SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83642; File No. SR-BX-2018-029)  

July 16, 2018  

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BX Rules at Chapter VII, Section 6 related to Market Maker Quotations, Section 14 related to Lead Market Maker Quotations and Section 15 related to Directed Market Maker Quotations  

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 July 2, 2018, 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 and II 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 Rules at Chapter VII, Section 6 related to Market Maker quotations, Section 14 related to Lead Market Maker quotations and Section 15 related to Directed Market Maker quotations.  

The text of the proposed rule change is available on the Exchange’s Website at http://nasdaqbx.cchwallstreet.com/, 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 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

BX proposes to amend the current rule text of Chapter VII, Section 6(d), Section 14 and Section 15 related to quoting obligations for Market Makers, Lead Market Makers and Directed Market Makers, to restructure the current rule to mirror rule text utilized on Nasdaq Phlx LLC. The Exchange does not propose to amend the current quoting obligations, rather the Exchange proposes to more clearly state the current quoting obligations utilizing the same format as Phlx Rule 1081(c).

Chapter VII, Section 6(d)(i)

The Exchange proposes to amend Chapter VII, Section 6(d) to remove the word “continuous” from this first sentence in the rule. The Exchange is removing the word “continuous” because the Exchange notes that Market Makers quote a percentage of the day and therefore the word continuous may not accurately reflect the manner in which Market Makers quote on BX. The Exchange proposes to retitle Section 6(d) as “Intra-day Quotes.”

The Exchange also proposes to replace references to “continuous” with “intra-day” within the Rulebook. The Exchange proposes to amend Chapter V, Section 3 to replace “continuous quoting” with “intra-day quoting.”

The Exchange proposes to amend proposed Chapter VII, Section 14(f)(4) to replace “continuous electronic quote obligation” with “intra-day electronic quote obligation.” The Exchange proposes to amend proposed Chapter VII, Section

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3 Phlx Rule 1081(c)(ii).
14(g) to replace “continuous quotes” with “intra-day quotes.” The Exchange proposes to amend Chapter VII, Section 15(iii)(d) to replace “continuous electronic quote obligation” with “intra-day electronic quote obligation.” The Exchange proposes to amend Chapter X, Section 7(c) to replace “continuous quotes” and “continuous bids and offers” with “intra-day quotes” and “intra-day bids and offers.”

The Exchange proposes to amend Chapter VII, Section 6(d)(i) to delete the first sentence of this paragraph, “On a daily basis, a Market Maker must during regular market hours make markets consistent with the applicable quoting requirements specified in these rules, on a continuous basis in options in which the Market Maker is registered.” The Exchange believes that a Market Maker’s obligation to enter bids and offers for the options to which it is registered is currently noted in proposed Chapter VII, Section 6(d). The Exchange proposes to specifically detail a Market Maker’s quoting obligations in the proposed rule text and therefore believes that this sentence is not necessary because the following sentences replaces this sentence with the exception of the intra-day aspect as described below.

The Exchange proposes to add new rule text to Chapter VII, Section 6(d)(i). The first new sentence will provide “A Market Maker must enter bids and offers for the options to which it is registered, except in an assigned options series listed intra-day 4 on the Exchange.” The Exchange believes this sentence is more specific than Section 6(d) because it accepts [sic] the intra-day quotes. Today, a Market Maker is not held to quote an intra-day add of a series because the options series was not available for trading the entire day. The Exchange is adding this exception to the rule text to make clear that Market Makers would not be responsible for quoting an intra-day addition. The Exchange believes that not counting intra-day adds of a series

4 An intra-day add of a series shall be defined, for purposes of this Phlx Rule 1081 [sic], as an option series that is added manually on the same day the series begins trading.
that were not available for the entire day of trading is consistent with the Act because the Market Maker would not have the opportunity to trade that particular options series for the entire trading day. The Exchange also proposes to note, “On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below.” The Exchange proposes to note within the new rule text the specific quoting obligations for each type of Market Maker.

The Exchange is also adding rule text to explain the interplay between the quoting obligations for BX Market Makers who may also qualify as a Lead Market Maker, pursuant to Chapter VII, Section 14 or Directed Market Maker pursuant to Chapter VII, Section 15. Specifically, the Exchange proposes to add, similar to Phlx Rules,5 “An Options Participant will be required to meet each market making obligation separately. A Market Maker who is also the Lead Market Maker, pursuant to Chapter VII, Section 14, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned. A Market Maker who receives a Directed Order,6 as described in Chapter VII [sic], Section 10, shall be held to the standard of a Directed Market Maker, as described in Chapter VII, Section 15.” The Exchange proposes to make clear that a BX Options Participant who is a Market Maker, Lead Market Maker and Directed Market Maker will have quoting obligations which may need to be separately met depending on the role.

5 See Phlx Rule 1081(c).
6 The term “Directed Order” means an order to buy or sell which has been directed, provided it is properly marked as such, to a particular market maker (“Directed Market Maker”). Directed Orders are handled within the System pursuant to Chapter VII [sic], Section 10. Directed Orders may be available only in certain options. See Chapter VII [sic], Section 1(e)(2).
Chapter VII, Section 6(d)(i)(1)

The Exchange proposes to remove the following sentence from Chapter VII, Section (d)(i)(1), “To satisfy this requirement, a Market Maker must quote 60% of the trading day (as a percentage of the total number of minutes in such trading day) or such higher percentage as BX may announce in advance.” The Exchange proposes to replace this language with language that more technically defines the quoting obligation. The Exchange proposes the following rule text:

Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant’s assigned options series are open for trading. Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this Chapter VII, Section 6(d)(i)(1) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

The 60% requirement and the manner in which it is calculated is not being amended. The Exchange does not propose to amend the current quoting obligations, rather the Exchange proposes to more clearly state the current quoting obligations utilizing the same format as Phlx Rule 1081(c)(ii)(A). The Exchange notes the quoting obligations expressed as the cumulative number of seconds rather than 60% of the trading day. While the current rule indicates that the Exchange currently reviews quoting as a percentage of the total number of minutes, the two standards are otherwise equivalent. Adding “associated with the same Options Participant” to the first sentence also makes clear that the obligation is at the firm level and that all associated Market Makers will be counted in arriving at the calculation for quoting obligations. The Exchange also states, “Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this Chapter VII, Section 6(d)(i)(1) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.” This exception exists today for BX and is simply being carried over into the new text
from current Section 6(d)(i)(2). The definition of an adjusted option series is currently defined at Section 6(d)(i)(2) as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares. This definition is being relocated to 6(d)(i)(1)(a), similar to Phlx’s structure and is defined as “Adjusted Options Series” throughout this rule.

Chapter VII, Section 6(d)(i)(2)

The Exchange proposes to add new rule text at Chapter VII, Section 6(d)(i)(2) which provides the method by which the Exchange will calculate the BX Market Maker quoting obligations. The Exchange proposes to state, that the Exchange will (i) take the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater; and (ii) divide that time by the eligible total number of seconds each assigned option series is open for trading that day. Similar to Phlx Rule 1081(c)(ii)(D), the Exchange believes that the addition of this language will bring greater transparency to the manner in which the Exchange calculated the quoting obligation. The Exchange is not amending the manner in which the quoting obligation is calculated, rather the Exchange is simply adding to the current rule the exact manner in which the Exchange determines the quoting percentage. The Exchange proposes to add, “Quoting is not required in every assigned options series.” This sentence is not currently contained in the rule. The Exchange is not proposing to amend its current practice, rather the Exchange is clearly stating that quoting is not required in every assigned options series to make clear the current obligation. Also, the Exchange proposes to state, “Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.” This language is similar to the language
currently being removed from Chapter VII, Section 6(d)(i)(1), “This obligation will apply to all of a Market Maker's registered options collectively to all appointed issues, rather than on an option-by-option basis.” The proposed new language simply conforms the text to Phlx’s Rule 1081(c)(ii)(D).

Chapter VII, Section 6(d)(i)(3)

The Exchange proposes to also delete the following language from Chapter VII, Section 6(d)(i)(3), “This obligation will apply to all of a Market Maker's registered options collectively to all appointed issues, rather than on an option-by-option basis. Compliance with this obligation will be determined on a monthly basis. However, determining compliance with the continuous quoting requirement on a monthly basis does not relieve a Market Maker of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet the continuous quoting obligation each trading day.” The Exchange proposes to replace this language with the following language proposed in Section 6(d)(i)(3), “For purposes of the Exchange’s surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange’s monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.” The Exchange’s amendment is not substantive, rather the amendment conforms the rule text to Phlx Rule 1081(c)(iii).

The Exchange proposes to remove the entire paragraph at current Section 6(d)(i)(2). As explained above this language is being relocated within the proposed rule text to Section
6(d)(i)(1) and subsection (a) to that paragraph. The Exchange notes that the sentence
“Accordingly, the continuous quotation obligations set forth in this rule shall not apply to Market
Makers respecting Quarterly Option Series, adjusted option series, and series with an expiration
of nine months or greater” is being deleted and not relocated because this sentence is redundant.
Also, the Exchange proposes to amend current Section 6(d)(i)(3) by renumbering it (4) and also
capitalizing “System” which is a defined term and renumbering a cross-reference.

Chapter VII, Section 14(f)

BX’s Rules at Chapter VII, Section 14(f) related to Lead Market Maker or “LMM”
quotations. The Exchange is amending BX’s Rules to conform to Phlx’s Rules with respect to
Specialists which are the equivalent of an LMM on BX. Similar to the changes for BX Market
Makers, the Exchange proposes to more specifically state within Section 14(f) that an LMM
must enter two-sided quotations. Further, “An LMM that enters a bid (offer) in a series of an
option in which he is registered on BX must enter an offer (bid), except in an assigned options
series listed intra-day on BX. These quotations must meet the legal quote width requirements
specified in Chapter VII, Section 14(b)(iv), (v) and (vi).”

The Exchange is removing the words “may enter quotations only in the issues included in
its appointment.” The Exchange is revising this paragraph to state, “An LMM must enter two-
sided quotations. An LMM that enters a bid (offer) in a series of an option in which he is
registered on BX must enter an offer (bid), except in an assigned options series listed intra-day
on BX. These quotations must meet the legal quote width requirements specified in Chapter VII,
Section 14(b)(iv), (v) and (vi).” A Market Maker who is also the Lead Market Maker, pursuant to
this Chapter VII, Section 14, will be held to the Lead Market Maker obligations in options series

7 See note 4 above.
in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all
other options series where assigned pursuant to Chapter VII, Section 6(d).” The deletion of the
words from this paragraph are replaced with the same concept in the new sentences where it is
stating that the LMM enter a bid (offer) in a series of an options in which he is registered on BX.

Today, an LMM is not held to quote an intra-day add of a series because the options
series was not available for trading the entire day. The Exchange is adding this exception to the
rule text to make clear that LMMs would not be responsible for quoting an intra-day addition.
The Exchange believes that not counting intra-day adds of a series that were not available for the
entire day of trading is consistent with the Act because the LMM would not have the opportunity
to trade that particular options series for the entire trading day. As is the case today, an LMM
must meet the legal quote width requirements specified in Section 14(b)(iv), (v) and (vi).

The Exchange also proposes to add to this paragraph the following sentence, “A Market
Maker who is also the Lead Market Maker, pursuant to this Chapter VII, Section 14, will be held
to the Lead Market Maker obligations in options series in which the Lead Market Maker is
assigned and will be held to Market Maker obligations in all other options series where assigned
pursuant to Chapter VII, Section 6(d).” This language will parallel the language currently
proposed on Chapter VII, Section 6(d) and make clear that a BX Options Participant who is a
Market Maker and a Lead Market Maker will have quoting obligations, which may need to be
separately met depending on the role.

Chapter VII, Section 14(f)(1)

The Exchange proposes to remove the following sentence from Chapter VII, Section
14(f)(1), “An LMM must provide continuous two-sided quotations throughout the trading day in
its appointed issues for 90% of the time the Exchange is open for trading in each issue. Such
quotations must meet the legal quote width requirements herein. These obligations will apply to all of the LMMs appointed issues collectively, rather than on an option-by-option basis. Compliance with this obligation will be determined on a monthly basis.” The Exchange proposes to replace this language with language that more technically defines the quoting obligation. The Exchange proposes the following rule text:

LMMs, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Option Participant’s assigned options series are open for trading. An LMM shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater. However, a LMM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements of Chapter VI, Section 10.

The 90% requirement and the manner in which it is calculated is not being amended. The Exchange does not propose to amend the current quoting obligations, rather the Exchange proposes to more clearly state the current quoting obligations utilizing the same format as Phlx Rule 1081(c)(ii)(B). The Exchange notes the quoting obligations expressed as the cumulative number of seconds rather than 90% of the trading day. The two standards are equivalent.

The rule text in current Section 14(f)(1) is being revised and certain text is being relocated. The legal quote width obligations are now in Section 14(f) generally and the compliance obligations are being relocated to Section 14(f)(3) as described in more detail below.

The rule text related to making a two-sided market in Quarterly Option Series, any adjusted option series, and any option series with an expiration of nine months or greater is being relocated from Section 14(f)(4) along with the definition for an Adjusted Option Series which is being relocated to Section 14(f)(1)(a) and is being defined. The Exchange is also relocating this sentence “However, a LMM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements of Chapter VI, Section 10” from
current Chapter VII, Section 14(f)(4). The Exchange is conforming the adjusted series definition to that of Phlx,\(^8\) which provides “An adjusted option series is an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares.”\(^9\) The amendment of the definition will not result in an adjusted option series being treated differently for purposes of BX Rules.

**Chapter VII, Section 14(f)(2)**

The Exchange proposes to add new rule text at Chapter VII, Section 14(f)(2) which provides the method by which the Exchange will calculate the BX LMM quoting obligations. The Exchange proposes to state, that the Exchange will (i) take the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for Market Makers; and (ii) divide that time by the eligible total number of seconds each assigned option series is open for trading that day. This language conforms to the language also proposed for Chapter VII, Section 6(d)(i)(2). Similar to Phlx, the Exchange believes that the addition of this language will bring greater transparency to the manner in which the Exchange calculated the quoting obligation. The Exchange proposes to add, “Quoting is not required in every assigned options series.” This sentence is not currently contained in the rule. The Exchange is not proposing to amend its current practice, rather the Exchange is clearly stating that quoting is not required in every assigned options series to make clear the current obligation. Also, the Exchange proposes to state, “Compliance with this requirement is

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\(^8\) See Phlx Rule 1081(c)(ii)(A)(i).

\(^9\) Chapter VII, Section 14(f)(4) provides the following definition for an adjusted options series, “For purposes of this Rule, an adjusted option series is an option series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying security.”
determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.” This language is similar to the language currently being removed from Chapter VII, Section 14(f)(1), “These obligations will apply to all of the LMMs appointed issues collectively, rather than on an option-by-option basis.” The proposed new language simply conforms the text to Phlx’s Rule 1081(c)(ii)(D).

Chapter VII, Section 14(f)(3)

The Exchange proposes to relocate the following rule text from current Section 14(f)(1) to new (f)(3) “BX Regulation may consider exceptions to the requirement to quote 90% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances.” The Exchange proposes to replace this rule text in current Section 14(f)(1), “However, determining compliance with the continuous quoting requirement on a monthly basis does not relieve an LMM of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an LMM for failing to meet the continuous quoting obligation each trading day” with the following rule text:

For purposes of the Exchange’s surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange’s monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

The Exchange is not amending the manner in which the surveillance functions today. The Exchange proposes to conform this rule text throughout the rule to mirror language utilized in Phlx Rule 1081(c)(iii) and also proposed new Chapter VII, Section 6(d)(i)(3). This rule text mirrors language currently contained in Section 14(f)(1).
Chapter VII, Section 14(f)(2), (3) and (4)

The Exchange proposes to renumber current Section 14(f)(1)(i) as Section 14(f)(4). As noted herein, current Section 14(f)(4) is being relocated to within the rule text as explained above. The Exchange also proposes to renumber Section 14(f)(2) and (3), which are not being amended, as 14(g) and (h), respectively.

Chapter VII, Section 15(iii)

The Exchange proposes to amend Section 15(iii) related to Directed Market Maker quoting requirements to similarly add text to conform to Phlx Rule 1081(c)(ii)(C). The Exchange proposes to add to Section 15(iii), “A Directed Market Maker must enter two-sided quotations. A Directed Market Maker that enters a bid (offer) in a series of an option in which he is registered on BX must enter an offer (bid), except in an assigned options series listed intra-day on BX. These quotations must meet the legal quote width requirements specified in Chapter VII, Section 6(d)(ii).” Similar to the changes for BX Market Makers and Lead Market Makers, the Exchange proposes to more specifically state within Section 15(iii) that an Directed Market Maker must enter two-sided quotations. Today, a Directed Market Maker is not held to quote an intra-day add of a series because the options series was not available for trading the entire day. The Exchange is adding this exception to the rule text to make clear that Directed Market Makers would not be responsible for quoting an intra-day addition. The Exchange believes that not counting intra-day adds of a series that were not available for the entire day of trading is consistent with the Act because the Directed Market Maker would not have the opportunity to trade that particular options series for the entire trading day. As is the case today, a Directed Market Maker must meet the legal quote width requirements specified in Chapter VII, Section 6(d)(ii).
The Exchange also proposes to add to this paragraph the following sentence, “A Market Maker who receives a Directed Order, as described in Chapter VII [sic], Section 10, shall be held to the standard of a Directed Market Maker as described in Chapter VII, Section 15.” This language will make clear where a Market Maker receives a Directed Order and what the quoting standard shall be for that Directed Market Maker.

Chapter VII, Section 15(iii)(a)

The Exchange proposes to adopt a new Section 15(iii)(a) and provide, Directed Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant’s assigned options series are open for trading. An Options Participant shall be considered directed in all assigned options once the Options Participant receives a Directed Order in any option in which they are assigned and shall be considered a Directed Market Maker until such time as an Options Participant notifies the Exchange that they are no longer directed. Notwithstanding the foregoing, an Options Participant shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater. Notwithstanding the obligations specified in subparagraph (iii) above, a DMM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements of Chapter VII [sic], Section 10.

The Exchange notes that it is not amending the quoting obligations for Directed Market Makers. The Exchange is simply conforming the text to Phlx Rule 1081(c)(ii)(C). The Exchange is adding rule text to make clear, similar to Phlx Rule 1081(c)(ii)(C), when a Directed Market [sic] is considered to be directed. Similar to Phlx, an Options Participant shall be
considered directed in all assigned options once the Options Participant receives a Directed Order in any option in which they are assigned and shall be considered a Directed Market Maker until such time as an Options Participant notifies the Exchange that they are no longer directed.

The Exchange, similar to today, shall not apply quoting obligations to Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.\(^\text{10}\)

The Exchange is relocating language to Section 15(iii)(a) from Section 15(iv) which states, “a DMM may still receive a participation entitlement in such series if it elects to quote in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater series and otherwise satisfies the requirements of Chapter VII [sic], Section 10.”

**Chapter VII, Section 15(iii)(a)(i)**

The Exchange proposes to adopt a definition of an adjusted option series in subparagraph (i) similar to Phlx\(^\text{11}\) which provides “An adjusted option series is an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares,”\(^\text{12}\) and define it. The amendment of the definition will not result in an adjusted option series being treated differently for purposes of BX Rules.

**Chapter VII, Section 15(iii)(b)**

The Exchange proposes to add new rule text at Chapter VII, Section 15(iii)(b) which provides the method by which the Exchange will calculate the BX Directed Market Maker

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10. See current Chapter VII, Section 15(iv).
12. Chapter VII, Section 15(iv) provides the following definition for an adjusted options series, “For purposes of this Rule, an adjusted option series is an option series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying security.”
quoting obligations. The Exchange proposes to state, that the Exchange will (i) take the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater; and (ii) divide that time by the eligible total number of seconds each assigned option series is open for trading that day. Similar to Phlx, the Exchange believes that the addition of this language will bring greater transparency to the manner in which the Exchange calculated the quoting obligation.

The Exchange proposes to add, “Quoting is not required in every assigned options series.” This sentence is not currently contained in the rule. The Exchange is not proposing to amend its current practice, rather the Exchange is clearly stating that quoting is not required in every assigned options series to make clear the current obligation.

Also, the Exchange proposes to state, “Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.” This language is similar to the language currently being removed from Chapter VII, Section 15(iii) “These obligations will apply collectively to all series in all of the issues, rather than on an issue-by-issue basis.” The proposed new language simply conforms the text to Phlx’s Rule 1081(c)(ii)(D).

Chapter VII, Section 15(iii)(c)

The Exchange proposes to relocate the following rule text from current Section 15(iii) to new 15(iii)(c) “BX Regulation may consider exceptions to the requirement to quote 90% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances.” The Exchange proposes to add,

For purposes of the Exchange’s surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The
Exchange’s monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

The Exchange is not amending the manner in which the surveillance functions today. The Exchange proposes to conform this rule text throughout the rule to mirror language utilized in Phlx Rule 1081(c)(iii). The Exchange proposes to relocate and revise this language, “provide continuous two-sided quotations throughout the trading day in all options issues for which the Directed Market Maker is assigned for 90% of the time the Exchange is open for trading in each issue. Such quotations must meet the legal quote width requirements of Chapter VII, Section 6. These obligations will apply collectively to all series in all of the issues, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis” as described herein into Sections 15(iii) and Section 15(iii)(a).

Chapter VII, Section 15(iii)(d)

The rule text concerning a technical failure is being relocated from Section 15(iii) to Section 15(iii)(d). The word “system” is being capitalized as that term is defined within the Rulebook. As noted herein, Section 15(iv) is being relocated to Section 15(iii)(a) and Sections 15(iii)(a)(i).

The Exchange believes this proposed rule will allow Market Makers to quickly compare obligations across Nasdaq affiliated markets.13

13 The Exchange intends to file a similar proposal for The Nasdaq Stock Market, LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC and Nasdaq MRX, LLC.
2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\textsuperscript{14} in general, and furthers the objectives of Section 6(b)(5) of the Act,\textsuperscript{15} in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that its proposed rule change provides further detail as to obligations of Market Makers, LMMs and Directed Market Makers on BX. The Exchange is not amending its current quoting obligations, rather the Exchange is proposing to amend its current rule text to bring greater transparency to the current quoting obligations by adding clear language which explains the manner in which BX will calculate the various quoting obligations for each type of Market Maker. The Exchange believes the proposed rule text is consistent with the Act because the proposed rule text protect investors and the public interest by providing clear language that will be utilized on all Nasdaq affiliate markets for easy comparison.

B. **Self-Regulatory Organization’s Statement on Burden on Competition**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\textsuperscript{16} in general, and furthers the objectives of Section 6(b)(5) of the Act,\textsuperscript{17} in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The proposal does not impose a burden on competition because

\textsuperscript{14} 15 U.S.C. 78f(b).
\textsuperscript{15} 15 U.S.C. 78f(b)(5).
\textsuperscript{17} 15 U.S.C. 78f(b)(5).
the Exchange will continue to uniformly calculate and apply the quoting obligations to all BX Market Makers as provided for in the proposed rule text. The Exchange’s proposal does not modify the current quoting obligations on BX.

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**

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act\(^\text{18}\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^\text{19}\)

A proposed rule change filed under Rule 19b-4(f)(6)\(^\text{20}\) normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii),\(^\text{21}\) the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. In its filing with the Commission, the Exchange has asked the Commission to waive the 30-day operative delay so that the proposal to amend its Market Maker quoting obligations to add more detail to the current quoting requirements may become operative immediately upon filing. The Exchange believes that the proposal will bring greater transparency


\(^{19}\) 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.


to the Exchange’s rules. The Commission notes that the changes are substantially similar to Phlx Rule 1081(c). As such, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission designates the proposed rule change operative upon filing.\footnote{22}

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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act\footnote{23} to determine whether the proposed rule change 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. Please include File Number SR-BX-2018-029 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.

\footnote{22}{For purposes only of waiving the operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).}

All submissions should refer to File Number SR-BX-2018-029. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet 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-2018-029 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. 24

Eduardo A. Aleman
Assistant Secretary

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