

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-100136; File No. SR-BX-2024-015)

May 14, 2024

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 1, 2024, 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 the Exchange’s Pricing Schedule at Options 7, Section

2.

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

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

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

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

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

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

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

1. Purpose

The Exchange proposes to amend its Pricing Schedule at Options 7, Section 2(1) to establish an additional incentive for Participants with respect to Apple, Inc. (“AAPL”).

Today, the Exchange assesses the following fees and rebates in Penny and Non-Penny

Symbols:

**Penny Symbols**

<b>Market Participant</b>	<b>Maker Rebate</b>	<b>Taker Fee</b>
Lead Market Maker	(\$0.24) <sup>(2)</sup>	\$0.50
Market Maker	(\$0.20) <sup>(2)</sup>	\$0.50
Non-Customer	(\$0.12)	\$0.50
Firm	(\$0.12)	\$0.50
Customer	(\$0.30)	\$0.40 <sup>(1)(4)</sup>

**Non-Penny Symbols**

<b>Market Participant</b>	<b>Maker Rebate / Fee</b>	<b>Taker Fee</b>
Lead Market Maker	(\$0.45) <sup>(2)</sup>	\$1.25
Market Maker	(\$0.40) <sup>(2)</sup>	\$1.25
Non-Customer	\$0.45	\$1.25
Firm	\$0.45	\$1.25
Customer	(\$1.10) <sup>(3)</sup>	\$0.79

Today, the Exchange offers Participants two ways to reduce the Penny Symbol Customer Taker Fee which is currently \$0.40 per contract. In note 1 of Options 7, Section 2, the Exchange offers Participants a reduced Penny Symbol Customer<sup>3</sup> Taker Fee of \$0.33 per contract, instead of \$0.40 per contract, in SPDR S&P 500 ETF (“SPY”), Invesco QQQ Trust Series 1 (“QQQ”) and iShares Russell 2000 ETF (“IWM”). Further, in note 4 of Options 7, Section 2, the Exchange offers Participants<sup>4</sup> that increase their executed Customer volume which removes liquidity in a given month by at least 70% above their March 2024 volume as measured by a percentage of TCV, a Taker Fee discount of \$0.05 per contract in Penny Symbols, excluding SPY, QQQ, and IWM.<sup>5</sup>

At this time, the Exchange proposes to amend note 1 of Options 7, Section 2 to extend the discounted Penny Symbol Customer Taker Fee of \$0.33 per contract to AAPL, in addition to SPY, QQQ, and IWM. Further, the Exchange proposes to exclude AAPL from the Penny Taker Fee discount in note 4 of Options 7, Section 2, similar to SPY, QQQ, and IWM. With note 4, qualifying Participants pay a Customer Taker Fee of \$0.35 per contract (instead of \$0.40 per contract) in Penny Symbols, however, BX excludes SPY, QQQ, and IWM from the note 4 incentive because Participants are entitled to a lower Penny Customer Taker Fees of \$0.33 per contract for those symbols per note 1. Penny transactions in AAPL that remove liquidity would similarly be entitled to the note 1 discount, but not the note 4 discount.

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<sup>3</sup> 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 Options 7, Section 1(a).

<sup>4</sup> The Exchange proposes to change the word “Members” to Participants” in note 4 of Options 7, Section 2 to conform with the definition of options participants on BX in Options 1, Section 1(a)(40).

<sup>5</sup> Members with no Customer volume in the remove liquidity segment for the month of March 2024 may qualify for the Taker Fee discount by having any new volume considered as added volume. The note 4 incentive is available through September 30, 2024.

The Exchange believes that the proposed amendments will attract additional AAPL Penny transactions that remove liquidity to BX similar to SPY, QQQ and IWM.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

BX's proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ ....”<sup>8</sup>

The Commission and the courts have repeatedly expressed their preference for

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>8</sup> NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>9</sup>

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options security transaction services. The Exchange is only one of 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. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange’s proposal to reduce the Penny Symbol Customer Taker Fee from \$0.40 to \$0.33 per contract for trades which remove liquidity in AAPL in note 1 of Options 7, Section 2 is reasonable because it will attract additional Customer Penny Symbol AAPL transactions that remove liquidity to BX. The Exchange believes that it is reasonable to pay lower fees in AAPL, similar to 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.

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

The Exchange's proposal to reduce the Penny Symbol Customer Taker Fee from \$0.40 to \$0.33 per contract for trades which remove liquidity in AAPL in note 1 of Options 7, Section 2 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 in AAPL uniformly to all Customer Penny Symbol Taker Fee transactions similar to SPY, QQQ and IWM.

The Exchange's proposal to exclude AAPL Penny transactions that remove liquidity from note 4 of Options 7, Section 2 is reasonable because with the proposed change to note 1 of Options 7, Section 2, Participants would be entitled to a lower Penny Customer Taker Fee of \$0.33 per contract in AAPL.

The Exchange's proposal to exclude AAPL Penny transactions that remove liquidity from note 4 of Options 7, Section 2 is equitable and not unfairly discriminatory because the Exchange would not permit any transaction to remove liquidity in AAPL in Penny Symbols to receive the discount in note 4 of Options 7, Section 2.

**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.

In terms of intra-market competition, the Exchange does not believe that its proposal will place any category of market participant at a competitive disadvantage. The Exchange's proposal to reduce the Penny Symbol Customer Taker Fee from \$0.40 to \$0.33 per contract for trades which remove liquidity in AAPL in note 1 of Options 7, Section 2 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 in AAPL uniformly to all Customer Penny Symbol Taker Fee transactions similar to SPY, QQQ and IWM. Also, the Exchange's proposal to exclude AAPL Penny transactions that remove liquidity from note 4 of Options 7, Section 2 does not impose an undue burden on competition because the Exchange would not permit any transaction to remove liquidity in AAPL in Penny Symbols to receive the discount in note 4 of Options 7, Section 2.

In terms of inter-market competition, 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 options 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. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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.<sup>10</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

### IV. Solicitation of Comments

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

#### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-BX-2024-015 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.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).



All submissions should refer to file number SR-BX-2024-015. 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-2024-015 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.<sup>11</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>11</sup> 17 CFR 200.30-3(a)(12).