Filing by NASDAQ BX, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Proposal to amend Chapter IV, Securities Traded on BX Options, Section 8, Long-Term Options Contracts.

Description

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

Proposal to amend Chapter IV, Securities Traded on BX Options, Section 8, Long-Term Options Contracts.

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 * Carla Last Name * Behnfeldt
Title * Associate General Counsel
E-mail * Carla.Behnfeldt@nasdaq.com
Telephone * (215) 496-5208 Fax

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.

Date 11/07/2018
By Edward S. Knight

Global Chief Legal and Policy Officer

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.
<table>
<thead>
<tr>
<th>Form 19b-4 Information *</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change *</td>
<td>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)</td>
</tr>
<tr>
<td>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</td>
<td>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)</td>
</tr>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<td>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.</td>
</tr>
<tr>
<td>Partial Amendment</td>
<td>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.</td>
</tr>
</tbody>
</table>
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 Chapter IV, Securities Traded on BX Options, Section 8, Long-Term Options Contracts. The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).\(^3\)

   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 26, 2018. 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:

   Carla Behnfeldt  
   Associate General Counsel  
   Nasdaq, Inc.  
   (215) 496-5208

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

   a. **Purpose**

   The Exchange proposes to amend its rules at Chapter IV, Securities Traded on BX Options, Section 8, Long-Term Options Contracts, in order (i) to clarify the number of long-term option contract (“LEAPS”) expiration months that may be listed on the Exchange on underlying securities under the current rule, and (ii) to expand the number of LEAPS expiration months that may be listed in options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") in particular.

   **Clarification of the Number of Permitted Expiration Months**

   Pursuant to current Chapter IV, Section 8, the Exchange may list LEAPS that expire from twelve (12) to thirty-nine (39) months from the time they are listed. The rule provides that there may be up to six (6) additional expiration months. Because the rule does not specify which expiration months the six months are in addition to, and thus is ambiguous, the Exchange proposes to delete the word “additional.” As amended, the rule would clearly and simply provide that the Exchange may list six expiration months having from twelve up to thirty-nine months from the time they are listed until expiration. This aspect of the proposed rule change is based upon Nasdaq PHLX, LLC (“Phlx”) Rule 1012, Series of Options Open for Trading, subsection (a)(i)(D).  

   **Additional Expiration Months in SPY ETF LEAPS**

   The Exchange proposes to further amend Chapter IV, Section 8, to permit up to ten LEAPS expiration months for options on the SPY ETF in response to customer

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demand.\(^5\) The proposal will add liquidity to the SPY ETF options market by allowing market participants to hedge risks relating to SPY ETF option positions over a longer time period with a known and limited cost. This aspect of the proposed rule change is also based upon Phlx Rule 1012, Series of Options Open for Trading, subsection (a)(i)(D), as recently amended.\(^6\)

The SPY ETF options market today is characterized by its tremendous daily and annual liquidity. As a consequence the Exchange believes that the listing of additional SPY ETF LEAPS expiration months would be well received by investors. This proposal to expand the number of permitted SPY ETF LEAPS expiration months would not apply to LEAPS on any other security.\(^7\)

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\(^8\) in general, and furthers the objectives of Section 6(b)(5) of the Act,\(^9\) 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. First, as noted

\(^{5}\) Chapter XIV, Index Rules, Section 11, Terms of Index Options Contracts, subsection (b)(1)(i) currently permits the Exchange to list up to ten (10) expiration months in long term index options.


\(^{7}\) Historically, SPY ETF is the largest and most actively traded ETF in the United States as measured by its assets under management and the value of shares traded.


above, the proposal protects investors and the public interest by clarifying ambiguous rule language associated with permitted listings of long term options. Second, the proposal would permit the Exchange to offer market participants additional LEAPS on SPY ETF options for their investment and risk management purposes. This aspect of the proposal is intended simply to provide additional trading opportunities which have been requested by customers, thereby facilitating transactions in options and contributing to the protection of investors and the maintenance of fair and orderly markets. The proposed rule change responds to the continuing needs of market participants, particularly portfolio managers and other institutional customers, by providing protection from long-term market moves and by offering an alternative to hedging portfolios with futures positions or off-exchange customized derivative instruments. The Exchange believes that the addition today of four additional expiration months for SPY ETF LEAPS does not represent a proliferation of expiration months, but is instead a very modest expansion of LEAPS in response to stated customer demand. Significantly, the proposal would feature new LEAPS expiration months in only a single class of options that are very liquid and heavily traded, as discussed above. Additionally, the Exchange notes by way of precedent that ten expiration months are already permitted for stock index LEAPS. Further, the Exchange has the necessary systems capacity to support the new SPY ETF LEAPS expiration months.

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

   The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes that the proposed amendment will benefit investors, market participants, and the marketplace in general by eliminating ambiguity in
the current rules regarding the number of permitted expiration months in LEAPS generally. Additionally, the proposal merely provides investors additional investment and risk management opportunities by providing flexibility to the Exchange to list additional LEAPS expiration series, expanding the number of SPY ETF LEAPS offered on the Exchange from six expiration months to ten expiration months.

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)\(^{10}\) of the Act and Rule 19b-4(f)(6) thereunder\(^{11}\) in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) 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 proposed rule change (i) does not significantly affect the protection of investors or the public interest; and (ii) does not impose any significant burden on competition, because it merely clarifies existing rule language concerning the number of permissible LEAPS expirations, and because it also offers additional expiration months in

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a single class of options which are very liquid and heavily traded. The proposal offers market participants clearer rule language and additional opportunities to accommodate their investing and risk management needs. As noted above by way of precedent, the modest proposal to increase the number of permitted SPY ETF LEAPs is noncontroversial because the Exchange is already permitted to list up to ten expiration months in stock index LEAPS.

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 necessary or appropriate in the public interest, for the protection of investors, 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 30-day operative delay period for “non-controversial” proposals contained in Rule 19b-4(f)(6)(iii) so that it may become operative on November 16, 2018, which is also the operative date of the Phlx proposed rule change expanding the permitted number of SPY
ETF LEAPS expirations. Such a waiver will also permit the Exchange to more quickly remedy ambiguous language concerning the number of permitted LEAPS expiration months generally and is therefore in the public interest.

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

Both aspects of the proposed rule change are based on an existing Phlx rule, as discussed above.

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


5. Text of the proposed rule change.

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12 See footnote 6 above.
EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-BX-2018-055)

November __, 2018

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Long-Term Options Contracts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 7, 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 Chapter IV, Securities Traded on BX Options, Section 8, Long-Term Options Contracts.

The text of the proposed rule change is available on the Exchange’s Website at http://nasdaqbx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it

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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

The Exchange proposes to amend its rules at Chapter IV, Securities Traded on BX
Options, Section 8, Long-Term Options Contracts, in order (i) to clarify the number of
long-term option contract (“LEAPS”) expiration months that may be listed on the
Exchange on underlying securities under the current rule, and (ii) to expand the number
of LEAPS expiration months that may be listed in options on the SPDR® S&P 500®
exchange-traded fund (the "SPY ETF") in particular.

Clarification of the Number of Permitted Expiration Months

Pursuant to current Chapter IV, Section 8, the Exchange may list LEAPS that
expire from twelve (12) to thirty-nine (39) months from the time they are listed. The rule
provides that there may be up to six (6) additional expiration months. Because the rule
does not specify which expiration months the six months are in addition to, and thus is
ambiguous, the Exchange proposes to delete the word “additional.” As amended, the rule
would clearly and simply provide that the Exchange may list six expiration months
having from twelve up to thirty-nine months from the time they are listed until expiration.
This aspect of the proposed rule change is based upon Nasdaq PHLX, LLC (“Phlx”) Rule
1012, Series of Options Open for Trading, subsection (a)(i)(D). 3

**Additional Expiration Months in SPY ETF LEAPS**

The Exchange proposes to further amend Chapter IV, Section 8, to permit up to ten LEAPS expiration months for options on the SPY ETF in response to customer demand. The proposal will add liquidity to the SPY ETF options market by allowing market participants to hedge risks relating to SPY ETF option positions over a longer time period with a known and limited cost. This aspect of the proposed rule change is also based upon Phlx Rule 1012, Series of Options Open for Trading, subsection (a)(i)(D), as recently amended.

The SPY ETF options market today is characterized by its tremendous daily and annual liquidity. As a consequence the Exchange believes that the listing of additional SPY ETF LEAPS expiration months would be well received by investors. This proposal to expand the number of permitted SPY ETF LEAPS expiration months would not apply to LEAPS on any other security.

2. **Statutory Basis**

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

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4 Chapter XIV, Index Rules, Section 11, Terms of Index Options Contracts, subsection (b)(1)(i) currently permits the Exchange to list up to ten (10) expiration months in long term index options.


6 Historically, SPY ETF is the largest and most actively traded ETF in the United States as measured by its assets under management and the value of shares traded.


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. First, as noted above, the proposal protects investors and the public interest by clarifying ambiguous rule language associated with permitted listings of long term options. Second, the proposal would permit the Exchange to offer market participants additional LEAPS on SPY ETF options for their investment and risk management purposes. This aspect of the proposal is intended simply to provide additional trading opportunities which have been requested by customers, thereby facilitating transactions in options and contributing to the protection of investors and the maintenance of fair and orderly markets. The proposed rule change responds to the continuing needs of market participants, particularly portfolio managers and other institutional customers, by providing protection from long-term market moves and by offering an alternative to hedging portfolios with futures positions or off-exchange customized derivative instruments. The Exchange believes that the addition today of four additional expiration months for SPY ETF LEAPS does not represent a proliferation of expiration months, but is instead a very modest expansion of LEAPS in response to stated customer demand. Significantly, the proposal would feature new LEAPS expiration months in only a single class of options that are very liquid and heavily traded, as discussed above. Additionally, the Exchange notes by way of precedent that ten expiration months are already permitted for stock index LEAPS. Further, the Exchange has the necessary systems capacity to support the new SPY ETF LEAPS expiration months.
B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes that the proposed amendment will benefit investors, market participants, and the marketplace in general by eliminating ambiguity in the current rules regarding the number of permitted expiration months in LEAPS generally. Additionally, the proposal merely provides investors additional investment and risk management opportunities by providing flexibility to the Exchange to list additional LEAPS expiration series, expanding the number of SPY ETF LEAPS offered on the Exchange from six expiration months to ten expiration months.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act\(^9\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^10\)


\(^10\) 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
At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings 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-2018-055 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR- BX-2018-055. 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 proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2018-055 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.11

Eduardo A. Aleman
Assistant Secretary

Deleted text is [bracketed]. New text is underlined.

Rules of Nasdaq BX

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Options Rules

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Chapter IV Securities Traded on BX Options

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Sec. 8 Long-Term Options Contracts

(a) Notwithstanding conflicting language in Section 6 of this Chapter IV (Series of Options Contracts Open for Trading), BX may list long-term options contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the “SPY ETF”) and up to six (6) [additional] expiration months for options on all other securities. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(b) No change.