A proposal to amend Options 4, Section 5 to limit Short Term Options Series intervals between strikes which are available for quoting and trading on BX.
If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of the Proposed Rule Change**

   (a) Nasdaq BX, Inc. ("BX" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend Options 4, Section 5, “Series of Options Contracts Open for Trading.” This proposal seeks to limit Short Term Options Series intervals between strikes which are available for quoting and trading on BX.

   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 the Board of Directors of the Exchange on July 7, 2020. 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

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

   a. **Purpose**

      The Exchange proposes to amend Options 4, Section 5, “Series of Options Contracts Open for Trading.” Specifically, this proposal seeks to limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date.

   **Background**

   Today, BX’s listing rules within Options 4, Section 5 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share, or ETN) has been approved.

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3 Exchange-Traded Fund Share shall include shares or other securities that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (the “Money Market Instruments”) (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments (ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts,
for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly, monthly or quarterly swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency (“Commodity Pool ETFs”), (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust or (v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company’s investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”); provided the conditions within Options 4, Section 3(i)(A) and (B) are met. See Options 4, Section 3(i).

4 Securities deemed appropriate for options trading shall include shares or other securities (“Equity Index-Linked Securities,” “Commodity-Linked Securities,” “Currency-Linked Securities,” “Fixed Income Index-Linked Securities,” “Futures-Linked Securities,” and “Multifactor Index-Linked Securities,” collectively known as “Index-Linked Securities” or “ETNs”) that are principally traded on a national securities exchange and an “NMS Stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described within Options 4, Section 3(l)(i)(1)-(6). See Options 4, Section 3(l)(i).

5 The weekly listing program is known as the Short Term Options Series Program and is described within Supplementary Material .03 of Options 4, Section 5.

6 The Exchange will open at least one expiration month for each class of options open for trading on the Exchange. See Options 4, Section 5(g). The monthly expirations are subject to certain listing criteria for underlying securities described within Options 4, Section 3. Monthly listings expire the third Friday of the month. The term “expiration date” when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit default options or credit default basket options) that are be automatically exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the
basis. Options 4, Section 5(d) sets forth the intervals between strike prices of series of options on individual stocks. In addition to those intervals, the Exchange may list series

expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such event confirmation is deemed to have been received by the Corporation. “Expiration date” means, in respect of a series of range options expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such series, and, in respect of a series of range options expiring on or after February 1, 2015 means the third Friday of the expiration month of such series, or if such Friday is a day on which the Exchange on which such series is listed is not open for business, the preceding day on which such Exchange is open for business. See The Options Clearing Corporation (“OCC”) By-Laws at Section 1.

Except as otherwise provided in the Supplementary Material of Options 4, Section 5, the interval between strike prices of series of options on individual stocks will be: (1) $2.50 or greater where the strike price is $25.00 or less; (2) $5.00 or greater where the strike price is greater than $25.00; and (3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

Pursuant to Options 4, Section 5(e), notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF (“SPY”), iShares Core S&P 500 ETF (“IVV”), PowerShares QQQ Trust
of options pursuant to the $1 Strike Price Interval Program, the $0.50 Strike Program, the $2.50 Strike Price Program, and the $5 Strike Program.

The Exchange’s proposal seeks to amend the listing of weekly series of options as proposed within new Supplementary Material .03(f) of Options 4, Section 5, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. This proposal does not amend monthly or quarterly listing rules nor does it amend the $1 Strike Price Interval Program, the $0.50 Strike Program, the $2.50 Strike Price Program, or the $5 Strike Program.

**Short Term Options Series Program**

Today, Supplementary Material .03 of Options 4, Section 5 permits BX to open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”), provided an option class has been approved for listing and trading on (“QQQ”), iShares Russell 2000 Index Fund (“IWM”), and the SPDR® Dow Jones® Industrial Average ETF (“DIA”) options will be $1 or greater.

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9. The $1 Strike Interval Program is described within Supplementary Material .01 of Options 4, Section 5.

10. The $0.50 Strike Interval Program is described within Supplementary Material .05 of Options 4, Section 5.

11. The $2.50 Strike Interval Program is described within Supplementary Material .02 of Options 4, Section 5.

12. The $5.00 Strike Interval Program is described within Supplementary Material .06 of Options 4, Section 5.
the Exchange.\textsuperscript{13} Today, the Exchange may open up to thirty initial series for each option class that participates in the Short Term Option Series Program.\textsuperscript{14} Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.\textsuperscript{15}

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price

\textsuperscript{13} The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire (“Wednesday SPY Expirations”). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire (“Monday SPY Expirations”), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. See Supplementary Material .03 of Options 4, Section 5.

\textsuperscript{14} See Supplementary Material .03 of Options 4, Section 5(c).

\textsuperscript{15} See Supplementary Material .03 of Options 4, Section 5(d).
intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater
where the strike price is between $100 and $150 for all option classes that participate in
the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one
dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or
greater where the strike price is above $150. During the month prior to expiration of an
option class that is selected for the Short Term Option Series Program (“Short Term
Option”), the strike price intervals for the related non-Short Term Option (“Related non-
Short Term Option”) shall be the same as the strike price intervals for the Short Term
Option.16

The Exchange may select up to fifty currently listed option classes on which Short
Term Option Series may be opened on any Short Term Option Opening Date. In addition
to the fifty option class restriction, the Exchange may also list Short Term Option Series
on any option classes that are selected by other securities exchanges that employ a similar
program under their respective rules. For each option class eligible for participation in
the Short Term Option Series Program, the Exchange may open up to thirty Short Term
Option Series for each expiration date in that class. The Exchange may also open Short
Term Option Series that are opened by other securities exchanges in option classes
selected by such exchanges under their respective short term option rules.17

BX notes that listings in the weekly program comprise a significant part of the
standard listing in options markets. The below diagrams demonstrate the percentage of
weekly listings as compared to Long-Term Option Series or LEAPs and quarterly listings

16  See Options 4, Section 5(e).
17  See Supplementary Material .03(a) of Options 4, Section 5.
in 2015 as compared to 2020. The weekly strikes increased 8.9% compound annual growth rate (“CAGR”) from 2015 as compared to a 4.3% CAGR for standard expirations using 3rd 2015 Friday expirations.

2015:

Proposal

BX proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days from the listing date, by adopting proposed Supplementary Material .03(f) of
Options 4, Section 5 as well as proposed Supplementary Material .07 of Options 4, Section 5, with respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs (collectively “Strike Interval Proposal”). BX’s Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Supplementary Material .07 of Options 4, Section 5. With the Strike Interval Proposal, BX would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.\(^{18}\)

<table>
<thead>
<tr>
<th>Tier</th>
<th>Average Daily Volume</th>
<th>less than $25</th>
<th>$25 to less than $75</th>
<th>$75 to less than $150</th>
<th>$150 to less than $500</th>
<th>$500 or greater</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>greater than 5,000</td>
<td>$0.50</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$5.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>2</td>
<td>1,000 to 5,000</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>3</td>
<td>0 to 1,000</td>
<td>$2.50</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
</tbody>
</table>

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar

\(^{18}\) Additional information comparing the current listing program to this proposal is available at: [https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal](https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal).
quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.\textsuperscript{19} In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitations imposed by Options 4, Section 5 at proposed Supplementary Material .07, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Options 4, Section 5 at Supplementary Material .03, regarding the Short Term Option Series Program.

By way of example, if the Share Price for a symbol was $142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed $1.00 apart, that strike interval would apply for the calendar quarter, regardless of whether the Share Price changed to greater than $150 during that calendar quarter.\textsuperscript{20}

The proposed table within Supplementary Material .07 of Options 4, Section 5 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared

\textsuperscript{19} For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

\textsuperscript{20} The Exchange notes that any limits on intervals imposed by the Exchange’s Rules will continue to apply. In this example, the strikes would be in $1 intervals up to $150, which is the upper limit imposed by Supplementary Material .03(e) of Options 4, Section 5.
volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on BX are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side. The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. BX’s Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality. Below are two tables which focus on data for 10 of the most and least actively traded symbols and demonstrate average spreads in weekly options during the month of August 2020.

The proposed table within Supplementary Material .07 of Options 4, Section 5 is intended to distribute strike intervals in multiply listed equity options where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.22

Today, weeklies are available on 16% of underlying products. The Exchange’s Strike Interval Proposal curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on BX. The Exchange’s Strike Interval Proposal would reduce 2% of the total number of strikes that equates to 81,000 strikes.23

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22 The Exchange notes that is has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

23 The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The above-referenced data, specifically the percentage of underlying products and percentage of total number of strikes, are approximations and may vary slightly at the time of this filing.
The above table represents the inconsistency of demand for series of options beyond twenty-one calendar days.

BX’s Strike Interval Proposal focuses on strikes in multiply listed equity options, and excludes Exchange-Traded Fund Shares and ETNs, as the majority of strikes reside within equity options.
While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX’s Strike Interval Proposal reduces the number of listed weekly options. As BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain options classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity
options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,\textsuperscript{24} rendering these strikes less useful.

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned options series to maintain liquidity in the market.\textsuperscript{25} With an increasing number of strikes being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes, reducing the number of strikes listed on BX, and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner. Due to this increased efficiency, the Exchange believes that this Strike Interval Proposal would improve overall market quality on BX by limiting the intervals between strikes in multiply listed equity options that have an expiration date more than twenty-one days, from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq

\textsuperscript{24} For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

\textsuperscript{25} See Options 2, Sections 4(j) and 5.
exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, BX’s Strike Interval Proposal is intended to balance that goal with the needs of market participants. BX believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant’s investment objective.

**Implementation**

The Exchange intends to begin implementation of the proposed rule change prior to March 31, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\(^{26}\) in general, and furthers the objectives of Section 6(b)(5) of the Act,\(^{27}\) in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Strike Proposal seeks to limit the intervals between strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit BX to list a number of weekly strikes on its market, the Exchange’s Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers


to deploy capital more efficiently and improving market quality overall on BX through limiting the intervals between strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending BX’s listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange’s Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on BX.

The Strike Interval Proposal takes into account customer demand for certain options classes by considering both the Share Price and the Average Daily Volume in the underlying security to arrive at the manner in which weekly strike intervals would be listed in the later weeks for each multiply listed equity options class. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on BX is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.
The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. BX’s Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.  

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on

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28 The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.
the last day of the previous calendar quarter to have settled\textsuperscript{29} and be accounted for in the calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Today, BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.\textsuperscript{30} With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on BX and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on BX for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval

\textsuperscript{29} Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

\textsuperscript{30} See Options 2, Sections 4(j) and 5.
table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, BX’s Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant’s investment objective.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on BX for all BX Participants. While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on BX. As BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes
as a result of the Strike Interval Proposal.

The Exchange’s Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on BX, does not impose an undue burden on intra-market competition as all Participants may only transact options in the strike intervals listed for trading on BX. While limiting the intervals of strikes listed on BX is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant’s investment objective.

The Exchange’s Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, BX is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange’s Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

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

   No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

   Not Applicable.

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

   Not applicable
8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.**

   The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

   Not applicable.

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

   Not applicable.

11. **Exhibits**

    5. Text of the proposed rule change.
Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing of Proposed Rule
Change to amend Options 4, Section 5, to Limit Short Term Options Series Intervals
between Strikes Which are Available for Quoting and Trading on BX

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 October 23, 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 4, Section 5, “Series of Options
Contracts Open for Trading.” This proposal seeks to limit Short Term Options Series
intervals between strikes which are available for quoting and trading on BX.

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

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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 4, Section 5, “Series of Options Contracts Open for Trading.” Specifically, this proposal seeks to limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date.

Background

Today, BX’s listing rules within Options 4, Section 5 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,\(^3\) or ETN\(^4\)) has been approved

\(^3\) Exchange-Traded Fund Share shall include shares or other securities that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (the “Money Market Instruments”) (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments (ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-
for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,\textsuperscript{5} monthly\textsuperscript{6} or quarterly\textsuperscript{7} security or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool ETFs"), (iv) represent interests in the SPDR\textsuperscript{®} Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust or (v) represents an interest in a registered investment company ("Investment Company") organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company’s investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided the conditions within Options 4, Section 3(i)(A) and (B) are met. See Options 4, Section 3(i).

\textsuperscript{4} Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index-Linked Securities" or "ETNs") that are principally traded on a national securities exchange and an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described within Options 4, Section 3(l)(i)(1)-(6). See Options 4, Section 3(l)(i).

\textsuperscript{5} The weekly listing program is known as the Short Term Options Series Program and is described within Supplementary Material .03 of Options 4, Section 5.

\textsuperscript{6} The Exchange will open at least one expiration month for each class of options open for trading on the Exchange. See Options 4, Section 5(g). The monthly expirations are subject to certain listing criteria for underlying securities described within Options 4, Section 3. Monthly listings expire the third Friday of the month. The term “expiration date” when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit...
basis. Options 4, Section 5(d) sets forth the intervals between strike prices of series of options on individual stocks. In addition to those intervals, the Exchange may list series default options or credit default basket options) that are automatically exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such event confirmation is deemed to have been received by the Corporation.

“Expiration date” means, in respect of a series of range options expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such series, and, in respect of a series of range options expiring on or after February 1, 2015 means the third Friday of the expiration month of such series, or if such Friday is a day on which the Exchange on which such series is listed is not open for business, the preceding day on which such Exchange is open for business. See The Options Clearing Corporation (“OCC”) By-Laws at Section 1.

7 The quarterly listing program is known as the Quarterly Options Series Program and is described within Supplementary Material .04 of Options 4, Section 5.

8 Except as otherwise provided in the Supplementary Material of Options 4, Section 5, the interval between strike prices of series of options on individual stocks will be: (1) $2.50 or greater where the strike price is $25.00 or less; (2) $5.00 or greater where the strike price is greater than $25.00; and (3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.
of options pursuant to the $1 Strike Price Interval Program,\(^9\) the $0.50 Strike Program,\(^10\) the $2.50 Strike Price Program,\(^11\) and the $5 Strike Program.\(^12\)

The Exchange’s proposal seeks to amend the listing of weekly series of options as proposed within new Supplementary Material .03(f) of Options 4, Section 5, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. This proposal does not amend monthly or quarterly listing rules nor does it amend the $1 Strike Price Interval Program, the $0.50 Strike Program, the $2.50 Strike Price Program, or the $5 Strike Program.

*Short Term Options Series Program*

Today, Supplementary Material .03 of Options 4, Section 5 permits BX to open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on an option class that expires at the close of business

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\(^9\) The $1 Strike Interval Program is described within Supplementary Material .01 of Options 4, Section 5.

\(^10\) The $0.50 Strike Interval Program is described within Supplementary Material .05 of Options 4, Section 5.

\(^11\) The $2.50 Strike Interval Program is described within Supplementary Material .02 of Options 4, Section 5.

\(^12\) The $5.00 Strike Interval Program is described within Supplementary Material .06 of Options 4, Section 5.
on each of the next five Fridays that are business days and are not Fridays in which
monthly options series or Quarterly Options Series expire ("Short Term Option
Expiration Dates"), provided an option class has been approved for listing and trading on
the Exchange. Today, the Exchange may open up to thirty initial series for each option
class that participates in the Short Term Option Series Program. Further, if the
Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option
Expiration Date, additional series may be opened for trading on the Exchange when the
Exchange deems it necessary to maintain an orderly market, to meet customer demand or

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13 The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. See Supplementary Material .03 of Options 4, Section 5.

14 See Supplementary Material .03 of Options 4, Section 5(c).
when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.\textsuperscript{15}

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all option classes that participate in the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program (“Short Term Option”), the strike price intervals for the related non-Short Term Option (“Related non-Short Term Option”) shall be the same as the strike price intervals for the Short Term Option.\textsuperscript{16}

The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty Short Term Option Series for each expiration date in that class. The Exchange may also open Short

\textsuperscript{15} See Supplementary Material .03 of Options 4, Section 5(d).

\textsuperscript{16} See Options 4, Section 5(e).
Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.\textsuperscript{17}

BX notes that listings in the weekly program comprise a significant part of the standard listing in options markets. The below diagrams demonstrate the percentage of weekly listings as compared to Long-Term Option Series or LEAPs and quarterly listings in 2015 as compared to 2020. The weekly strikes increased 8.9% compound annual growth rate (“CAGR”) from 2015 as compared to a 4.3% CAGR for standard expirations using 3\textsuperscript{rd} 2015 Friday expirations.

\textbf{2015:}

\textbf{2020:}

\textsuperscript{17} See Supplementary Material .03(a) of Options 4, Section 5.
**Proposal**

BX proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days from the listing date, by adopting proposed Supplementary Material .03(f) of Options 4, Section 5 as well as proposed Supplementary Material .07 of Options 4, Section 5, with respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs) (collectively “Strike Interval Proposal”). BX’s Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Supplementary Material .07 of Options 4, Section 5. With the Strike Interval Proposal, BX would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.18

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18 Additional information comparing the current listing program to this proposal is available at: https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal.
<table>
<thead>
<tr>
<th>Tier</th>
<th>Average Daily Volume</th>
<th>less than $25</th>
<th>$25 to less than $75</th>
<th>$75 to less than $150</th>
<th>$150 to less than $500</th>
<th>$500 or greater</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>greater than 5,000</td>
<td>$0.50</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$5.00</td>
<td>$5.00</td>
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<td>2</td>
<td>1,000 to 5,000</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>3</td>
<td>0 to 1,000</td>
<td>$2.50</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
</tbody>
</table>

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.\(^{19}\) In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitations imposed by Options 4, Section 5 at proposed Supplementary Material .07, this Strike Interval Proposal does not amend the range of

\(^{19}\) For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.
strikes that may be listed pursuant to Options 4, Section 5 at Supplementary Material .03, regarding the Short Term Option Series Program.

By way of example, if the Share Price for a symbol was $142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed $1.00 apart, that strike interval would apply for the calendar quarter, regardless of whether the Share Price changed to greater than $150 during that calendar quarter.20

The proposed table within Supplementary Material .07 of Options 4, Section 5 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on BX are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side. The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. BX’s Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality. Below are two tables which focus on data for 10 of the most and least actively

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20 The Exchange notes that any limits on intervals imposed by the Exchange’s Rules will continue to apply. In this example, the strikes would be in $1 intervals up to $150, which is the upper limit imposed by Supplementary Material .03(e) of Options 4, Section 5.
traded symbols\textsuperscript{21} and demonstrate average spreads in weekly options during the month of August 2020.

The proposed table within Supplementary Material .07 of Options 4, Section 5 is intended to distribute strike intervals in multiply listed equity options where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.\textsuperscript{22}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure}
\caption{August 2020 Average Daily Spread by Expiration (aggregated by series)}
\end{figure}


\textsuperscript{22} The Exchange notes that is has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.
Today, weeklies are available on 16% of underlying products. The Exchange’s Strike Interval Proposal curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on BX. The Exchange’s Strike Interval Proposal would reduce 2% of the total number of strikes that equates to 81,000 strikes.23

23 The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The above-referenced data, specifically the percentage of underlying products and percentage of and total number of strikes, are approximations and may vary slightly at the time of this filing.
The above table represents the inconsistency of demand for series of options beyond twenty-one calendar days.

BX’s Strike Interval Proposal focuses on strikes in multiply listed equity options, and excludes Exchange-Traded Fund Shares and ETNs, as the majority of strikes reside within equity options.
While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX’s Strike Interval Proposal reduces the number of listed weekly options. As BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain options classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity
options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs, rendering these strikes less useful.

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned options series to maintain liquidity in the market. With an increasing number of strikes being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes, reducing the number of strikes listed on BX, and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner. Due to this increased efficiency, the Exchange believes that this Strike Interval Proposal would improve overall market quality on BX by limiting the intervals between strikes in multiply listed equity options that have an expiration date more than twenty-one days, from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq

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24 For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the-money.

25 See Options 2, Sections 4(j) and 5.
exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, BX’s Strike Interval Proposal is intended to balance that goal with the needs of market participants. BX believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant’s investment objective.

**Implementation**

The Exchange intends to begin implementation of the proposed rule change prior to March 31, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,26 in general, and furthers the objectives of Section 6(b)(5) of the Act,27 in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Strike Proposal seeks to limit the intervals between strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit BX to list a number of weekly strikes on its market, the Exchange’s Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers to deploy capital more efficiently and improving market quality overall on BX through

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limiting the intervals between strikes when applying the strike interval table to multiply
listed equity options that have an expiration date more than twenty-one days from the
listing date. Also, as BX’s Strike Interval Proposal seeks to reduce the number of weekly
options that would be listed on its market in later weeks, Market Makers would be
required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.
Amending BX’s listing rules to limit the intervals between strikes for multiply listed
equity options that have an expiration date more than twenty-one days causes less
disruption in the market as the majority of the volume traded in weekly options exists in
options series which have an expiration date of twenty-one days or less. The Exchange’s
Strike Interval Proposal curtails the number of strike intervals listed in series of options
without reducing the number of classes of options available for trading on BX.

The Strike Interval Proposal takes into account customer demand for certain
options classes by considering both the Share Price and the Average Daily Volume in the
underlying security to arrive at the manner in which weekly strike intervals would be
listed in the later weeks for each multiply listed equity options class. The Exchange
utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for
demand. The OCC Customer-cleared volume represents the majority of options volume
executed on the Exchange that, in turn, reflects the demands in the marketplace. The
options series listed on BX is intended to meet customer demand by offering an
appropriate number of strikes. Non-Customer cleared OCC volume represents the supply
side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity
options is intended to remove certain strikes where there exist clusters of strikes whose
characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. BX’s Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.\footnote{The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.}

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on the last day of the previous calendar quarter to have settled\footnote{Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.} and be accounted for in the
calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Today, BX requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.\textsuperscript{30} With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on BX and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on BX for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

\textsuperscript{30} See Options 2, Sections 4(j) and 5.
This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on BX and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, BX’s Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant’s investment objective.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on BX for all BX Participants. While the current listing rules permit BX to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on BX. As BX’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.

The Exchange’s Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on BX, does not impose an undue burden on intra-market
competition as all Participants may only transact options in the strike intervals listed for
trading on BX. While limiting the intervals of strikes listed on BX is the goal of this
Strike Interval Proposal, the goal continues to balance the needs of market participants by
continuing to offer a number of strikes to meet a market participant’s investment
objective.

The Exchange’s Strike Interval Proposal does not impose an undue burden on inter-
market competition as this Strike Interval Proposal does not impact the listings available
at another self-regulatory organization. In fact, BX is proposing to list a smaller amount
of weekly equity options in an effort to curtail the increasing number of strikes that are
required to be quoted by market makers in the options industry. Other options markets
may choose to replicate the Exchange’s Strike Interval Proposal and, thereby, further
decrease the overall number of strikes within the options industry.

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.
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-2020-032 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-2020-032. 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-2020-032 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.  

J. Matthew DeLesDernier  
Assistant Secretary

\[31\] 17 CFR 200.30-3(a)(12).
Nasdaq BX, Inc. Rules

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Options Rules

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Options 4 Options Listing Rules

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Section 5. Series of Options Contracts Open for Trading

(a) After a particular class of options has been approved for listing and trading on the Exchange by the Exchange, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on the Exchange. Prior to the opening of trading in a given series, the Exchange will fix the type of option, expiration month, year and exercise price of that series. Exercise-price setting parameters adopted as part of the Options Listing Procedures Plan (“OLPP”) are set forth in Supplementary Material .06. For Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in Options 4, Section 6(b). For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04.

(1) Notwithstanding the requirements set forth in this section and any Supplementary Material thereto, the Exchange may list additional expiration months on options classes opened for trading on the Exchange if such expiration months are opened for trading on at least one other registered national securities exchange.

(b) At the commencement of trading on the Exchange of a particular class of options, the Exchange will open a minimum of one (1) series of options in that class. The exercise price of the series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on the Exchange.

(c) Additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of
expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(d) Except as otherwise provided in the Supplementary Material hereto the interval between strike prices of series of options on individual stocks will be:

(1) $2.50 or greater where the strike price is $25.00 or less;

(2) $5.00 or greater where the strike price is greater than $25.00; and

(3) $10.00 or greater where the strike price is greater than $200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

(e) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be $1 or greater.

(f) $0.50 and $1.00 Strike Price Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the requirements set forth in this section and Supplementary Material .01, .05, and subparagraph (e) above, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

(g) The Exchange will open at least one expiration month for each class of options open for trading on the Exchange.

(h) The interval between strike prices of series of options on Index-Linked Securities, as defined in Options 4, Section 3(l), will be $1 or greater when the strike price is $200 or less and $5 or greater when the strike price is greater than $200.

(i) The interval between strike prices of series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDRs), will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

(j) The interval of strike prices may be $2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of $2.50 on such options class.
(k) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Options 4, Section 6(b).

**Supplementary Material to Options 4, Section 5**

**.01 $1 Strike Price Interval Program**

(a) Program Description. The interval between strike prices of series of options on individual stocks may be $1.00 or greater strike price intervals where the strike price is $50 or less, but not less than $1. Except as provided in subparagraph (c) below, the listing of $1 strike price intervals shall be limited to option classes overlying no more than one hundred fifty (150) individual stocks as specifically designated by the Exchange. The Exchange may list $1 strike price intervals on any other option classes if those classes are specifically designated by other national securities exchanges that employ a $1 Strike Price Interval Program under their respective rules. If a class participates in the $1 Strike Price Interval Program, $2.50 strike price intervals are not permitted between $1 and $50 for non-LEAPS and LEAPS.

(b) Initial and Additional Series. To be eligible for inclusion into the $1 Strike Price Interval Program, an underlying security must close below $50 in the primary market on the previous trading day.

After a security is added to the $1 Strike Price Interval Program, the Exchange may list $1 strike price intervals from $1 to $50 according to the following parameters:

1. If the price of the underlying stock is equal to or less than $20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is $2, the Exchange would be permitted to list the following series: $1, $2, $3, $4, $5, $6 and $7.

2. If the price of the underlying stock is greater than $20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to $50.

3. For the purpose of adding strikes under the $1 Strike Price Interval Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in Options 4, Section 6(b)(i).

4. No additional series in $1 strike price intervals may be listed if the underlying stock closes at or above $50 in its primary market. Additional series in $1 strike price intervals may not be added until the underlying stock closes again below $50.

5. Long-Term Options Series or “LEAPS”. For stocks in the $1 Strike Price Interval Program, the Exchange may list one $1 strike price interval between each standard $5 strike
interval, with the $1 strike price interval being $2 above the standard strike for each interval above the price of the underlying stock, and $2 below the standard strike for each interval below the price of the underlying stock ("$2 wings"). For example, if the price of the underlying stock is $24.50, the Exchange may list the following standard strikes in $5 intervals: $15, $20, $25, $30 and $35. Between these standard $5 strikes, the Exchange may list the following $2 wings: $18, $27 and $32. In addition, the Exchange may list the $1 strike price interval, which is $2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price ($24.50) is $20, the Exchange may list a $22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

Additional long-term option strikes may not be listed within $1 of an existing strike until less than nine months to expiration.

A security shall remain in the $1 Strike Price Interval Program until otherwise designated by the Exchange.

(c) The Exchange may list $1 strike prices up to $5 in LEAPS in up to 200 option classes on individual stocks. The Exchange may not list $1 strike price intervals within $0.50 of an existing $2.50 strike in the same expiration.

(d) Delisting Policy. For options classes selected to participate in the $1 Strike Program, the Exchange will, on a monthly basis, review series that were originally listed under the $1 Strike Program with strike prices that are more than $5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month. If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the $1 Strike Program that are eligible for delisting.

.02 $2.50 Strike Price Interval Program. The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50 (the "$2.50 Strike Price Program"). On any option class that has been selected as part of this $2.50 Strike Price Program, $2.50 strike prices between $50 and $100 may be listed, provided that $2.50 strike prices between $50 and $100 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50
strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price and the $62.50 strike price on the next business day. The Exchange may list a strike price interval of $2.50 in any multiply-traded option once an exchange selects an option as part of the $2.50 Strike Price Program.

.03 Short Term Option Series Program: After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) Classes. The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) Expiration. With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Options Series.
(c) Initial Series. The Exchange may open up to 30 initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) Additional Series. If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices on Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market makers trading for their own account shall not be considered when determining customer interest under this provision.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of new Short Term Option Series shall not affect the series of options of the same class previously opened. Notwithstanding any other provisions in this section, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.

(e) Strike Interval. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this rule ("Short Term Option"), the
strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option. The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all option classes that participate in the Short Term Options Series Program; (ii) $0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150.

(f) Notwithstanding (e) above, when Short Term Options Series in equity options, excluding Exchange-Traded Funds ("ETFs") and ETNs, have an expiration more than twenty-one days from the listing date, the strike interval for each options class shall be based on the table within Supplementary Material .07.

.04 Quarterly Options Series Program: The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds ("ETFs"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) Expiration. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the approximate value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within $5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Options 4, Section 3(i)) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this
provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(e) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f)(1) Delisting Policy. With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having a: (a) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (b) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

.05 $0.50 Strike Program: The interval of strike prices of series of options on individual stocks may be $0.50 or greater beginning at $0.50 where the strike price is $5.50 or less, but only for options classes whose underlying security closed at or below $5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of $0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "$0.50 Strike Program") as specifically designated by the Exchange. The Exchange may list $0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $0.50 Strike Program under their respective rules. A stock shall remain in the $0.50 Strike Program until otherwise designated by the Exchange.

.06 $5 Strike Program: The interval of strike prices may be $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $5 Strike Program under their respective rules.

.07 With respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs, which have an expiration date more than twenty-one days from the listing date, the following table will apply as noted within Supplementary Material .03(e). The below table indicates the applicable strike intervals.
<table>
<thead>
<tr>
<th>Tier</th>
<th>Average Daily Volume</th>
<th>less than $25</th>
<th>$25 to less than $75</th>
<th>$75 to less than $150</th>
<th>$150 to less than $500</th>
<th>$500 or greater</th>
</tr>
</thead>
<tbody>
<tr>
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<td>greater than 5,000</td>
<td>$0.50</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$5.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>2</td>
<td>1,000 to 5,000</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>3</td>
<td>0 to 1,000</td>
<td>$2.50</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
</tbody>
</table>

The Share Price would be the closing price on the primary market on the last day of the calendar quarter.

The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter.

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at The Options Clearing Corporation. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the quarter prior to the last trading calendar quarter.

In the event of a corporate action, the Share Price of the surviving company would be utilized.

Notwithstanding the limitations imposed by Supplementary Material .07, this proposal does not amend the range of strikes that may be listed pursuant to Supplementary Material .03, regarding the Short Term Option Series Program.

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