

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="54"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="029"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by **NASDAQ BX, Inc.**
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Proposal 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

Contact Information

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

First Name * <input type="text" value="Angela"/>	Last Name * <input type="text" value="Dunn"/>
Title * <input type="text" value="Principal Associate General Counsel"/>	
E-mail * <input type="text" value="angela.dunn@nasdaq.com"/>	
Telephone * <input type="text" value="(215) 496-5692"/>	Fax <input type="text"/>

Signature

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

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

(Title *)

Date <input type="text" value="07/02/2018"/>	<input type="text" value="Executive Vice President and General Counsel"/>
By <input type="text" value="Edward S. Knight"/>	<input type="text"/>
(Name *)	

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend 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.

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

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on September 19, 2017. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

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.³ 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 14(g) to replace “continuous quotes” with “intra-

³ Phlx Rule 1081(c)(ii).

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-day⁴ on the Exchange.” The Exchange believes this sentence is more specific than Section 6(d) because it accepts 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

⁴ An intra-day add of a series shall be defined, for purposes of this Phlx Rule 1081, as an option series that is added manually on the same day the series begins trading.

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 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, 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

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, Section 10. Directed Orders may be available only in certain options. See Chapter VII, Section 1(e)(2).

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.

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-day⁷ 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 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

⁷ See note 4 above.

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

⁸ See Phlx Rule 1081(c)(ii)(A)(i).

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 determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.” This language is similar to the language currently

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.”

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, 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, 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 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.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, 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 Phlx¹¹ 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,”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.

¹⁰ See current Chapter VII, Section 15(iv).

¹¹ See Phlx Rule 1081(c)(ii)(A)(i).

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.”

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 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

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,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.

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.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

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

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,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 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.

5. 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.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)¹⁸ of the Act and Rule 19b-4(f)(6) thereunder¹⁹ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii)

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁹ 17 CFR 240.19b-4(f)(6).

does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposal does not significantly affect the protection of investors or the public interest because it is intended to bring greater transparency to the quoting obligations by adding clear language which explains the manner in which BX will calculate the quoting obligation. The Exchange's proposal does not impose any significant burden on competition because the Exchange will continue to uniformly calculate and apply the quoting obligations for all BX Market Makers. The Exchange's proposal does not modify the current quoting obligations on BX.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits

the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the operative delay to permit the Exchange to immediately amend its quoting obligations to add more detail to the current quoting requirements. It is consistent with the protection of investors and the public interest to bring greater transparency to its rules.

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

The proposal is similar to Phlx Rule 1081(c) because the Exchange is trying to mirror the same level of information contained in the Phlx rule within the BX rule. The quoting obligations are not intended to be the same.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

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

July __, 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, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend BX 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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.³ 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.”

³ Phlx Rule 1081(c)(ii).

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 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-day⁴ on the Exchange.” The Exchange believes this sentence is more specific than Section 6(d) because it accepts 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 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

⁴ An intra-day add of a series shall be defined, for purposes of this Phlx Rule 1081, as an option series that is added manually on the same day the series begins trading.

⁵ See Phlx Rule 1081(c).

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, 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.

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.

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, Section 10. Directed Orders may be available only in certain options. See Chapter VII, Section 1(e)(2).

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-day⁷ 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 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.

⁷ See note 4 above.

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

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.”

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 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, 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, 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 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.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, 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 Phlx¹¹ 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,”¹² and define it. The

¹⁰ See current Chapter VII, Section 15(iv).

¹¹ See Phlx Rule 1081(c)(ii)(A)(i).

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

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 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

security, one option contract in the series represents the delivery of other than 100 shares of underlying security.”

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

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,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.

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.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

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,¹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,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 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

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

to Section 19(b)(3)(A)(iii) of the Act¹⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁹

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR- BX-2018-029 on the subject line.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

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.

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-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 Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR- BX-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.²⁰

Eduardo A. Aleman
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Rules of Nasdaq BX

* * * * *

Chapter V Regulation of Trading on BX Options

* * * * *

Sec. 3 Trading Halts

(a) - (c) No change

(d) This paragraph shall be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"), except as specified in subparagraph (iv) below. Capitalized terms used in this paragraph shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(i) and (ii) No change

(iii) When evaluating whether a Market Maker has met the [continuous]intra-day quoting obligations of Chapter VII, Section 6(d) in options overlying NMS stocks, the Exchange will not consider as part of the trading day the time that an NMS stock underlying an option was in a Limit State or Straddle State.

(iv) No change.

(e) No change.

* * * * *

Chapter VII Market Participants

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Sec. 6 Market Maker Quotations

(a) - (c) No change.

(d) [*Continuous*]Intra-day Quotes. A Market Maker must enter [continuous] bids and offers for the options to which it is registered, as follows:

i. [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.] 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 on the Exchange. On a daily basis, a Market Maker must

make markets consistent with the applicable quoting requirements specified below. 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, as described in Chapter VI, Section 10, shall be held to the standard of a Directed Market Maker as described in Chapter VII, Section 15.

(1) 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. [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.]

(a) An adjusted option series is defined 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 ("Adjusted Options Series").

(2) Specifically, the Exchange will calculate subparagraph (1) above by (i) taking 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) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(3) BX Regulation may consider exceptions to the requirement to quote 60% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances. [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.] For purposes of the

Exchange's surveillance of an Options Participant's 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.

[2] Notwithstanding the foregoing, Market Makers shall not be required to make two-sided markets pursuant to Section 5(a)(i) of these rules in any Quarterly Option Series, any adjusted option series, and any option series until the time to expiration for such series is less than nine months. 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. For purposes of this subsection (2), 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.]

~~[3]~~[4] If a technical failure or limitation of a [s]System of BX prevents a Market Maker from maintaining, or prevents a Market Maker from communicating to BX Options timely and accurate quotes, the duration of such failure or limitation shall not be included in any of the calculations under this subparagraph ([i]1) with respect to the affected quotes.

ii. and iii. No change.

(e) and (f) No change.

* * * * *

Sec. 14 LMM Obligations and Quotations

(a) – (e) No change.

(f) LMM Quotations. An LMM must enter two-sided quotations. [may enter quotations only in the issues included in its appointment.] 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 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).

(1) [An]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.[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.]

(a) An adjusted option series is defined 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 (“Adjusted Options Series”).

(2) Specifically, the Exchange will calculate subparagraph (1) above by (i) taking 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) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(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. [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.] 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.

[(i)](4) If a technical failure or limitation of a [s]System of the Exchange prevents a LMM from maintaining, or prevents a LMM from communicating to the Exchange, timely and accurate electronic quotes in an issue, the duration of such failure shall not be considered in determining whether the LMM has satisfied the 90% quoting standard with respect to that option issue. The Exchange may consider other exceptions to this [continuous] intra-day electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(g)[(2)] *Required Submission of Quotations.* An LMM may be called upon by BX Regulation to submit a single quote or maintain [continuous]intra-day quotes in one or more series of an option issue within its appointment whenever, in the judgment of BX Regulation, it is necessary to do so in the interest of maintaining fair and orderly markets.

(h)[(3)] *Firm Quotes.* An LMM shall be compelled to buy/sell a specified quantity of option contracts at the disseminated bid/offer pursuant to his obligations with respect to firm quotes.

- i. All quotes and orders entered into the System by Options Participants are firm under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("SEC Rule 602") for the number of contracts specified and according to the size requirements set forth herein.
- ii. Market Maker bids and offers are not firm under this Rule and SEC Rule 602:
 - (1) for the period prior to the Opening Cross; or
 - (2) if any of the circumstances provided in paragraph (b)(3) or (c)(4) of SEC Rule 602 exist.

[(4) The obligations set forth in subsection (f) of this Rule shall not apply to LMMs with respect to Quarterly Options Series, adjusted option series, or any series with a time to expiration of nine months or greater. 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. 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.]

Sec. 15 Directed Market Makers

Market Makers may receive Directed Orders in their appointed classes in accordance with the provisions of this Section 15, Directed Market Makers provided they indicated to the Exchange, in a form specified, that they will receive Directed Orders.

(i) and (ii) No change.

(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). A Market Maker who receives a Directed Order, as described in Chapter VI, Section 10, shall be held to the standard of a Directed Market Maker as described in Chapter VII, Section 15.

(a) 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 Directed Market Maker 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 VI, Section 10.

(i) An adjusted option series is defined 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 ("Adjusted Options Series").

(b) Specifically, the Exchange will calculate subparagraph (a) above by (i) taking 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) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(c) [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.] 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. 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.

(d) If a technical failure or limitation of a [s]System of the Exchange prevents a Directed Market Maker from maintaining, or prevents a Directed Market Maker from communicating to the Exchange, timely and accurate electronic quotes in an issue, the duration of such failure shall not be considered in determining whether the Directed Market Maker has satisfied the 90% quoting standard with respect to that option issue.

The Exchange may consider other exceptions to this [continuous]intra-day electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

[(iv) The obligations set forth in subsection (iii) above shall not apply to DMMs with respect to Quarterly Options Series, adjusted option series, or any series with a time to expiration of nine months or greater. 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. However, 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 VI, Section 10.]

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Chapter X Discipline and Summary Suspensions

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Sec. 7 Penalty for Minor Rule Violations

The following BX Options rule and policy violations may be determined by BX Regulation to be minor in nature. If so, BX Regulation may, with respect to any such violation, proceed under the 9200 Series Rules of the Exchange and impose the fine set forth below. BX Regulation is not required to proceed under said Sections as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under the 9200 Series Rules of the Exchange as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period ("Period").

(a) and (b) No change.

(c) [*Continuous*]Intra-day Quotes. Violations of Chapter VII, Section 6(d) of these Rules regarding Market Maker [continuous]intra-day bids and offers shall be subject to the fines listed below. Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of the Market Makers registered series are to be added together.

Number of Cumulative Fine Amount Violations Within One Period

1	Letter of Caution
2 or more	\$300 per day

(d) – (k) No change.

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