who removed liquidity from the order book as they would both be considered takers of liquidity.

Request for PRISM

The Exchange's proposal to amend pricing for PRISM Orders submitted via a Request for PRISM is reasonable. While the Exchange is increasing the Initiating order fees in Penny and Non-Penny Classes as well as the Responses to a PRISM Auction in Penny and Non-Penny Classes, the Exchange believes that this pricing will continue to incentivize BX Participants to utilize the Request for PRISM feature to obtain liquidity, potential price improvement, as well as a rebate for the PRISM Order. Further, the Exchange notes that it will continue to offer certain rebates to attract BX Participants to utilize the Request for PRISM mechanism. Further, the Exchange believes it is reasonable to assess a higher fee for the Initiating Order that was submitted with the Request for PRISM mechanism, where fees are the same as those assessed to

responders in the PRISM Auction, because BX Participants are able to obtain immediate liquidity. The Request for PRISM mechanism is utilized by Participants as a liquidity seeking tool that if not available would require a BX Participant to source liquidity from third parties, expending time and potential additional cost. The Request for PRISM mechanism offers Participants the opportunity to immediately commence a PRISM Auction without the need to source liquidity. Liquidity providers that enter orders directly into PRISM and do not utilize the Request for PRISM mechanism have expended time sourcing liquidity with third parties outside of the Exchange. The Exchange believes that BX Participants benefit from the liquidity seeking mechanism that is being offered by the Exchange to allow certain market participants to compete with other market participants whose business model is designed to source liquidity. The proposed fee for Initiating Orders who respond to a Request for PRISM, when the PRISM Order trades with an Initiating Order, would enable the Exchange to offer rebates to BX Participants submitting PRISM Orders into the Request for PRISM mechanism. The Exchange believes the fees for responders are reasonable because responders to a PRISM Auction would pay the same fee of \$0.50 per contract fee for Penny Classes and \$1.25 per contract fee for Non-Penny Classes regardless of whether the Request for PRISM mechanism was utilized to initiate a PRISM Auction or the PRISM Auction Order was entered directly into PRISM as a paired order.

The Exchange's proposal to amend pricing for PRISM Orders submitted via a Request for PRISM is equitable and not unfairly discriminatory because any BX Participant may utilize the Request for PRISM feature. Also, any BX Participant may respond to a PRISM Auction and all BX Participants benefit from the ability to interact with additional order flow.²⁸ The Request for PRISM mechanism provides greater flexibility for Participants submitting orders into

²⁸ The identity of the sender and the recipients are not known to any party.

PRISM, specifically providing an avenue for BX Participants desiring to send orders to the PRISM mechanism to locate an Initiating Order to pair their PRISM Order with and participate in a PRISM Auction. All Participants that enter a PRISM Order into the Request for PRISM mechanism are uniformly entitled to a rebate if the PRISM Order trades with the Initiating Order or if the PRISM Order trades with a PRISM Response. Also, all Participants that enter Initiating Orders into the Request for PRISM mechanism are uniformly assessed a fee provided the PRISM Order trades with the Initiating Order. The proposed fees for an Initiating Order entered into the Request for PRISM mechanism that trade with a PRISM Response are equivalent to the pricing for responders pursuant to Options 7, Section 2(5) because BX Participants benefit from the liquidity seeking mechanism that is being offered. The mechanism allows certain market participants to compete with other market participants whose business model is designed to source liquidity.

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.

Intermarket 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 to initiate a price improvement auction. 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. 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.

Intramarket Competition

Options 7, Section 2(1)

The Exchange's proposal to reduce certain Penny Symbol Maker Rebates and Taker Fees and increase certain Non-Penny Symbol Maker Rebates and Taker Fees does not impose an undue burden on competition. With respect to the amendments to the Lead Market Maker and Market Maker Penny Symbol Maker Rebates, the Exchange notes that unlike other market participants, Lead Market Makers and Market Makers add value through continuous quoting and the commitment of capital.²⁹ Further, differentiating Lead Market Makers and Market Makers is equitable and not unfairly discriminatory because Lead Market Makers are subject to heightened quoting obligations³⁰ as compared to Market Makers. The higher rebate therefore recognizes the differing contributions made to the liquidity and trading environment on the Exchange by Lead Market Makers. Overall, the Exchange believes that incentivizing both Lead Market Makers and Market Makers to provide greater liquidity benefits all market participants through the quality of order interaction. The reduction of the Customer Penny Symbol Taker Fee from \$0.46 to \$0.40 per contract and the increase in the Non-Penny Symbol Maker Rebates for Customers from \$0.90 to \$1.10 does not impose an undue burden on competition because Customers will continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances market quality on the Exchange by providing more trading opportunities,

²⁹ See BX Options 2, Section 4.

³⁰ Id.

which benefits all market participants. The Exchange's proposal to increase the Non-Penny Symbol Taker Fees for all Non-Customers from \$1.10 to \$1.25 per contract does not impose an undue burden on competition because the Exchange will uniformly assess the Non-Penny Taker Fees to all Non-Customers.

With respect to note 1 of Options 7, Section 2(1), the Exchange's proposal to reduce the Customer Penny Symbol Taker Fee from \$0.40 to \$0.33 per contract for trades which remove liquidity in SPY and also extend this discount to Customer Penny Symbol Taker Fees that remove liquidity in QQQ and IWM does not impose an undue burden on competition because Customer liquidity enhances market quality on the Exchange by providing more trading opportunities, which benefits all market participants. Additionally, the Exchange will assess the lower Taker Fee uniformly to all Customer Penny Symbol Taker Fees in SPY, QQQ and IWM. Finally, the Exchange's proposal to reserve note 2 of Options 7, Section 2(1) does not impose an undue burden on competition because the Exchange would pay the same Penny Symbol Maker Rebates to Lead Market Makers and Market Makers for all other options symbols.

Options 7, Section 2(3)

The Exchange's proposal to assess a Non-Customer an increased routing fee of \$1.20 to route to another options exchange and a Customer a Fixed Fee of \$0.23 per contract, in addition to the actual transaction fee assessed by the away market, for routing contracts to any options exchange does not impose an undue burden on competition because all Non-Customers would be assessed a uniform routing fee. Additionally, all Customers will be uniformly assessed the same fee, regardless of the destination market. Customers will continue to receive favorable pricing as compared to other market participants because Customer liquidity enhances market quality on the Exchange by providing more trading opportunities, which benefits all market participants.

Finally, the Exchange notes that market participants may elect to market orders as Do Not Route to avoid any routing fees.

Options 7, Section 2(4)

The Exchange's proposal to amend its pricing related to execution of contracts on BX that generate an order exposure alert does not impose an undue burden on competition. Customers are being paid higher Penny Symbol and Non-Penny Symbol rebates and lower Penny Symbols fees as compared to Non-Customers because Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The Exchange also is assessing the same Non-Penny Symbol fees uniformly to all Participants.

Options 7, Section 2(5)

The Exchange's proposal to amend its PRISM pricing does not impose an undue burden on competition. The Exchange will uniformly not assess a Penny Class or Non-Penny Class PRISM Order fee or Initiating Order Fee to any Participant. While Customers will receive a Penny Symbol PRISM Order rebate, the Exchange notes that Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. Additionally, the Exchange will uniformly assess the PRISM Response fee to all Participants. The proposed PRISM Response Fees would be equivalent to the Penny Symbol Taker Fees in Options 7, Section 2(1) of \$0.50 per contract for Lead Market Makers, Market Makers and Non-Customers and \$0.40 per contract for Customers. Additionally, the proposed PRISM Response

Fees would be equivalent to the Non-Penny Symbol Taker Fees in Options 7, Section 2(1) of \$1.25 per contract for Lead Market Makers, Market Makers and Non-Customers and \$0.79 per contract for Customers. Assessing Customers a lower Response Fee as compared to Non-Customers is equitable and not unfairly discriminatory because Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. Further, assessing no fee to the Initiating Order and assessing Response Fees as described above to Participants that respond to the PRISM Auction is equitable and not unfairly discriminatory because the Exchange desires to encourage Participants to submit PRISM Orders to BX. Responders, similar to Participants that remove liquidity from the order book, may interact with the PRISM Order and receive an allocation. Of note, any BX Participant may respond to a PRISM Auction. Similar to the manner in which the Exchange assesses fees to takers of liquidity in Options 7, Section 2(1), Participants who remove liquidity are assessed fees to interact with the liquidity. The Exchange incentivizes Participants that add liquidity on our markets by assessing lower fees and/or rebates to encourage order flow to be sent to BX. The Exchange believes that creating a similar model to encourage Participants to bring two-sided orders into the PRISM Auction and assessing higher fees for the Participants that interact with those orders is equitable and not unfairly discriminatory as well as consistent with the fee structure in place on BX today. Finally, BX Participants may elect not to utilize the PRISM Auction and only transact options on the order book, in which case they would not incur the Responder Fees.

Unrelated Market or Marketable Interest

The Exchange's proposal to amend the unrelated market or marketable interest rule text

in Options 7, Section 2(5) to reflect the proposed changes to Options 7, Section 2(1) order book pricing and Options 7, Section 2(5) PRISM pricing does not impose an undue burden on competition. All BX Participants who submitted unrelated market or marketable interest which rested on the order book *prior* to the commencement of a PRISM Auction will be uniformly paid a Maker Rebate. The Exchange's proposal would treat BX Participants who submitted unrelated market or marketable interest which rested on the order book *prior* to the commencement of a PRISM Auction in the same manner as other BX Participants who posted liquidity on the order book as they would both be considered makers of liquidity. Further, all Participants who submitted a PRISM Order that executed against the unrelated market or marketable interest that posted to the order book *prior* to the commencement of a PRISM Auction would be uniformly assessed a Taker Fee. The Exchange's proposal would treat BX Participants who submitted PRISM Order that executed against the unrelated market or marketable interest that posted to the order book *prior* to the commencement of a PRISM Auction in the same manner as other BX Participants who removed liquidity from the order book as they would both be considered takers of liquidity.

Request for PRISM

The Exchange's proposal to amend pricing for PRISM Orders submitted via a Request for PRISM does not impose an undue burden on competition because any BX Participant may utilize the Request for PRISM feature. Also, any BX Participant may respond to a PRISM Auction and all BX Participants benefit from the ability to interact with additional order flow.³¹ The Request for PRISM mechanism provides greater flexibility for Participants submitting orders into PRISM, specifically providing an avenue for BX Participants desiring to send orders

³¹ The identity of the sender and the recipients are not known to any party.

to the PRISM mechanism to locate an Initiating Order to pair their PRISM Order with and participate in a PRISM Auction. All Participants that enter a PRISM Order into the Request for PRISM mechanism are uniformly entitled to a rebate if the PRISM Order trades with the Initiating Order or if the PRISM Order trades with a PRISM Response. Also, all Participants that enter Initiating Orders into the Request for PRISM mechanism are uniformly assessed a fee provided the PRISM Order trades with the Initiating Order. The proposed fees for an Initiating Order entered into the Request for PRISM mechanism that trade with a PRISM Response are equivalent to the pricing for responders pursuant to Options 7, Section 2(5) because BX Participants benefit from the liquidity seeking mechanism that is being offered. The mechanism allows certain market participants to compete with other market participants whose business model is designed to source liquidity.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.³²

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,

³² 15 U.S.C. 78s(b)(3)(A)(ii).

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-BX-2023-031 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-2023-031. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-BX-2023-031 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Christina Z. Milnor,

Assistant Secretary.

³³ 17 CFR 200.30-3(a)(12).