

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 83	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 014 Amendment No. (req. for Amendments *)
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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"/>
Pilot <input type="checkbox"/>			Rule		
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 checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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Description
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposal to amend BX's Routing Functionality

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 * Angela Last Name * Dunn
Title * Principal Associate General Counsel
E-mail * angela.dunn@nasdaq.com
Telephone * (215) 496-5692 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.
(Title *)
Date 07/02/2020
By John Zecca (Name *)
EVP and Chief Legal Counsel
john.zecca@nasdaq.com

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 (“Commission”) a proposal to amend Options 5, Section 4, Order Routing.

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 (the “Board”) on December 13, 2019. 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

The Exchange proposes to amend Options 5, Section 4, Order Routing, in connection with a technology migration to an enhanced Nasdaq, Inc. (“Nasdaq”) functionality which results in higher performance, scalability, and more robust architecture. With this system migration, the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq Exchanges. Specifically, the Exchange proposes to conform BX Routing to Nasdaq Phlx LLC’s (“Phlx”) routing rule at Options 5, Section 4, Order Routing.

Today, BX offers the following order types for routing: DNR Order, SEEK Order and SRCH Order. A DNR Order will never be routed outside of the Exchange regardless of the prices displayed by away markets. A SEEK Order may route during and after an Opening Process.³ Once the SEEK Order rests on the Order Book, it will not be eligible for routing until the next time the option series is subject to a new Opening Process. A SRCH Order may route during and after an Opening Process. A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market.

This proposal would amend BX Rules to remove the SEEK routing option and, instead, adopt the FIND Order routing option, which is currently available on Phlx.⁴ A FIND Order, similar to a SEEK Order, will only attempt to route once and then post to the Order Book. FIND Orders that are not marketable with the ABBO upon receipt,

³ BX’s Opening Process is described within Options 3, Section 8.

⁴ See Options 5, Section 4(a)(iii)(B).

similar to SEEK Orders, will be treated as DNR for the remainder of the trading day and post to the Order Book, and will not be subject to routing even in the event that there is a new Opening Process after a trading halt. If a FIND Order was marketable with the ABBO upon receipt, it would be eligible for routing the next time the option series is subject to a new Opening Process, which may include a re-opening after a trading halt. FIND Orders may route during and after an Opening Process, similar to SEEK Orders.⁵ The Exchange is replacing the “SEEK” option with a “FIND” option within Options 5, Section 4(a) to account for the change in routing options, which will be described below in greater detail below. Of note, unlike FIND and SEEK Orders, SRCH Orders will continue to route throughout the trading day, provided the SRCH Order is marketable with the ABBO.

Further, this proposal would conform rule text describing DNR Orders and SRCH Orders with Phlx rule text.⁶ Proposed amendments to the DNR and SRCH Order rule text are not substantive and do not result in System changes.

⁵ Orders that route during an Opening Process route at the end of the Opening Process, when the Exchange simultaneously opens an options series and routes. Thereafter, FIND Orders that were submitted after the Opening Process would attempt once to route until the FIND Order rests on the Order Book. Once it rests on the Order Book, the FIND Order would not route until the next Opening Process. Finally, an Opening Process may occur intra-day if there was a trading halt. After a trading halt BX would reopen with an Opening Process and the FIND Order would be eligible to route once again.

⁶ Phlx has All-or-None Orders which are permitted to rest on the Order Book. See Phlx Options 3, Section 7(b)(5). BX’s All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book. See BX Options 3, Section 7(a)(8). Because BX’s All-or-None Orders do not rest on the Order Book, the treatment of such orders would be different on the two markets (Phlx and BX) and therefore it is consistent to align its treatment of order types within the routing rule with its treatment of those orders pursuant to BX Options 3, Section 7. Also, Phlx permits routing for Public Customer and Professional SRCH Orders. See Phlx Options 3, Section 8. BX’s proposal will permit any

DNR Orders

The Exchange proposes to amend Options 5, Section 4(a)(iii)(A), related to DNR Orders, to conform the BX rule text to Phlx rule text. These amendments are intended bring clarity to the rule text. Currently, Options 5, Section 4(a)(iii)(A), relating to DNR Orders, states,

A DNR Order will never be routed outside of BX regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in the BX Order Book and be displayed at a price one minimum price variation ("MPV") inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR's displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the repriced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.

The Exchange proposes non-substantive amendments to Options 5, Section 4(a)(iii)(A), relating to DNR Orders, to align the rule text with Phlx's Rule at Options 5, Section 4(a)(iii)(A). The Exchange proposes to: (1) add the word "Order" after DNR in

market participant to route a SRCH Order. Today, any market participant may route a FIND Order on Phlx and this will also be the case on BX. See SR-Phlx-2020-27 which amends the current Phlx rule text. Finally, Phlx's use of the term "PBBO" differs from BX's use of the term "BBO" because, as noted herein, Phlx's All-or-None Orders rest on the Order Book and are non-displayed. Phlx has non-displayed order types that are not counted in the PBBO. BX does not have non-displayed order types.

the fifth sentence of the paragraph; (2) add the word “already” before “displayed” in the fifth sentence of the paragraph; (3) replace the word “change” with “move” in the sixth sentence of the paragraph; (4) delete the words “its price” in the sixth sentence of the paragraph; (5) use the defined term “MPV” instead of “minimum trading increment” in the sixth sentence of the paragraph; (6) replace “away best bid/offer” with “ABBO” in the sixth sentence of the paragraph; and (7) replace “priced” with “booked” in the seventh sentence of the paragraph. These proposed amendments are non-substantive and intended solely to conform BX’s DNR rule text to Phlx’s DNR rule text as the functionality is the same on both markets.

The Exchange also proposes to amend the fifth sentence of the paragraph within Options 5, Section 4(a)(iii)(A), which currently states, “Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed price, in which case the incoming order will execute at the previous ABBO price” to add more explanation and another scenario. The Exchange proposes to instead provide, “Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order’s displayed price, in which case the incoming order will execute at the DNR Order’s displayed price.” This proposed new text intends to make clear that if the Exchange’s System is executing an incoming order against a resting DNR Order, which is displayed, it would not consider an updated ABBO which crossed the already

displayed DNR Order. The System would not take into account the away market order or quote that crossed the DNR Order's already displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing BX's already displayed market and therefore the away market has the obligation not to trade-through BX's displayed price. By way of example, consider the following sequence of events in the System:

9:45:00:00:00 - MIAX Quote 0.95 x 1.20

9:45:00:00:10 – OPRA updates MIAX BBO 0.95 x 1.20

9:45:00:00:20 - BX Local BBO Quote 1.00 x 1.15

9:45:00:00:30 - OPRA disseminates BX BBO updates: 1.00 x 1.15

9:45:00:00:35: CBOE Quote 1.00 x 1.12

9:45:00:00:45 – OPRA disseminates CBOE BBO 1.00 x 1.12

9:45:00:00:50 - DNR Order: Buy 5 @ 1.15 (exposes @ ABBO of 1.12, displays 1 MPV from ABBO @ 1.11)

9:45:00:00:51 – OPRA disseminates BX BBO updates: 1.11 x 1.15 (1.11 being the DNR Order displaying 1 MPV from ABBO)

9:45:00:00:60 - MIAX Quote updates to 1.00 x 1.10 (1.10 crosses the displayed DNR Order price, violating locked/crossed market rules; henceforth, we need not protect this price)

9:45:00:00:65 – OPRA disseminates MIAX BBO 1.00 x 1.10

9:45:00:00:75 - BX Market Maker Order to Sell 5 @ 1.09

9:45:00:00:76 – Market Maker Order immediately executes against DNR Order 5 contracts @ 1.12 (1.12 being the 'previous' ABBO price disseminated by CBOE before the receipt of the DNR Order that was subsequently and illegally crossed by MIAX's 2nd quote)

9:45:00:00:77 - OPRA disseminates BX BBO updates: 1.00 x 1.15 (reverts back to BBO set by BX Local Quote since the DNR Order has executed)

The Exchange proposes to amend the next sentence of that same paragraph, which currently states, “Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the repriced order locks or crosses the ABBO.” In addition to the non-substantive changes noted above, the Exchange proposes to remove the phrase “to participants only if the repriced order locks or crosses the ABBO.” The proposed sentence would provide, “Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original ABBO and display one MPV away from the new ABBO or its original limit price, and expose such orders at the new ABBO.” The Exchange’s proposal is intended to make clear the current System operation. The rewording of this sentence does not result in a System change, rather the new sentence is intended to bring greater clarity to the current System operation.

FIND Order

The Exchange proposes to adopt a new routing options at Options 5, Section 4(a)(iii)(B), FIND Orders. As noted above, a FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open. FIND Orders that are not marketable with the ABBO upon receipt will be treated as DNR for the remainder of the trading day, and will not be subject to routing even in the event that there is a new Opening Process after a

trading halt.⁷ This text is similar to Phlx Options 5, Section 4(a)(iii)(B). BX would treat FIND Orders upon receipt in the same manner as Phlx. BX proposes to add rule text to the end of Options 5, Section 4(a)(iii)(B) which states, “and post to the Order book, even in the event that there is a new Opening Process after a trading halt” to make clear that the FIND Order would post to the Order Book and not route again, even if there were a new Opening Process.⁸ This happens today on Phlx as well.

The Exchange proposes to provide at BX proposed Options 5, Section 4(a)(iii)(B)(1), “At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Options 3, Section 8(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will execute or book pursuant to Options 3, Section 8(k).” BX will permit all market participants to route. The Exchange proposes not to adopt the Phlx rule text at Options 5, section 4(a)(iii)(B)(1) which provides, “Such FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.” The Opening Process describes the manner in which orders route at the end of that process and the sentence is not necessary within this rule. FIND Orders that are not marketable with the ABBO upon receipt will be

⁷ See note 5 above.

⁸ FIND Orders that are not marketable with the ABBO upon receipt are handled differently than FIND Orders that are marketable with the ABBO upon receipt. FIND Orders that are marketable with the ABBO upon receipt would be eligible for routing the next time the option series is subject to a new Opening Process, which may include a re-opening after a trading halt. FIND Orders that are not marketable with the ABBO upon receipt will not be subject to routing even in the event that there is a new Opening Process after a trading halt. The handling of FIND Orders on Phlx and BX is identical.

treated as DNR for the remainder of the trading day, and will not be subject to routing even in the event that there is a new Opening Process after a trading halt.⁹

In order to more efficiently display the various potential scenarios, without repeating certain rule text several times throughout the rule, the Exchange proposes to adopt proposed Options 5, Section 4(a)(iii)(B)(2). The proposed paragraph provides,

Generally, a FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the FIND Order is entered onto the Order Book, the FIND Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If during a Route Timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the BBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the BBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price.

This paragraph utilizes the term “generally” because it always applies to FIND Orders.

The Exchange proposes to state that a FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. This statement will provide context to the FIND Order and would apply consistently to FIND Orders. The Exchange further proposes to provide that if there exists a locked ABBO when the FIND Order is entered onto the Order Book, the FIND

⁹ See note 5 above.

Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. The Exchange further proposes to describe the possible scenarios that may occurring during a Route Timer, when ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the BBO, the FIND Order will always post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route each time at the completion of the Route Timer. In the situation where an ABBO worsens, but remains better than the BBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer, each time. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade always against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. The Exchange believes that describing these scenarios in this introductory paragraph will provide a basis to understand certain FIND Order behaviors in certain circumstances and eliminate the need to have these circumstances repeated throughout the rule. The sentences in this paragraph are currently located within the Phlx FIND Rule at Options 5, Section 4(a)(iii)(B). The Exchange notes below where the sentences within proposed BX Options 5, Section 4(a)(iii)(B)(2) are located within the current Phlx rule.

Phlx Options 5, Section 4(a)(iii)(B)(2) provides,

With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Options 3, Section 8(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will

post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but remains better than the PBBO, the FIND Order will reprice and be reexposed at the new price(s) without interrupting the route timer.

The first sentence of Phlx Options 5, Section 4(a)(iii)(B)(2) is not being adopted because it is covered within Options 3, Section 8(k), which describes the Opening Process. The remainder of the Phlx rule text is the same as that within BX proposed Options 5, Section 4(a)(iii)(B)(2), however it is arranged in a different order. Similar to SRCH Orders, the Exchange proposes various scenarios if markets move.

Proposed BX Options 5, Section 4(a)(iii)(B)(3) provides, “A FIND Order received after an Opening Process that is not marketable against the BBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day, even in the event that there is a new Opening Process after a trading halt.” This text is similar to Phlx Options 5, Section 4(a)(iii)(B)(3). BX would treat FIND Orders received after an Opening Process that are not marketable against the BBO or the ABBO in the same manner as Phlx. BX is adding rule text to make clear that the FIND Order will not route, even if there is a new Opening Process. The Exchange will not allow a non-marketable order to route.

Proposed BX Options 5, Section 4(a)(iii)(B)(4) provides,

A FIND Order received after an Opening Process that is marketable against the BBO when the ABBO is inferior to the BBO will be traded on the Exchange at or better than the BBO price. If the FIND Order has size remaining after exhausting the BBO, it may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day, even in the event that there is a new Opening Process after a trading halt.

This rule text is similar to Phlx Options 5, Section 4(a)(iii)(B)(4), except that Phlx has references to an “internal PBBO” because it has All-or-None Orders which are non-displayed orders, and BX is adding rule text to make clear that the FIND Order will not route, even if there is a new Opening Process. As explained above, BX’s All-or-None Orders execute immediately or cancel and do not rest on the Order Book. This paragraph describes scenarios where the FIND Order is marketable against the BBO, when the ABBO is inferior to the BBO. In this case, the FIND Order will be traded at the Exchange at or better than the BBO price. If the FIND Order has size remaining after exhausting the BBO, there are various possible scenarios: the FIND Order may (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. BX handles FIND Orders similar to Phlx with respect to not routing for the remainder of the trading day, even if there is a new Opening Process.

Proposed BX Options 5, Section 4(a)(iii)(B)(5) provides,

A FIND Order received after an Opening Process that is marketable against the BBO when the ABBO is equal to the BBO will be traded on the Exchange at the BBO. If the FIND Order has size remaining after exhausting the BBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the BBO at a price one MPV away from the ABBO. If during the Route Timer, the ABBO markets move such that the FIND Order is no longer marketable against the ABBO, it may: (i) trade at the next BBO price (or prices) if the FIND Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO.

This rule text is identical to Phlx Options 5, Section 4(a)(iii)(B)(5), except that Phlx has references to an “internal PBBO” because it has All-or-None Orders as described above. Also, a sentence that is within this paragraph in the Phlx Rule is now captured within proposed BX Options 5, Section 4(a)(iii)(B)(2) and does not need to be repeated in this paragraph.¹⁰

Proposed BX Options 5, Section 4(a)(iii)(B)(5) explains that if a FIND Order is received after an Opening Process that is marketable against the BBO, when the ABBO is equal to the BBO, the FIND Order will be traded at the Exchange at the BBO. Further, if the FIND Order has size remaining after exhausting the BBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During a Route Timer, the FIND Order will be included in the BBO at a price one MPV away from the ABBO. The Exchange also accounts for scenarios during a Route Timer. The first scenario describes a situation during the Route Timer, if ABBO markets move such that the FIND Order is no longer marketable against the ABBO. In this scenario, various events could occur, the FIND Order may: (i) trade at the next BBO price (or prices) if the FIND Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO. The remainder of the text in Phlx Options

¹⁰ The following sentence, proposed BX Options 5, Section 4(a)(iii)(B)(2), “If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price” is located within Phlx Options 5, Section 4(a)(iii)(B)(5). This sentence was relocated to Options 5, Section 4(a)(iii)(B)(2) because it applies generally to FIND Orders.

5, Section 4(a)(iii)(B)(5) is not included as it is repetitive of text within proposed BX Options 5, Section 4(a)(iii)(B)(2).¹¹

Proposed BX Options 5, Section 4(a)(iii)(B)(6) provides,

If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either: (1) an away market's size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange's proposed rule text is the same as Phlx Options 5, Section 4(a)(iii)(B)(6). At the end of a Route Timer, if a FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either (1) an away market's size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. A FIND Order will

¹¹ The remainder of the Phlx rule text within Phlx Options 5, Section 4(a)(iii)(B)(6) provides, "A FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the FIND Order is entered onto the Order Book, the FIND Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO." This Phlx text was copied to proposed BX Options 5, Section 4(a)(iii)(B)(2) which generally describes FIND Orders.

only route once. BX Options 5, Section 4(a)(iii)(B)(6)(i) describes a scenario where interest has routed and size remains, which size would be routed again without posting to the Order Book. Once the FIND Order posts to the Order Book, it will not route again until the options series is subject to a new Opening Process. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. An Opening Process would occur intra-day if there was a trading halt. After a trading halt, BX would reopen with an Opening Process.

Proposed BX Options 5, Section 4(a)(iii)(B)(7) provides,

A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the BBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order.

The Exchange's proposed rule text is similar to Phlx Options 5, Section 4(a)(iii)(B)(6), however, part of the rule text within Phlx Options 5, Section 4(a)(iii)(B)(6) is contained with proposed BX Options 5, Section 4(a)(iii)(B)(2), which applies to FIND Orders generally.

Proposed BX Options 5, Section 4(a)(iii)(B)(8) provides,

If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange's proposed rule text the same as Phlx Options 5, Section 4(a)(iii)(B)(6). As stated herein, BX will route all market participant orders. During the Route Timer, the FIND Order will be included in the BBO at a price that is the better of one MPV away from the ABBO or the BBO. In this scenario, if during that Route Timer new interest arrives opposite the FIND Order, and that interest is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price. If, at the end of that Route Timer the ABBO is still the best price, and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process, which may be intra-day if a trading halt occurs.

Finally, proposed BX Options 5, Section 4(a)(iii)(B)(9) is identical to Phlx Options 5, Section 4(a)(iii)(B)(9) and provides that a FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order "ISO" and designated as an IOC order.

As mentioned above, All-or-None Orders are handled differently in the System by Phlx and BX. Phlx All-or-None Orders are permitted to rest on the Order Book.¹² BX All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book.¹³

SEEK Orders

The Exchange proposes to remove the rule text for SEEK Orders as the Exchange will no longer offer this routing option. The Exchange believes that adopting the FIND Order routing option, similar to Phlx, will provide its market participants with ample choice as to the method in which they may route. As is the case today, an order may also be marked as “DNR” and therefore would not be subject to routing. With this proposal, any market participant may choose to route, as is the case today. The Exchange proposes to replace references to “SEEK” within Options 5, Section 4(a) with “FIND” references.

SRCH Orders

The Exchange proposes to retain the SRCH Order functionality. The Exchange’s current SRCH Order functionality is identical to SRCH Order functionality on Phlx with the exception that BX’s All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book. Also, BX permits routing for all market participants. A SRCH Order is routable at any time.¹⁴

¹² See Phlx Options 3, Section 7(b)(5).

¹³ See BX Options 3, Section 7(a)(8).

¹⁴ More specifically, a SRCH Order is routable at any time the option series is open for trading. A SRCH Order would not route during the Opening Process or during a trading halt. A SRCH Order would route at the end of the Opening Process and intra-day.

The Exchange proposes to remove the first sentence of BX Options 5, Section 4(a)(iii)(C).¹⁵ The Exchange notes that the information in that first sentence of Options 5, Section 4(a)(iii)(C) is available within BX Options 5, Section 4(a) and applies to SRCH Orders. Current BX Options 5, Section 4(a)(iii)(C)(1) provides that if a SRCH Order is received during an Opening Process it may route as part of the Opening Cross pursuant to Options 3, Section 8(b)(7). The Exchange proposes to replace this rule text with the following proposed rule text within new Options 5, Section 4(a)(iii)(C), “A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process.” The second sentence “Orders initiate their own Route Timers and are routed in the order in which their Route Timers end” is being retained. This proposed rule text for SRCH Orders is identical to Phlx’s rule text within Options 5, Section 4(a)(iii)(C), except for the limitation on Phlx that only Public Customers and Professionals may route SRCH Orders. BX will permit any market participant to route SRCH Orders.

Next, the Exchange proposes to insert a new Options 5, Section 4(a)(iii)(C)(1) which states, “At the end of an Opening Process, any SRCH Order that is priced through the Opening Price pursuant to Options 3, Section 8(a)(iii), will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will execute or book pursuant to Options 3, Section 8(k).” The information concerning the Opening Process is specified

¹⁵ BX Options 5, Section 4(a)(iii)(C) provides, “SRCH Order is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. Orders initiate their own route timers and are routed in the order in which their route timers end.”

within Options 3, Section 8 and is being reiterated within this rule to describe routing during the Opening Process. The Exchange notes that Options 3, Section 8 provides a process whereby BX arrives at an Opening Price. The System cancels any order or quote priced through the Opening Price which was not able to be satisfied either by routing to an away destination or trading in full as part of the opening trade. Specifically, the Exchange notes that “priced through the Opening Price” means buying interest with a price higher than the Opening Price and selling interest with a price lower than the Opening Price. This rule text is similar to Phlx’s rule text within Options 5, Section 4(a)(iii)(C)(1), except that the BX rule adds a citation to the Opening Process rule at Options 3, Section 8(a)(iii). Further, BX is establishing a sentence within Options 5, Section 4(a)(iii)(C)(2), similar to FIND Orders, to include rule text concerning SRCH Orders which applies generally. Phlx’s rule text at Options 5, Section 4(a)(iii)(C)(1)¹⁶ is not being included within BX Options 5, Section 4(a)(iii)(C)(1), rather that rule text will be included within proposed BX Options 5, Section 4(a)(iii)(C)(2). The Exchange notes that the first sentence of current BX Options 5, Section 4(a)(iii)(C)(1) is reworded within proposed BX Options 5, Section 4(a)(iii)(C)(1).

Similar to the FIND Order proposal, the Exchange proposes to add a paragraph at proposed BX Options 5, Section 4(a)(iii)(C)(2) which provides general guidelines for the

¹⁶ Phlx Options 5, Section 4(a)(iii)(C)(1) provides, “At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Options 3, Section 8(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.”

behavior of SRCH Orders which apply consistently. This proposed paragraph will allow the Exchange to more efficiently display the various potential scenarios without repeating certain rule text several times. The Exchange believes that describing these scenarios in this introductory paragraph will provide a basis to understand certain SRCH Order behaviors in certain circumstances and eliminate the need to have these circumstances repeated throughout the rule. Proposed BX Options 5, Section 4(a)(iii)(C)(2) provides,

Generally, a SRCH Order will be included in the displayed BBO at its limit price, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the SRCH Order is entered onto the Order Book, the SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the BBO, the SRCH Order will book at its limit price. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the SRCH Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. If the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. The System will route and execute contracts contemporaneously at the end of the Route Timer.

Generally a SRCH Order will be included in the displayed BBO at its limit price, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO, similar to other routing order types. Also, if there is a locked ABBO when the SRCH Order is

entered onto the Order Book, the SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO to avoid locking the away market. The Exchange proposes to generally state, “Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.” This provision is always true of SRCH Orders.

Next, the Exchange provides scenarios that generally may occur during a Route Timer. The first scenario is if during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the BBO. In this case, the SRCH Order will book at its limit price. The next scenario is whether during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the SRCH Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. If new interest arrives that is that is equal to or better than the ABBO price, the SRCH Order will trade at the ABBO price. If new interest arrives that is marketable against the SRCH Order it will trade at the ABBO price unless the ABBO is improved to a price which crosses the SRCH Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. This last sentence within proposed BX Options 5, Section 4(a)(iii)(C)(4) makes clear that the SRCH Order would execute at the previous ABBO price as the away market crossed a displayed price. Better priced incoming interest will execute against the SRCH Order, unless the ABBO crosses the SRCH Order, in which case any new interest will execute at

the SRCH Order price. In this scenario, BX's price was already displayed when an away market subsequently crossed BX's displayed price. If the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. Also, if an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer, each time. Finally, if the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. The Exchange notes that the System will route and execute contracts contemporaneously at the end of the Route Timer. The last two sentences of this proposed rule are similar to the current last sentence of BX Options 5, Section 4(a)(iii)(C)(4). The sentences in this paragraph are currently within the Phlx SRCH Rule at Options 5, Section 4(a)(iii)(C). The Exchange notes below where the sentences within proposed BX Options 5, Section 4(a)(iii)(C)(2) are located within the current Phlx rule.

The Exchange proposes to provide rule text at proposed BX Options 5, Section 4(a)(iii)(C)(3) which is similar to Phlx Options 5, Section 4(a)(iii)(C)(2). This paragraph explains what happens to a SRCH Order that is not marketable against the BBO or the ABBO. The SRCH Order would be entered into the Order Book. BX proposes to state that the SRCH Order is entered at its limit price to provide greater detail. This detail is not currently within the Phlx rule text, but applies to Phlx as well. Once on the Order Book, the SRCH Order may route if it is locked or crossed by an away market.

Proposed BX Options 5, Section 4(a)(iii)(C)(4) provides,

A SRCH Order received after an Opening Process that is marketable against the BBO when the ABBO is inferior to the BBO will be traded on

the Exchange at or better than the BBO price. If the SRCH Order has size remaining after exhausting the BBO, it may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all BX interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

This proposed rule text represents a scenario where the SRCH Order is received after an Opening Process and is marketable against the BBO when the ABBO is inferior to the BBO. In this case the SRCH Order would be traded at or better than the BBO price. If size remains, the Exchange describes the various potential scenarios, the SRCH Order may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all BX interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO. These scenarios are not currently contained in the BX rule text and will bring greater transparency to the rule. This rule text is similar to Phlx Options 5, Section 4(a)(iii)(C)(3), except that Phlx has references to All-or-None Orders, which are non-displayed orders on Phlx and different than BX's All-or-None Orders, which execute immediately or cancel. Also, the final sentence from Phlx Options 5, Section 4(a)(iii)(C)(3), "Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market," appears in proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

Proposed BX Options 5, Section 4(a)(iii)(C)(5) provides,

A SRCH Order received after an Opening Process that is marketable against the BBO when the ABBO is equal to the BBO will be traded on the Exchange at the BBO. If the SRCH Order has size remaining after exhausting the BBO, it will initiate a Route Timer and expose the SRCH

Order at the ABBO to allow participants and other market participants an opportunity to interact with the remainder of the SRCH Order. During the Route Timer, the SRCH Order will be included in the BBO at a price one MPV away from the ABBO.

This proposed paragraph describes a scenario that is currently not provided for within BX's rule. This scenario explains when a SRCH Order, received after the Opening Process, is marketable against the BBO when the ABBO is equal to the BBO. In this case the SRCH Order will be traded at the BBO price. If size remains, it will start a Route Timer and expose the SRCH Order at the ABBO and display the SRCH Order one MPV away from the ABBO so as not to lock the away market. During the Route Timer the SRCH Order will be included in the BBO at a price one MPV away from the ABBO. The proposed paragraph is similar to Phlx Options 5, Section 4(a)(iii)(C)(4). The Exchange notes that the sentences which provided, "If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price" is contained within proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

Proposed BX Options 5, Section 4(a)(iii)(C)(6) provides,

If, at the end of the Route Timer pursuant to subparagraph (5) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route to an away market up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

The Exchange proposes to note what occurs at the end of the Route Timer in paragraph (5) within proposed BX Options 5, Section 4(a)(iii)(C)(6). If the SRCH Order is still

marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO. As mentioned also during the Opening Process, once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. The Exchange believes that noting each potential scenario within the SRCH Order rule text will provide market participants with clarity as to the expected System handling. This rule text is similar to Phlx Options 5, Section 4(a)(iii)(C)(4). Three sentences¹⁷ within the Phlx rule were copied to proposed BX Options 5, Section 4(a)(iii)(C)(2) and are therefore applicable to this paragraph. Also, BX and Phlx All-or-None Order types differ.¹⁸

The Exchange proposes to delete current Options 5, Section 4(a)(iii)(C)(2) and (3) and replace that language with similar text within proposed BX Options 5, Section 4(a)(iii)(C)(7) which provides,

¹⁷ The sentences in Phlx Options 5, Section 4(a)(iii)(C)(4) that provide, "If the SRCH Order is locked or crossed, it will route at the completion of the Route Timer. Similar to the scenario noted during the Opening Process, if the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s)" as well as "The System will route and execute contracts contemporaneously at the end of the Route Timer" appear to proposed BX Options 5, Section 4(a)(iii)(C)(2). Finally, the final sentence from Phlx Options 5, Section 4(a)(iii)(C)(3), "Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market," appears in proposed BX Options 5, Section 4(a)(iii)(C)(2).

¹⁸ See note 6 above.

A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the BBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. If during the Route Timer, the ABBO markets move such that the SRCH Order is no longer marketable against the ABBO, it may: (i) trade at the next BBO price (or prices) if the SRCH Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO.

The first sentence of this proposed rule is the same as the last sentence of current BX Options 5, Section 4(a)(iii)(C)(1). In this scenario, the SRCH Order is received after the Opening Process and is marketable against the ABBO when the ABBO is better than the BBO. A Route Timer will initiate and expose the SRCH Order at the ABBO to provide an opportunity to trade with the SRCH Order. If during the Route Timer, the ABBO markets move such that the SRCH Order is no longer marketable against the ABBO a few scenarios are possible: The SRCH Order may: (i) trade at the next BBO price (or prices) if the SRCH Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO. This rule text is identical to Phlx Options 5, Section 4(a)(iii)(C)(6). The remainder of the rule text within Phlx Options 5, Section 4(a)(iii)(C)(6) appears in proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

Proposed BX Options 5, Section 4(a)(iii)(C)(8) provides,

If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

This scenario considers what is possible at the end of the Route Timer within proposed BX Options 5, Section 4(a)(iii)(C)(7). If the ABBO is still at the best price and is marketable with the SRCH Order, the order will route to the away market with a price that is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, there are various possibilities, the SRCH Order may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO. As is the case with SRCH Orders, once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. This rule text is the same as Phlx Options 5, Section 4(a)(iii)(C)(7), except for the final sentence which states, "Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market"¹⁹ and the mention of All-or-None Orders.²⁰

The Exchange does not propose to replicate Phlx Options 5, Section 4(a)(iii)(C)(8) because the paragraph is repetitive of the first sentence of proposed BX Options 5, Section 4(a)(iii)(C)(8) and the last sentence of proposed BX Options 5, Section 4(a)(iii)(C)(4). Notwithstanding the foregoing, the Exchange does propose to relocate a sentence from Phlx Options 5, Section 4(a)(iii)(C)(8) into BX Options 5, Section 4(a)(iii)(C)(2) which provides, "If an ABBO locks or crosses the SRCH Order

¹⁹ The final sentence of Phlx Options 5, Section 4(a)(iii)(C)(7) appears in proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

²⁰ As explained herein, All-or-None Orders on Phlx and BX are different. See note 6 above.

during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer.” The Exchange does not propose to replicate Phlx Options 5, Section 4(a)(iii)(C)(9) because this paragraph replicates proposed BX Options 5, Section 4(a)(iii)(C)(7).

Proposed BX Options 5, Section 4(a)(iii)(C)(9) provides, “A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC Order.” This sentence is identical to Phlx Options 5, Section 4(a)(iii)(C)(10). This paragraph, which is currently not contained in BX’s rule, represents existing System functionality. Describing the manner in which an IOC Order will be marked will provide greater transparency to the Exchange’s current rule.

Implementation

The Exchange intends to begin implementation of the proposed rule change prior to October 30, 2020. The Exchange will issue an Options Trader Alert to Members to provide notification of the symbols that will migrate and the relevant dates.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,²² in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange’s proposal to adopt a routing strategy similar to Phlx with respect to FIND Orders and remove SEEK Orders will provide BX

²¹ 15 U.S.C. 78f(b).

²² 15 U.S.C. 78f(b)(5).

Participants the same flexibility for routing orders that is afforded to Phlx members today.²³

With respect to the SRCH feature, the Exchange is adding more detail to its routing rule to provide market participants with greater transparency. The Exchange believes the added scenarios will provide more context to routing in general and for the specific routing strategies for the benefit of investors and the public interest. The Exchange continues to offer various choices to its market participants with respect to routing. A Participant may elect either (1) to not route their orders and mark those orders “DNR”; or (2) to route their orders. If a Participant elects to route their orders, then a Participant may select to mark their orders as “FIND” or “SRCH” Orders, as proposed herein. A FIND Order, similar to a SEEK Order, is not eligible for routing until the next time the option series is subject to a new Opening Process. The FIND Order would route once and then post to the Order Book. A SRCH Order may route during and after an Opening Process. A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. With respect to the addition of FIND Orders, the Exchange proposes various scenarios related to FIND Orders to account for various routing scenarios, as is the case today with respect to SEEK Orders. Various scenarios are also proposed to explain System functionality in locked and crossed markets. The Exchange also accounts for scenarios both during and after the Opening Process. The Exchange notes that it is consistent with the Act to account for the behavior of FIND Orders with respect to locked and crossed markets. The Exchange will not trade-through an away market’s price. This behavior is consistent with the protection of investors and

²³ See Phlx Options 5, Section 4, Order Routing.

the general public because it affords Participants the ability to obtain the best price offered among the various options markets.

There are two distinctions in the Phlx rules which BX is not adopting. First, All-or-None Orders are handled differently in the System by Phlx and BX. Phlx All-or-None Orders are permitted to rest on the Order Book²⁴ while BX All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book.²⁵ Because BX's All-or-None Orders do not rest on the Order Book, the treatment of such orders would be different on the two markets (Phlx and BX) and therefore it is consistent with the Act for BX to align its treatment of order types within the routing rule with its treatment of those orders pursuant to BX Options 3, Section 7. Second, the Exchange is not adopting the distinction on Phlx which permits routing for Public Customer and Professional SRCH Orders.²⁶ The Exchange believes it is consistent with the Act to not limit routing for any market participant. BX's proposal would allow all market participants to route. Participants would have the ability to elect to route orders to away markets to obtain the best price, while also accessing Phlx's Order Book. The Exchange believes that offering Participants the ability to route enables a Participant to obtain an execution on any market, provided the order is marketable, without the need to cancel the order and submit it anew.

DNR Orders

The Exchange's proposal to amend Options 5, Section 4(a)(iii)(A), related to

²⁴ See Phlx Options 3, Section 7(b)(5).

²⁵ See BX Options 3, Section 7(a)(8).

²⁶ Phlx only permits Public Customers and Professionals to route SRCH Orders. Any market participant may route a FIND Order on Phlx. See SR-Phlx-2020-27.

DNR Orders, to conform the text within BX to that of Phlx is consistent with the Act and should bring greater clarity to the rule text. The Exchange's proposed amendments to Options 5, Section 4(a)(iii)(A), relating to DNR Orders, align the rule text with Phlx's Rule. The proposed rule text does not result in a System change, rather the text is intended to bring greater clarity to the current System operation.

The Exchange's proposal to amend the sentence within Options 5, Section 4(a)(iii)(A), related to DNR Orders which provides, "Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR's displayed price, in which case the incoming order will execute at the previous ABBO price," is consistent with the Act. The Exchange proposes to amend this rule text to clarify the current rule text and add another scenario that is not currently within the rule text. The Exchange proposes to state, "Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless (1), the ABBO is improved to a price which crosses the DNR Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order's displayed price, in which case the incoming order will execute at the DNR Order's displayed price." The System would not take into account the away market order or quote which crossed the DNR's displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing BX's displayed market and therefore that market has the obligation not to trade-through BX's displayed price. The Exchange is also adding a scenario where the ABBO is improved to a price which locks the DNR's displayed price. In this added

scenario, the incoming order will execute at the DNR's displayed price. The Exchange notes that this scenario is not contained in the current rule text. Adding this scenario is consistent with the Act because it will bring greater transparency to the routing rule and inform members about this potential outcome if a member elects to mark their order as DNR.

Additionally, amending a sentence,²⁷ within Options 5, Section 4(a)(iii)(A), to provide, "Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original ABBO and display one MPV away from the new ABBO or its original limit price, and expose such orders at the new ABBO only if the repriced order locks or crosses the new ABBO" is consistent with the Act because the additional language expands on the current re-pricing that exists today. The Exchange believes that this language provides more context to the manner in which a DNR Order will be handled by the Exchange's System. The Exchange believes that this additional rule text is consistent with the Act as the DNR Order would re-price again from its one MPV inferior to the original ABBO because the best away market moved to an inferior price level. The DNR Order would display one MPV away from the new ABBO price or its original limit price. Also, the DNR Order would expose such orders at the new ABBO. Once booked at its original limit price, it will remain on the Order Book at that price until executed or cancelled. Providing this additional

²⁷ The current sentence within Rule 1093(a)(iii)(A) states, "Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO."

transparency will assist members in determining if they want their orders routed.

The remaining rule text amendments are non-substantive and makes technical changes.

SRCH Orders

The Exchange's proposal to add more scenarios for SRCH Order functionality on BX is consistent with the Act. Today, BX's current SRCH Order functionality is identical to SRCH Order functionality on Phlx, with the exception that All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book. BX permits routing for all market participants, unlike Phlx which limits routing to Public Customers and Professionals.²⁸ The Exchange's proposal to include all potential scenarios will bring greater transparency to the Exchange's Rules. Within this rule, the Exchange accounts for various scenarios to explain System functionality in locked and crossed markets, particularly during a Route Timer. The Exchange also accounts for scenarios both during and after the Opening Process. The Exchange notes that it is consistent with the Act to account for the behavior of SRCH Orders with respect to locked and crossed markets. The Exchange will not trade-through an away market's price. This behavior is consistent with the protection of investors and the general public because it affords Participants the ability to obtain the best price offered among the various options markets.

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.

²⁸ See SR-Phlx-2020-27.

The Exchange's proposal to adopt a routing strategy, similar to Phlx,²⁹ with respect to FIND Orders and remove SEEK Orders does not impose an undue burden on intermarket competition. This proposal will provide BX Participants the same choices with respect to routing that is afforded to Phlx members today. Also, the proposed routing rules apply to all market participants including routing during an Opening Process.

The Exchange believes that adding greater detail to its rules does not impose an undue burden on intramarket competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies with respect to SRCH Orders. The substitution of FIND Orders for SEEK Orders allows Participants to continue to have choices as to the manner in which they route orders, if they elect to route, as Phlx. Market participants may elect not to route their orders.

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

The Exchange does not consent to an extension of the time period for Commission action.

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)³⁰ of the Act and Rule 19b-4(f)(6) thereunder³¹ in that it effects a change

²⁹ See Phlx Options 5, Section 4, Order Routing.

³⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

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 Exchange believes its proposal to adopt a routing strategy, similar to Phlx,³² with respect to FIND Orders does not significantly affect the protection of investors or the public interest. Removing SEEK Orders and adopting FIND Orders will continue to provide BX Participants choices as to the manner in which they route orders, if they elect to route. Further, the Exchange's proposal to mirror rule text for DNR Orders on Phlx does not significantly affect the protection of investors or the public interest because the proposal will add clarity and detail to the current rules and the manner in which the System currently operates. Finally, adding scenarios for SRCH Orders similar to Phlx will provide greater detail with respect to the manner in which SRCH Orders are handled today on BX by the System. The proposed routing rules apply to all market participants including routing during an Opening Process, as is the case today. The Exchange's proposal to adopt a routing strategy, similar to Phlx,³³ does not impose any significant burden on competition. Participants would have the ability to elect to route orders to away markets to obtain the best price, while also accessing Phlx's Order Book. The Exchange believes that offering Participants the ability to route enables a Participant to

³¹ 17 CFR 240.19b-4(f)(6).

³² See Phlx Options 5, Section 4, Order Routing.

³³ Id.

obtain an execution on any market, provided the order is marketable, without the need to cancel the order and submit it anew. This proposal will provide BX Participants the same choices as to the manner in which they may route orders, if they elect to route, as Phlx. The Exchange believes that adding greater detail to its rules does not impose an undue burden on competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies. Further, the Exchange notes that market participants may elect not to route their orders. The Exchange continues to offer various options to its market participants with respect to routing. A Participant may elect either: (1) to not route their route orders and mark those orders “DNR”; or (2) to route their orders. If a Participant elects to route their orders, then a Participant may select to mark their orders as “FIND” or “SRCH” Orders, as proposed herein. Also, FIND and SRCH Orders function differently, so Participants may elect how many times they would like their order to attempt to route.

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.

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

BX's proposal aligns BX's Routing Rule to Phlx's Routing Rule at Options 5, Section 4. There are two distinctions in the Phlx rules which BX is not adopting.

First, All-or-None Orders are handled differently in the System by Phlx and BX. Phlx All-or-None Orders are permitted to rest on the Order Book.³⁴ BX All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book.³⁵

Second, Phlx permits Public Customers and Professionals to route SRCH Orders.³⁶ All market participants would be permitted to route SRCH Orders on BX. Also, all market participants may route FIND Orders on Phlx, as will be the case on BX.

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.

³⁴ See Phlx Options 3, Section 7(b)(5).

³⁵ See BX Options 3, Section 7(a)(8).

³⁶ See Phlx Options 3, Section 8.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-BX-2020-014)

July __, 2020

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing of Proposed Rule Change to Amend BX's Routing Functionality

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, 2020, 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 Options 5, Section 4, Order Routing.

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

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Options 5, Section 4, Order Routing, in connection with a technology migration to an enhanced Nasdaq, Inc. (“Nasdaq”) functionality which results in higher performance, scalability, and more robust architecture. With this system migration, the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq Exchanges. Specifically, the Exchange proposes to conform BX Routing to Nasdaq Phlx LLC’s (“Phlx”) routing rule at Options 5, Section 4, Order Routing.

Today, BX offers the following order types for routing: DNR Order, SEEK Order and SRCH Order. A DNR Order will never be routed outside of the Exchange regardless of the prices displayed by away markets. A SEEK Order may route during and after an Opening Process.³ Once the SEEK Order rests on the Order Book, it will not be eligible for routing until the next time the option series is subject to a new Opening Process. A SRCH Order may route during and after an Opening Process. A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market.

This proposal would amend BX Rules to remove the SEEK routing option and, instead, adopt the FIND Order routing option, which is currently available on Phlx.⁴ A

³ BX’s Opening Process is described within Options 3, Section 8.

⁴ See Options 5, Section 4(a)(iii)(B).

FIND Order, similar to a SEEK Order, will only attempt to route once and then post to the Order Book. FIND Orders that are not marketable with the ABBO upon receipt, similar to SEEK Orders, will be treated as DNR for the remainder of the trading day and post to the Order Book, and will not be subject to routing even in the event that there is a new Opening Process after a trading halt. If a FIND Order was marketable with the ABBO upon receipt, it would be eligible for routing the next time the option series is subject to a new Opening Process, which may include a re-opening after a trading halt. FIND Orders may route during and after an Opening Process, similar to SEEK Orders.⁵ The Exchange is replacing the “SEEK” option with a “FIND” option within Options 5, Section 4(a) to account for the change in routing options, which will be described below in greater detail below. Of note, unlike FIND and SEEK Orders, SRCH Orders will continue to route throughout the trading day, provided the SRCH Order is marketable with the ABBO.

Further, this proposal would conform rule text describing DNR Orders and SRCH Orders with Phlx rule text.⁶ Proposed amendments to the DNR and SRCH Order rule text are not substantive and do not result in System changes.

⁵ Orders that route during an Opening Process route at the end of the Opening Process, when the Exchange simultaneously opens an options series and routes. Thereafter, FIND Orders that were submitted after the Opening Process would attempt once to route until the FIND Order rests on the Order Book. Once it rests on the Order Book, the FIND Order would not route until the next Opening Process. Finally, an Opening Process may occur intra-day if there was a trading halt. After a trading halt BX would reopen with an Opening Process and the FIND Order would be eligible to route once again.

⁶ Phlx has All-or-None Orders which are permitted to rest on the Order Book. See Phlx Options 3, Section 7(b)(5). BX’s All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book. See BX Options 3, Section 7(a)(8). Because BX’s All-or-None Orders do not rest on the Order Book, the treatment of such orders would be different on the two markets (Phlx

DNR Orders

The Exchange proposes to amend Options 5, Section 4(a)(iii)(A), related to DNR Orders, to conform the BX rule text to Phlx rule text. These amendments are intended bring clarity to the rule text. Currently, Options 5, Section 4(a)(iii)(A), relating to DNR Orders, states,

A DNR Order will never be routed outside of BX regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in the BX Order Book and be displayed at a price one minimum price variation ("MPV") inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR's displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the repriced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.

and BX) and therefore it is consistent to align its treatment of order types within the routing rule with its treatment of those orders pursuant to BX Options 3, Section 7. Also, Phlx permits routing for Public Customer and Professional SRCH Orders. See Phlx Options 3, Section 8. BX's proposal will permit any market participant to route a SRCH Order. Today, any market participant may route a FIND Order on Phlx and this will also be the case on BX. See SR-Phlx-2020-27 which amends the current Phlx rule text. Finally, Phlx's use of the term "PBBO" differs from BX's use of the term "BBO" because, as noted herein, Phlx's All-or-None Orders rest on the Order Book and are non-displayed. Phlx has non-displayed order types that are not counted in the PBBO. BX does not have non-displayed order types.

The Exchange proposes non-substantive amendments to Options 5, Section 4(a)(iii)(A), relating to DNR Orders, to align the rule text with Phlx's Rule at Options 5, Section 4(a)(iii)(A). The Exchange proposes to: (1) add the word "Order" after DNR in the fifth sentence of the paragraph; (2) add the word "already" before "displayed" in the fifth sentence of the paragraph; (3) replace the word "change" with "move" in the sixth sentence of the paragraph; (4) delete the words "its price" in the sixth sentence of the paragraph; (5) use the defined term "MPV" instead of "minimum trading increment" in the sixth sentence of the paragraph; (6) replace "away best bid/offer" with "ABBO" in the sixth sentence of the paragraph; and (7) replace "priced" with "booked" in the seventh sentence of the paragraph. These proposed amendments are non-substantive and intended solely to conform BX's DNR rule text to Phlx's DNR rule text as the functionality is the same on both markets.

The Exchange also proposes to amend the fifth sentence of the paragraph within Options 5, Section 4(a)(iii)(A), which currently states, "Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR's displayed price, in which case the incoming order will execute at the previous ABBO price" to add more explanation and another scenario. The Exchange proposes to instead provide, "Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order's displayed price, in which case the incoming order will execute at the DNR

Order's displayed price." This proposed new text intends to make clear that if the Exchange's System is executing an incoming order against a resting DNR Order, which is displayed, it would not consider an updated ABBO which crossed the already displayed DNR Order. The System would not take into account the away market order or quote that crossed the DNR Order's already displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing BX's already displayed market and therefore the away market has the obligation not to trade-through BX's displayed price. By way of example, consider the following sequence of events in the System:

9:45:00:00:00 - MIAX Quote 0.95 x 1.20

9:45:00:00:10 – OPRA updates MIAX BBO 0.95 x 1.20

9:45:00:00:20 - BX Local BBO Quote 1.00 x 1.15

9:45:00:00:30 - OPRA disseminates BX BBO updates: 1.00 x 1.15

9:45:00:00:35: CBOE Quote 1.00 x 1.12

9:45:00:00:45 – OPRA disseminates CBOE BBO 1.00 x 1.12

9:45:00:00:50 - DNR Order: Buy 5 @ 1.15 (exposes @ ABBO of 1.12, displays 1 MPV from ABBO @ 1.11)

9:45:00:00:51 – OPRA disseminates BX BBO updates: 1.11 x 1.15 (1.11 being the DNR Order displaying 1 MPV from ABBO)

9:45:00:00:60 - MIAX Quote updates to 1.00 x 1.10 (1.10 crosses the displayed DNR Order price, violating locked/crossed market rules; henceforth, we need not protect this price)

9:45:00:00:65 – OPRA disseminates MIAX BBO 1.00 x 1.10

9:45:00:00:75 - BX Market Maker Order to Sell 5 @ 1.09

9:45:00:00:76 – Market Maker Order immediately executes against DNR Order 5 contracts @ 1.12 (1.12 being the 'previous' ABBO price disseminated by CBOE before the receipt of the DNR Order that was subsequently and illegally crossed by MIAX's 2nd quote)

9:45:00:00:77 - OPRA disseminates BX BBO updates: 1.00 x 1.15 (reverts back to BBO set by BX Local Quote since the DNR Order has executed)

The Exchange proposes to amend the next sentence of that same paragraph, which currently states, “Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the repriced order locks or crosses the ABBO.” In addition to the non-substantive changes noted above, the Exchange proposes to remove the phrase “to participants only if the repriced order locks or crosses the ABBO.” The proposed sentence would provide, “Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original ABBO and display one MPV away from the new ABBO or its original limit price, and expose such orders at the new ABBO.” The Exchange’s proposal is intended to make clear the current System operation. The rewording of this sentence does not result in a System change, rather the new sentence is intended to bring greater clarity to the current System operation.

FIND Order

The Exchange proposes to adopt a new routing options at Options 5, Section 4(a)(iii)(B), FIND Orders. As noted above, a FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open. FIND Orders that are not marketable with the ABBO upon receipt will be treated as DNR for the remainder of the trading day, and will

not be subject to routing even in the event that there is a new Opening Process after a trading halt.⁷ This text is similar to Phlx Options 5, Section 4(a)(iii)(B). BX would treat FIND Orders upon receipt in the same manner as Phlx. BX proposes to add rule text to the end of Options 5, Section 4(a)(iii)(B) which states, “and post to the Order book₂ even in the event that there is a new Opening Process after a trading halt” to make clear that the FIND Order would post to the Order Book and not route again, even if there were a new Opening Process.⁸ This happens today on Phlx as well.

The Exchange proposes to provide at BX proposed Options 5, Section 4(a)(iii)(B)(1), “At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Options 3, Section 8(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will execute or book pursuant to Options 3, Section 8(k).” BX will permit all market participants to route. The Exchange proposes not to adopt the Phlx rule text at Options 5, section 4(a)(iii)(B)(1) which provides, “Such FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.” The Opening Process describes the manner in which orders route at the end of that process and the sentence is not necessary within this rule. FIND Orders that are not marketable with the ABBO upon receipt will be

⁷ See note 5 above.

⁸ FIND Orders that are not marketable with the ABBO upon receipt are handled differently than FIND Orders that are marketable with the ABBO upon receipt. FIND Orders that are marketable with the ABBO upon receipt would be eligible for routing the next time the option series is subject to a new Opening Process, which may include a re-opening after a trading halt. FIND Orders that are not marketable with the ABBO upon receipt will not be subject to routing even in the event that there is a new Opening Process after a trading halt. The handling of FIND Orders on Phlx and BX is identical.

treated as DNR for the remainder of the trading day, and will not be subject to routing even in the event that there is a new Opening Process after a trading halt.⁹

In order to more efficiently display the various potential scenarios, without repeating certain rule text several times throughout the rule, the Exchange proposes to adopt proposed Options 5, Section 4(a)(iii)(B)(2). The proposed paragraph provides,

Generally, a FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the FIND Order is entered onto the Order Book, the FIND Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If during a Route Timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the BBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the BBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price.

This paragraph utilizes the term “generally” because it always applies to FIND Orders.

The Exchange proposes to state that a FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. This statement will provide context to the FIND Order and would apply consistently to FIND Orders. The Exchange further proposes to provide that if there exists a locked ABBO when the FIND Order is entered onto the Order Book, the FIND

⁹ See note 5 above.

Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. The Exchange further proposes to describe the possible scenarios that may occurring during a Route Timer, when ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the BBO, the FIND Order will always post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route each time at the completion of the Route Timer. In the situation where an ABBO worsens, but remains better than the BBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer, each time. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade always against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. The Exchange believes that describing these scenarios in this introductory paragraph will provide a basis to understand certain FIND Order behaviors in certain circumstances and eliminate the need to have these circumstances repeated throughout the rule. The sentences in this paragraph are currently located within the Phlx FIND Rule at Options 5, Section 4(a)(iii)(B). The Exchange notes below where the sentences within proposed BX Options 5, Section 4(a)(iii)(B)(2) are located within the current Phlx rule.

Phlx Options 5, Section 4(a)(iii)(B)(2) provides,

With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Options 3, Section 8(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will

post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but remains better than the PBBO, the FIND Order will reprice and be reexposed at the new price(s) without interrupting the route timer.

The first sentence of Phlx Options 5, Section 4(a)(iii)(B)(2) is not being adopted because it is covered within Options 3, Section 8(k), which describes the Opening Process. The remainder of the Phlx rule text is the same as that within BX proposed Options 5, Section 4(a)(iii)(B)(2), however it is arranged in a different order. Similar to SRCH Orders, the Exchange proposes various scenarios if markets move.

Proposed BX Options 5, Section 4(a)(iii)(B)(3) provides, “A FIND Order received after an Opening Process that is not marketable against the BBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day, even in the event that there is a new Opening Process after a trading halt.” This text is similar to Phlx Options 5, Section 4(a)(iii)(B)(3). BX would treat FIND Orders received after an Opening Process that are not marketable against the BBO or the ABBO in the same manner as Phlx. BX is adding rule text to make clear that the FIND Order will not route, even if there is a new Opening Process. The Exchange will not allow a non-marketable order to route.

Proposed BX Options 5, Section 4(a)(iii)(B)(4) provides,

A FIND Order received after an Opening Process that is marketable against the BBO when the ABBO is inferior to the BBO will be traded on the Exchange at or better than the BBO price. If the FIND Order has size remaining after exhausting the BBO, it may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day, even in the event that there is a new Opening Process after a trading halt.

This rule text is similar to Phlx Options 5, Section 4(a)(iii)(B)(4), except that Phlx has references to an “internal PBBO” because it has All-or-None Orders which are non-displayed orders, and BX is adding rule text to make clear that the FIND Order will not route, even if there is a new Opening Process. As explained above, BX’s All-or-None Orders execute immediately or cancel and do not rest on the Order Book. This paragraph describes scenarios where the FIND Order is marketable against the BBO, when the ABBO is inferior to the BBO. In this case, the FIND Order will be traded at the Exchange at or better than the BBO price. If the FIND Order has size remaining after exhausting the BBO, there are various possible scenarios: the FIND Order may (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. BX handles FIND Orders similar to Phlx with respect to not routing for the remainder of the trading day, even if there is a new Opening Process.

Proposed BX Options 5, Section 4(a)(iii)(B)(5) provides,

A FIND Order received after an Opening Process that is marketable against the BBO when the ABBO is equal to the BBO will be traded on the Exchange at the BBO. If the FIND Order has size remaining after exhausting the BBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the BBO at a price one MPV away from the ABBO. If during the Route Timer, the ABBO markets move such that the FIND Order is no longer marketable against the ABBO, it may: (i) trade at the next BBO price (or prices) if the FIND Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO.

This rule text is identical to Phlx Options 5, Section 4(a)(iii)(B)(5), except that Phlx has references to an “internal PBBO” because it has All-or-None Orders as described above. Also, a sentence that is within this paragraph in the Phlx Rule is now captured within proposed BX Options 5, Section 4(a)(iii)(B)(2) and does not need to be repeated in this paragraph.¹⁰

Proposed BX Options 5, Section 4(a)(iii)(B)(5) explains that if a FIND Order is received after an Opening Process that is marketable against the BBO, when the ABBO is equal to the BBO, the FIND Order will be traded at the Exchange at the BBO. Further, if the FIND Order has size remaining after exhausting the BBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During a Route Timer, the FIND Order will be included in the BBO at a price one MPV away from the ABBO. The Exchange also accounts for scenarios during a Route Timer. The first scenario describes a situation during the Route Timer, if ABBO markets move such that the FIND Order is no longer marketable against the ABBO. In this scenario, various events could occur, the FIND Order may: (i) trade at the next BBO price (or prices) if the FIND Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO. The remainder of the text in Phlx Options

¹⁰ The following sentence, proposed BX Options 5, Section 4(a)(iii)(B)(2), “If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price” is located within Phlx Options 5, Section 4(a)(iii)(B)(5). This sentence was relocated to Options 5, Section 4(a)(iii)(B)(2) because it applies generally to FIND Orders.

5, Section 4(a)(iii)(B)(5) is not included as it is repetitive of text within proposed BX Options 5, Section 4(a)(iii)(B)(2).¹¹

Proposed BX Options 5, Section 4(a)(iii)(B)(6) provides,

If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either: (1) an away market's size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange's proposed rule text is the same as Phlx Options 5, Section 4(a)(iii)(B)(6). At the end of a Route Timer, if a FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either (1) an away market's size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. A FIND Order will

¹¹ The remainder of the Phlx rule text within Phlx Options 5, Section 4(a)(iii)(B)(6) provides, "A FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the FIND Order is entered onto the Order Book, the FIND Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO." This Phlx text was copied to proposed BX Options 5, Section 4(a)(iii)(B)(2) which generally describes FIND Orders.

only route once. BX Options 5, Section 4(a)(iii)(B)(6)(i) describes a scenario where interest has routed and size remains, which size would be routed again without posting to the Order Book. Once the FIND Order posts to the Order Book, it will not route again until the options series is subject to a new Opening Process. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. An Opening Process would occur intra-day if there was a trading halt. After a trading halt, BX would reopen with an Opening Process.

Proposed BX Options 5, Section 4(a)(iii)(B)(7) provides,

A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the BBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order.

The Exchange's proposed rule text is similar to Phlx Options 5, Section 4(a)(iii)(B)(6), however, part of the rule text within Phlx Options 5, Section 4(a)(iii)(B)(6) is contained with proposed BX Options 5, Section 4(a)(iii)(B)(2), which applies to FIND Orders generally.

Proposed BX Options 5, Section 4(a)(iii)(B)(8) provides,

If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange's proposed rule text the same as Phlx Options 5, Section 4(a)(iii)(B)(6). As stated herein, BX will route all market participant orders. During the Route Timer, the FIND Order will be included in the BBO at a price that is the better of one MPV away from the ABBO or the BBO. In this scenario, if during that Route Timer new interest arrives opposite the FIND Order, and that interest is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price. If, at the end of that Route Timer the ABBO is still the best price, and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process, which may be intra-day if a trading halt occurs.

Finally, proposed BX Options 5, Section 4(a)(iii)(B)(9) is identical to Phlx Options 5, Section 4(a)(iii)(B)(9) and provides that a FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order "ISO" and designated as an IOC order.

As mentioned above, All-or-None Orders are handled differently in the System by Phlx and BX. Phlx All-or-None Orders are permitted to rest on the Order Book.¹² BX All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book.¹³

SEEK Orders

The Exchange proposes to remove the rule text for SEEK Orders as the Exchange will no longer offer this routing option. The Exchange believes that adopting the FIND Order routing option, similar to Phlx, will provide its market participants with ample choice as to the method in which they may route. As is the case today, an order may also be marked as “DNR” and therefore would not be subject to routing. With this proposal, any market participant may choose to route, as is the case today. The Exchange proposes to replace references to “SEEK” within Options 5, Section 4(a) with “FIND” references.

SRCH Orders

The Exchange proposes to retain the SRCH Order functionality. The Exchange’s current SRCH Order functionality is identical to SRCH Order functionality on Phlx with the exception that BX’s All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book. Also, BX permits routing for all market participants. A SRCH Order is routable at any time.¹⁴

¹² See Phlx Options 3, Section 7(b)(5).

¹³ See BX Options 3, Section 7(a)(8).

¹⁴ More specifically, a SRCH Order is routable at any time the option series is open for trading. A SRCH Order would not route during the Opening Process or during a trading halt. A SRCH Order would route at the end of the Opening Process and intra-day.

The Exchange proposes to remove the first sentence of BX Options 5, Section 4(a)(iii)(C).¹⁵ The Exchange notes that the information in that first sentence of Options 5, Section 4(a)(iii)(C) is available within BX Options 5, Section 4(a) and applies to SRCH Orders. Current BX Options 5, Section 4(a)(iii)(C)(1) provides that if a SRCH Order is received during an Opening Process it may route as part of the Opening Cross pursuant to Options 3, Section 8(b)(7). The Exchange proposes to replace this rule text with the following proposed rule text within new Options 5, Section 4(a)(iii)(C), “A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process.” The second sentence “Orders initiate their own Route Timers and are routed in the order in which their Route Timers end” is being retained. This proposed rule text for SRCH Orders is identical to Phlx’s rule text within Options 5, Section 4(a)(iii)(C), except for the limitation on Phlx that only Public Customers and Professionals may route SRCH Orders. BX will permit any market participant to route SRCH Orders.

Next, the Exchange proposes to insert a new Options 5, Section 4(a)(iii)(C)(1) which states, “At the end of an Opening Process, any SRCH Order that is priced through the Opening Price pursuant to Options 3, Section 8(a)(iii), will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will execute or book pursuant to Options 3, Section 8(k).” The information concerning the Opening Process is specified

¹⁵ BX Options 5, Section 4(a)(iii)(C) provides, “SRCH Order is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. Orders initiate their own route timers and are routed in the order in which their route timers end.”

within Options 3, Section 8 and is being reiterated within this rule to describe routing during the Opening Process. The Exchange notes that Options 3, Section 8 provides a process whereby BX arrives at an Opening Price. The System cancels any order or quote priced through the Opening Price which was not able to be satisfied either by routing to an away destination or trading in full as part of the opening trade. Specifically, the Exchange notes that “priced through the Opening Price” means buying interest with a price higher than the Opening Price and selling interest with a price lower than the Opening Price. This rule text is similar to Phlx’s rule text within Options 5, Section 4(a)(iii)(C)(1), except that the BX rule adds a citation to the Opening Process rule at Options 3, Section 8(a)(iii). Further, BX is establishing a sentence within Options 5, Section 4(a)(iii)(C)(2), similar to FIND Orders, to include rule text concerning SRCH Orders which applies generally. Phlx’s rule text at Options 5, Section 4(a)(iii)(C)(1)¹⁶ is not being included within BX Options 5, Section 4(a)(iii)(C)(1), rather that rule text will be included within proposed BX Options 5, Section 4(a)(iii)(C)(2). The Exchange notes that the first sentence of current BX Options 5, Section 4(a)(iii)(C)(1) is reworded within proposed BX Options 5, Section 4(a)(iii)(C)(1).

Similar to the FIND Order proposal, the Exchange proposes to add a paragraph at proposed BX Options 5, Section 4(a)(iii)(C)(2) which provides general guidelines for the

¹⁶ Phlx Options 5, Section 4(a)(iii)(C)(1) provides, “At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Options 3, Section 8(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.”

behavior of SRCH Orders which apply consistently. This proposed paragraph will allow the Exchange to more efficiently display the various potential scenarios without repeating certain rule text several times. The Exchange believes that describing these scenarios in this introductory paragraph will provide a basis to understand certain SRCH Order behaviors in certain circumstances and eliminate the need to have these circumstances repeated throughout the rule. Proposed BX Options 5, Section 4(a)(iii)(C)(2) provides,

Generally, a SRCH Order will be included in the displayed BBO at its limit price, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the SRCH Order is entered onto the Order Book, the SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the BBO, the SRCH Order will book at its limit price. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the SRCH Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. If the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. The System will route and execute contracts contemporaneously at the end of the Route Timer.

Generally a SRCH Order will be included in the displayed BBO at its limit price, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO, similar to other routing order types. Also, if there is a locked ABBO when the SRCH Order is

entered onto the Order Book, the SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO to avoid locking the away market. The Exchange proposes to generally state, “Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.” This provision is always true of SRCH Orders.

Next, the Exchange provides scenarios that generally may occur during a Route Timer. The first scenario is if during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the BBO. In this case, the SRCH Order will book at its limit price. The next scenario is whether during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the SRCH Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. If new interest arrives that is that is equal to or better than the ABBO price, the SRCH Order will trade at the ABBO price. If new interest arrives that is marketable against the SRCH Order it will trade at the ABBO price unless the ABBO is improved to a price which crosses the SRCH Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. This last sentence within proposed BX Options 5, Section 4(a)(iii)(C)(4) makes clear that the SRCH Order would execute at the previous ABBO price as the away market crossed a displayed price. Better priced incoming interest will execute against the SRCH Order, unless the ABBO crosses the SRCH Order, in which case any new interest will execute at

the SRCH Order price. In this scenario, BX's price was already displayed when an away market subsequently crossed BX's displayed price. If the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. Also, if an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer, each time. Finally, if the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. The Exchange notes that the System will route and execute contracts contemporaneously at the end of the Route Timer. The last two sentences of this proposed rule are similar to the current last sentence of BX Options 5, Section 4(a)(iii)(C)(4). The sentences in this paragraph are currently within the Phlx SRCH Rule at Options 5, Section 4(a)(iii)(C). The Exchange notes below where the sentences within proposed BX Options 5, Section 4(a)(iii)(C)(2) are located within the current Phlx rule.

The Exchange proposes to provide rule text at proposed BX Options 5, Section 4(a)(iii)(C)(3) which is similar to Phlx Options 5, Section 4(a)(iii)(C)(2). This paragraph explains what happens to a SRCH Order that is not marketable against the BBO or the ABBO. The SRCH Order would be entered into the Order Book. BX proposes to state that the SRCH Order is entered at its limit price to provide greater detail. This detail is not currently within the Phlx rule text, but applies to Phlx as well. Once on the Order Book, the SRCH Order may route if it is locked or crossed by an away market.

Proposed BX Options 5, Section 4(a)(iii)(C)(4) provides,

A SRCH Order received after an Opening Process that is marketable against the BBO when the ABBO is inferior to the BBO will be traded on

the Exchange at or better than the BBO price. If the SRCH Order has size remaining after exhausting the BBO, it may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all BX interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

This proposed rule text represents a scenario where the SRCH Order is received after an Opening Process and is marketable against the BBO when the ABBO is inferior to the BBO. In this case the SRCH Order would be traded at or better than the BBO price. If size remains, the Exchange describes the various potential scenarios, the SRCH Order may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all BX interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO. These scenarios are not currently contained in the BX rule text and will bring greater transparency to the rule. This rule text is similar to Phlx Options 5, Section 4(a)(iii)(C)(3), except that Phlx has references to All-or-None Orders, which are non-displayed orders on Phlx and different than BX's All-or-None Orders, which execute immediately or cancel. Also, the final sentence from Phlx Options 5, Section 4(a)(iii)(C)(3), "Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market," appears in proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

Proposed BX Options 5, Section 4(a)(iii)(C)(5) provides,

A SRCH Order received after an Opening Process that is marketable against the BBO when the ABBO is equal to the BBO will be traded on the Exchange at the BBO. If the SRCH Order has size remaining after exhausting the BBO, it will initiate a Route Timer and expose the SRCH

Order at the ABBO to allow participants and other market participants an opportunity to interact with the remainder of the SRCH Order. During the Route Timer, the SRCH Order will be included in the BBO at a price one MPV away from the ABBO.

This proposed paragraph describes a scenario that is currently not provided for within BX's rule. This scenario explains when a SRCH Order, received after the Opening Process, is marketable against the BBO when the ABBO is equal to the BBO. In this case the SRCH Order will be traded at the BBO price. If size remains, it will start a Route Timer and expose the SRCH Order at the ABBO and display the SRCH Order one MPV away from the ABBO so as not to lock the away market. During the Route Timer the SRCH Order will be included in the BBO at a price one MPV away from the ABBO. The proposed paragraph is similar to Phlx Options 5, Section 4(a)(iii)(C)(4). The Exchange notes that the sentences which provided, "If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price" is contained within proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

Proposed BX Options 5, Section 4(a)(iii)(C)(6) provides,

If, at the end of the Route Timer pursuant to subparagraph (5) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route to an away market up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

The Exchange proposes to note what occurs at the end of the Route Timer in paragraph (5) within proposed BX Options 5, Section 4(a)(iii)(C)(6). If the SRCH Order is still

marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO. As mentioned also during the Opening Process, once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. The Exchange believes that noting each potential scenario within the SRCH Order rule text will provide market participants with clarity as to the expected System handling. This rule text is similar to Phlx Options 5, Section 4(a)(iii)(C)(4). Three sentences¹⁷ within the Phlx rule were copied to proposed BX Options 5, Section 4(a)(iii)(C)(2) and are therefore applicable to this paragraph. Also, BX and Phlx All-or-None Order types differ.¹⁸

The Exchange proposes to delete current Options 5, Section 4(a)(iii)(C)(2) and (3) and replace that language with similar text within proposed BX Options 5, Section 4(a)(iii)(C)(7) which provides,

¹⁷ The sentences in Phlx Options 5, Section 4(a)(iii)(C)(4) that provide, "If the SRCH Order is locked or crossed, it will route at the completion of the Route Timer. Similar to the scenario noted during the Opening Process, if the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s)" as well as "The System will route and execute contracts contemporaneously at the end of the Route Timer" appear to proposed BX Options 5, Section 4(a)(iii)(C)(2). Finally, the final sentence from Phlx Options 5, Section 4(a)(iii)(C)(3), "Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market," appears in proposed BX Options 5, Section 4(a)(iii)(C)(2).

¹⁸ See note 6 above.

A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the BBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. If during the Route Timer, the ABBO markets move such that the SRCH Order is no longer marketable against the ABBO, it may: (i) trade at the next BBO price (or prices) if the SRCH Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO.

The first sentence of this proposed rule is the same as the last sentence of current BX Options 5, Section 4(a)(iii)(C)(1). In this scenario, the SRCH Order is received after the Opening Process and is marketable against the ABBO when the ABBO is better than the BBO. A Route Timer will initiate and expose the SRCH Order at the ABBO to provide an opportunity to trade with the SRCH Order. If during the Route Timer, the ABBO markets move such that the SRCH Order is no longer marketable against the ABBO a few scenarios are possible: The SRCH Order may: (i) trade at the next BBO price (or prices) if the SRCH Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO. This rule text is identical to Phlx Options 5, Section 4(a)(iii)(C)(6). The remainder of the rule text within Phlx Options 5, Section 4(a)(iii)(C)(6) appears in proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

Proposed BX Options 5, Section 4(a)(iii)(C)(8) provides,

If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

This scenario considers what is possible at the end of the Route Timer within proposed BX Options 5, Section 4(a)(iii)(C)(7). If the ABBO is still at the best price and is marketable with the SRCH Order, the order will route to the away market with a price that is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, there are various possibilities, the SRCH Order may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO. As is the case with SRCH Orders, once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. This rule text is the same as Phlx Options 5, Section 4(a)(iii)(C)(7), except for the final sentence which states, "Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market"¹⁹ and the mention of All-or-None Orders.²⁰

The Exchange does not propose to replicate Phlx Options 5, Section 4(a)(iii)(C)(8) because the paragraph is repetitive of the first sentence of proposed BX Options 5, Section 4(a)(iii)(C)(8) and the last sentence of proposed BX Options 5, Section 4(a)(iii)(C)(4). Notwithstanding the foregoing, the Exchange does propose to relocate a sentence from Phlx Options 5, Section 4(a)(iii)(C)(8) into BX Options 5, Section 4(a)(iii)(C)(2) which provides, "If an ABBO locks or crosses the SRCH Order

¹⁹ The final sentence of Phlx Options 5, Section 4(a)(iii)(C)(7) appears in proposed BX Options 5, Section 4(a)(iii)(C)(2), which generally describes SRCH Orders.

²⁰ As explained herein, All-or-None Orders on Phlx and BX are different. See note 6 above.

during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer.” The Exchange does not propose to replicate Phlx Options 5, Section 4(a)(iii)(C)(9) because this paragraph replicates proposed BX Options 5, Section 4(a)(iii)(C)(7).

Proposed BX Options 5, Section 4(a)(iii)(C)(9) provides, “A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC Order.” This sentence is identical to Phlx Options 5, Section 4(a)(iii)(C)(10). This paragraph, which is currently not contained in BX’s rule, represents existing System functionality. Describing the manner in which an IOC Order will be marked will provide greater transparency to the Exchange’s current rule.

Implementation

The Exchange intends to begin implementation of the proposed rule change prior to October 30, 2020. The Exchange will issue an Options Trader Alert to Members to provide notification of the symbols that will migrate and the relevant dates.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,²² in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange’s proposal to adopt a routing strategy similar to Phlx with respect to FIND Orders and remove SEEK Orders will provide BX

²¹ 15 U.S.C. 78f(b).

²² 15 U.S.C. 78f(b)(5).

Participants the same flexibility for routing orders that is afforded to Phlx members today.²³

With respect to the SRCH feature, the Exchange is adding more detail to its routing rule to provide market participants with greater transparency. The Exchange believes the added scenarios will provide more context to routing in general and for the specific routing strategies for the benefit of investors and the public interest. The Exchange continues to offer various choices to its market participants with respect to routing. A Participant may elect either (1) to not route their orders and mark those orders “DNR”; or (2) to route their orders. If a Participant elects to route their orders, then a Participant may select to mark their orders as “FIND” or “SRCH” Orders, as proposed herein. A FIND Order, similar to a SEEK Order, is not eligible for routing until the next time the option series is subject to a new Opening Process. The FIND Order would route once and then post to the Order Book. A SRCH Order may route during and after an Opening Process. A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. With respect to the addition of FIND Orders, the Exchange proposes various scenarios related to FIND Orders to account for various routing scenarios, as is the case today with respect to SEEK Orders. Various scenarios are also proposed to explain System functionality in locked and crossed markets. The Exchange also accounts for scenarios both during and after the Opening Process. The Exchange notes that it is consistent with the Act to account for the behavior of FIND Orders with respect to locked and crossed markets. The Exchange will not trade-through an away market’s price. This behavior is consistent with the protection of investors and

²³ See Phlx Options 5, Section 4, Order Routing.

the general public because it affords Participants the ability to obtain the best price offered among the various options markets.

There are two distinctions in the Phlx rules which BX is not adopting. First, All-or-None Orders are handled differently in the System by Phlx and BX. Phlx All-or-None Orders are permitted to rest on the Order Book²⁴ while BX All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book.²⁵ Because BX's All-or-None Orders do not rest on the Order Book, the treatment of such orders would be different on the two markets (Phlx and BX) and therefore it is consistent with the Act for BX to align its treatment of order types within the routing rule with its treatment of those orders pursuant to BX Options 3, Section 7. Second, the Exchange is not adopting the distinction on Phlx which permits routing for Public Customer and Professional SRCH Orders.²⁶ The Exchange believes it is consistent with the Act to not limit routing for any market participant. BX's proposal would allow all market participants to route. Participants would have the ability to elect to route orders to away markets to obtain the best price, while also accessing Phlx's Order Book. The Exchange believes that offering Participants the ability to route enables a Participant to obtain an execution on any market, provided the order is marketable, without the need to cancel the order and submit it anew.

DNR Orders

The Exchange's proposal to amend Options 5, Section 4(a)(iii)(A), related to

²⁴ See Phlx Options 3, Section 7(b)(5).

²⁵ See BX Options 3, Section 7(a)(8).

²⁶ Phlx only permits Public Customers and Professionals to route SRCH Orders. Any market participant may route a FIND Order on Phlx. See SR-Phlx-2020-27.

DNR Orders, to conform the text within BX to that of Phlx is consistent with the Act and should bring greater clarity to the rule text. The Exchange's proposed amendments to Options 5, Section 4(a)(iii)(A), relating to DNR Orders, align the rule text with Phlx's Rule. The proposed rule text does not result in a System change, rather the text is intended to bring greater clarity to the current System operation.

The Exchange's proposal to amend the sentence within Options 5, Section 4(a)(iii)(A), related to DNR Orders which provides, "Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR's displayed price, in which case the incoming order will execute at the previous ABBO price," is consistent with the Act. The Exchange proposes to amend this rule text to clarify the current rule text and add another scenario that is not currently within the rule text. The Exchange proposes to state, "Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless (1), the ABBO is improved to a price which crosses the DNR Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order's displayed price, in which case the incoming order will execute at the DNR Order's displayed price." The System would not take into account the away market order or quote which crossed the DNR's displayed price. The Exchange is not trading-through an away market in this scenario, rather an away market is crossing BX's displayed market and therefore that market has the obligation not to trade-through BX's displayed price. The Exchange is also adding a scenario where the ABBO is improved to a price which locks the DNR's displayed price. In this added

scenario, the incoming order will execute at the DNR's displayed price. The Exchange notes that this scenario is not contained in the current rule text. Adding this scenario is consistent with the Act because it will bring greater transparency to the routing rule and inform members about this potential outcome if a member elects to mark their order as DNR.

Additionally, amending a sentence,²⁷ within Options 5, Section 4(a)(iii)(A), to provide, "Should the best away market move to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original ABBO and display one MPV away from the new ABBO or its original limit price, and expose such orders at the new ABBO only if the repriced order locks or crosses the new ABBO" is consistent with the Act because the additional language expands on the current re-pricing that exists today. The Exchange believes that this language provides more context to the manner in which a DNR Order will be handled by the Exchange's System. The Exchange believes that this additional rule text is consistent with the Act as the DNR Order would re-price again from its one MPV inferior to the original ABBO because the best away market moved to an inferior price level. The DNR Order would display one MPV away from the new ABBO price or its original limit price. Also, the DNR Order would expose such orders at the new ABBO. Once booked at its original limit price, it will remain on the Order Book at that price until executed or cancelled. Providing this additional

²⁷ The current sentence within Rule 1093(a)(iii)(A) states, "Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO."

transparency will assist members in determining if they want their orders routed.

The remaining rule text amendments are non-substantive and makes technical changes.

SRCH Orders

The Exchange's proposal to add more scenarios for SRCH Order functionality on BX is consistent with the Act. Today, BX's current SRCH Order functionality is identical to SRCH Order functionality on Phlx, with the exception that All-or-None Orders must be executed in its entirety or not at all and do not rest on the Order Book. BX permits routing for all market participants, unlike Phlx which limits routing to Public Customers and Professionals.²⁸ The Exchange's proposal to include all potential scenarios will bring greater transparency to the Exchange's Rules. Within this rule, the Exchange accounts for various scenarios to explain System functionality in locked and crossed markets, particularly during a Route Timer. The Exchange also accounts for scenarios both during and after the Opening Process. The Exchange notes that it is consistent with the Act to account for the behavior of SRCH Orders with respect to locked and crossed markets. The Exchange will not trade-through an away market's price. This behavior is consistent with the protection of investors and the general public because it affords Participants the ability to obtain the best price offered among the various options markets.

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.

²⁸ See SR-Phlx-2020-27.

The Exchange's proposal to adopt a routing strategy, similar to Phlx,²⁹ with respect to FIND Orders and remove SEEK Orders does not impose an undue burden on intermarket competition. This proposal will provide BX Participants the same choices with respect to routing that is afforded to Phlx members today. Also, the proposed routing rules apply to all market participants including routing during an Opening Process.

The Exchange believes that adding greater detail to its rules does not impose an undue burden on intramarket competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies with respect to SRCH Orders. The substitution of FIND Orders for SEEK Orders allows Participants to continue to have choices as to the manner in which they route orders, if they elect to route, as Phlx. Market participants may elect not to route their orders.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

²⁹ See Phlx Options 5, Section 4, Order Routing.

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-2020-014 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-2020-014. 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-2020-014 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.³⁰

J. Matthew DeLesDernier
Assistant Secretary

³⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq BX, Inc. Rules

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Options Rules

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Options 5 Order Protection and Locked and Crossed Markets

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Section 4. Order Routing

(a) BX offers two routing strategies, [SEEK]FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or “DNR”. The Exchange notes that for purposes of this Rule the System will route [SEEK]FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the [SEEK]FIND or SRCH Orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this Rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this Rule, “exposure” or “exposing” an order shall mean a notification sent to participants with the price, size, and side of interest that is available for execution. Exposure notifications will be sent to participants in accordance with the routing procedures described in Options 5, Section 4(a)(iii) below except if an incoming order is joining an already established BBO price when the ABBO is locked or crossed with the BBO, in which case such order will join the established BBO price and no exposure notification will be sent. An order exposure will be sent if the order size is modified. For purposes of this Rule BX's opening process is governed by Options 3, Section 8 and includes an opening after a trading halt (“Opening Process”). Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The order routing process shall be available to Participants from 9:30 a.m. Eastern Time until market close and shall route orders as described below. Participants can designate orders as either available for routing or not available for routing. All routing of orders shall comply with Options 5, Options Order Protection and Locked and Crossed Market Rules.

(i) No change.

(ii) No change.

(iii) The following order types are available:

(A) **DNR Order.** A DNR Order will never be routed outside of BX regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in the BX Order Book and be displayed at a price one minimum price variation (“MPV”) inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless (1) the ABBO is improved to a price which crosses the DNR Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price; or (2) the ABBO is improved to a price which locks the DNR Order's displayed price, in which case the incoming order will execute at the DNR Order's displayed price. Should the best away market [change]move [its price] to an inferior price level, the DNR Order will automatically re-price from its one MPV inferior to the original ABBO[away best bid/offer price to] and display one MPV[minimum trading increment] away from the new ABBO[away best bid/offer price] or its original limit price, and expose such orders at the new ABBO [to participants only if the repriced order locks or crosses the ABBO]. Once [priced]booked at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.

(B) **FIND Order.** A FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open. FIND Orders submitted after an Opening Process initiate their own Route Timers and are routed in the order in which their Route Timers end. FIND Orders that are not marketable with the ABBO upon receipt will be treated as DNR for the remainder of the trading day and post to the Order Book, even in the event that there is a new Opening Process after a trading halt.

(1) At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Options 3, Section 8(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will execute or book pursuant to Options 3, Section 8(k).

(2) Generally, a FIND Order will be included in the displayed BBO at its limit price, unless the FIND Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the FIND Order is entered onto the

Order Book, the FIND Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If during a Route Timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the BBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the BBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price.

(3) A FIND Order received after an Opening Process that is not marketable against the BBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day, even in the event that there is a new Opening Process after a trading halt.

(4) A FIND Order received after an Opening Process that is marketable against the BBO when the ABBO is inferior to the BBO will be traded on the Exchange at or better than the BBO price. If the FIND Order has size remaining after exhausting the BBO, it may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day, even in the event that there is a new Opening Process after a trading halt.

(5) A FIND Order received after an Opening Process that is marketable against the BBO when the ABBO is equal to the BBO will be traded on the Exchange at the BBO. If the FIND Order has size remaining after exhausting the BBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the BBO at a price one MPV away from the ABBO. If during the Route Timer, the ABBO markets move such that the FIND Order is no longer marketable against the ABBO, it may: (i) trade at the next BBO price (or prices) if the FIND Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO.

(6) If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either: (1) an away market's size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after

routing, it will (i) trade at the next BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process, which may include a re-opening after a trading halt.

(7) A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the BBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order.

(8) If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the BBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the BBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process, which may include a re-opening after a trading halt.

(9) A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order "ISO" and designated as an IOC Order.

[SEEK Order. SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. Orders initiate their own route timers and are routed in the order in which their route timers end.

(1) If a SEEK is received during an Opening Process it may route as part of the Opening Cross pursuant to Options 3, Section 8(b)(7).

(2) If a SEEK Order is received after an Opening Process and it is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO, a Route Timer will initiate and expose the SEEK Order at the ABBO to allow market participants an opportunity to interact with the remainder of the SEEK Order. During the Route Timer, the SEEK Order will be included in the displayed Exchange BBO, unless the SEEK Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO.

(3) If during the Route Timer in subparagraph (2) above any new interest arrives opposite the SEEK order that is equal to or better than the ABBO price, the SEEK Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the SEEK Order, any new interest arrives opposite the SEEK Order that is marketable against the SEEK Order will trade at the SEEK Order price. When checking the Order Book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in subparagraph (B)(2).

(4) If contracts remain unexecuted after routing, they are posted on the Order Book at its limit price. While on the Order Book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not re-expose or route the order to the locking or crossing market center.

(5) SEEK Orders will not be eligible for routing until the next time the option series is subject to a new Opening Process.]

(C) SRCH Order. A SRCH Order is routable at any time. SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.

(1) At the end of an Opening Process, any SRCH Order that is priced through the Opening Price, pursuant to Options 3, Section 8(a)(iii), will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will execute or book pursuant to Options 3, Section 8(k).

(2) Generally, a SRCH Order will be included in the displayed BBO at its limit price, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. If there exists a locked ABBO when the SRCH Order is entered onto the Order Book, the SRCH Order will be entered into the Order Book at the ABBO price and displayed one MPV inferior to the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the BBO, the SRCH Order will book at its limit price. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price, unless the ABBO is improved to a price which crosses the SRCH Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. If the ABBO worsens but remains better than the BBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If an ABBO locks or crosses the SRCH Order during

a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. The System will route and execute contracts contemporaneously at the end of the Route Timer.

(3) A SRCH Order received after an Opening Process that is not marketable against the BBO or the ABBO will be entered into the Order Book at its limit price. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(4) A SRCH Order received after an Opening Process that is marketable against the BBO when the ABBO is inferior to the BBO will be traded on the Exchange at or better than the BBO price. If the SRCH Order has size remaining after exhausting the BBO, it may: (1) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all BX interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

(5) A SRCH Order received after an Opening Process that is marketable against the BBO when the ABBO is equal to the BBO will be traded on the Exchange at the BBO. If the SRCH Order has size remaining after exhausting the BBO, it will initiate a Route Timer and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the remainder of the SRCH Order. During the Route Timer, the SRCH Order will be included in the BBO at a price one MPV away from the ABBO.

(6) If, at the end of the Route Timer pursuant to subparagraph (5) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route to an away market up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

(7) A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the BBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. If during the Route Timer, the ABBO markets move such that the SRCH Order is no longer marketable against the ABBO, it may: (i) trade at the next BBO price (or prices) if the SRCH Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO.

(8) If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price(s) is better than the BBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next BBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the BBO or the ABBO.

(9) A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC Order.

[SRCH Order is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. Orders initiate their own route timers and are routed in the order in which their route timers end.

(1) If a SRCH Order is received during an Opening Process it may route as part of the Opening Cross pursuant to Options 3, Section 8(b)(7). A SRCH Order received after the Opening Process that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer and expose the SRCH Order at the ABBO to allow market participants an opportunity to interact with the remainder of the SRCH Order.

(2) During the Route Timer described in subparagraph (1), the SRCH Order will be included in the displayed Exchange BBO, unless the SRCH Order locks or crosses the ABBO, in which case it will be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. If there exists a locked market upon receipt of the SRCH Order, the SRCH Order may display at the locked ABBO price.

(3) If, during the Route Timer described in subparagraph (1), any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price. When checking the Order Book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in subparagraph (C)(1).

(4) If contracts remain un-executed after routing, they are posted on the Order Book at its limit price. While on the Order Book at the limit price, should the order subsequently be locked or crossed by another market center, the order will not re-expose and may route at the end of route timer.]

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