

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="31"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2021"/> - * <input type="text" value="020"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by NASDAQ BX, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

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

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

A proposal to amend BX Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

Contact Information

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

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

Signature

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

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

(Title *)

Date <input type="text" value="04/22/2021"/>	EVP and Chief Legal Counsel
By <input type="text" value="John Zecca"/>	<input type="text"/>
(Name *)	

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

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

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

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend BX Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on November 5, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend BX’s Rules at Options 3, Section 15, Risk Protections, to describe Size Limitation and note its application to Opening Only Orders and Immediate-or-Cancel Orders within Options 3, Section 7(b)(1) and (2), respectively. Also, technical changes are proposed within Options 3, Section 7(e)(1)(B) which describes the Specialized Quote Feed or “SQF”.³ Each change is described below.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) to describe within its rules a current limitation that exists today as to number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.⁴ Today,

³ SQF is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively. See Options 3, Section 7(e)(1)(B).

⁴ The Exchange will propose a similar rule change to Nasdaq Phlx LLC and The Nasdaq Stock Market LLC.

Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”) describe this limitation within those rules at Options 3, Section 15(a)(2)(B).

BX proposes to similarly describe this limitation in its rules.

The Exchange also proposes to amend Options 3, Section 7(b)(1) which describes an Opening Only or “OPG” order. Today, an OPG order can only be executed in the Opening Process pursuant to Options 3, Section 8. The rule currently states that this order type is not subject to any protections listed in Options 3, Section 15 describing risk protections. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. OPG orders are entered during the Opening Process utilizing “Financial Information eXchange” or “FIX”.⁵

Similarly, the Exchange proposes to amend Options 3, Section 7(b)(2) which describes an Immediate-or-Cancel Order or “IOC” order. Today, the Exchange describes an IOC order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.⁶ Options 3, Section 7(b)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker or a Lead Market Maker⁷ through SQF is not subject to

⁵ FIX is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(e)(1)(A).

⁶ See BX Options 3, Section 7(b)(2). The Exchange also notes that IOC orders entered with a TIF of IOC are not eligible for routing.

⁷ The Exchange proposes to utilize the word “BX Options Market Maker” to collectively refer to Lead Market Makers and Market Makers throughout the remainder of this rule change.

the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2) respectively. With the proposed addition of the Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike BX Options Market Makers.

BX Options Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for BX Options Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. BX Options Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, BX Options Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a BX Options Market Maker's erroneous order from being entered. The Exchange believes that BX Options Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain

efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing BX Options Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.⁸ Thus, the Exchange opted to not offer Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF because BX Options Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

Other Non-Substantive Amendments

The Exchange proposes to amend the description of a Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word “request” and also add an “.” after an e.g. to conform the punctuation in the paragraph.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

⁸ BX Options Market Makers have intra-day quoting obligations as specified in Options 2, Section 5.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) is consistent with the Act. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.¹¹ Today, ISE, GEMX and MRX describe this limitation within those rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders is consistent with the Act. Today, the Exchange describes an IOC Order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.¹² BX Options 3, Section 7(b)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a BX Options Market Maker through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2)

¹¹ See supra note 4.

¹² See BX Options 3, Section 7(b)(2).

respectively. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. The Exchange notes these exceptions within this rule to make clear that this information is available to market participants within the description of an IOC.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who unlike BX Options Market Makers may not have their own risk settings. BX Options Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for BX Options Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. BX Options Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange. BX Options Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a BX Options Market Maker's erroneous order from being entered. The Exchange believes that BX Options Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to

elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing BX Options Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.¹³ The Exchange believes not offering Size Limitation for IOC orders entered through SQF is consistent with the Act because BX Options Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

Other Non-Substantive Amendments

The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an e.g. to conform the punctuation in the paragraph is consistent with the Act. These amendments are non-substantive.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not impose an undue burden on competition. The proposed

¹³ See supra note 8.

amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. This System limitation is the same on all Nasdaq affiliated exchanges.¹⁴ Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders does not impose an undue burden on competition as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders does not impose an undue burden on competition. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. Unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.¹⁵

Other Non-Substantive Amendments

The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an e.g. to conform the punctuation in the paragraph does not impose an undue burden on competition. These amendments are non-substantive.

¹⁴ See supra note 4.

¹⁵ See supra note 8.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)¹⁶ of the Act and Rule 19b-4(f)(6) thereunder¹⁷ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not significantly affect the protection of investors or the public interest. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6).

limitation is the same on all Nasdaq affiliated exchanges.¹⁸ Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules. The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders does not significantly affect the protection of investors or the public interest as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX. The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders does not significantly affect the protection of investors or the public interest. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. The Exchange notes these exceptions within this rule to make clear that this information is available to market participants within the description of an IOC. The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who unlike BX Options Market Makers may not have their own risk settings. The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an e.g

¹⁸ See supra note 4.

to conform the punctuation in the paragraph does not significantly affect the protection of investors or the public interest. This amendment is non-substantive.

The Exchange believes that this proposal does not impose any significant burden on competition. The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not impose any significant burden on competition. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders does not impose any significant burden on competition as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders does not impose any significant burden on competition. With the proposed addition of the Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. Unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.¹⁹ The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an e.g to conform the punctuation in the paragraph does not impose any significant burden on competition. This amendment is non-substantive.

¹⁹ See supra note 8.

Furthermore, Rule 19b-4(f)(6)(iii)²⁰ requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may immediately add Size Limitation to proposed new Options 3, Section 15(b)(2) to provide within its rules the current limitation that exists today as to the number of contracts an incoming order or quote may specify. Further, the Exchange's amendments to OPG orders and IOC orders will bring greater clarity to BX's Rules by indicting the manner in which Size Limitation will apply to those orders types. These amendments will bring greater clarity to BX's rules and serve to protect investors and the public interest.

²⁰ 17 CFR 240.19b-4(f)(6)(iii).

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

ISE, GEMX and MRX describes size limitation at Options 3, Section 15(a)(2)(B).

This risk protection currently exists on BX as well, but is not noted within BX's current rule text.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-BX-2021-020)

April __, 2021

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BX Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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 April 22, 2021, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend BX Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend BX's Rules at Options 3, Section 15, Risk Protections, to describe Size Limitation and note its application to Opening Only Orders and Immediate-or-Cancel Orders within Options 3, Section 7(b)(1) and (2), respectively. Also, technical changes are proposed within Options 3, Section 7(e)(1)(B) which describes the Specialized Quote Feed or "SQF".³ Each change is described below.

³ SQF is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g. underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively. See Options 3, Section 7(e)(1)(B).

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) to describe within its rules a current limitation that exists today as to number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.⁴ Today, Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”) describe this limitation within those rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange also proposes to amend Options 3, Section 7(b)(1) which describes an Opening Only or “OPG” order. Today, an OPG order can only be executed in the Opening Process pursuant to Options 3, Section 8. The rule currently states that this order type is not subject to any protections listed in Options 3, Section 15 describing risk protections. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. OPG orders are entered during the Opening Process utilizing “Financial Information eXchange” or “FIX”.⁵

⁴ The Exchange will propose a similar rule change to Nasdaq Phlx LLC and The Nasdaq Stock Market LLC.

⁵ FIX is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(e)(1)(A).

Similarly, the Exchange proposes to amend Options 3, Section 7(b)(2) which describes an Immediate-or-Cancel Order or “IOC” order. Today, the Exchange describes an IOC order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.⁶ Options 3, Section 7(b)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker or a Lead Market Maker⁷ through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2) respectively. With the proposed addition of the Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike BX Options Market Makers.

BX Options Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for BX Options

⁶ See BX Options 3, Section 7(b)(2). The Exchange also notes that IOC orders entered with a TIF of IOC are not eligible for routing.

⁷ The Exchange proposes to utilize the word “BX Options Market Maker” to collectively refer to Lead Market Makers and Market Makers throughout the remainder of this rule change.

Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. BX Options Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, BX Options Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a BX Options Market Maker's erroneous order from being entered. The Exchange believes that BX Options Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing BX Options Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.⁸ Thus, the Exchange opted to not offer Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF because BX Options Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

⁸ BX Options Market Makers have intra-day quoting obligations as specified in Options 2, Section 5.

Other Non-Substantive Amendments

The Exchange proposes to amend the description of a Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word “request” and also add an “,” after an e.g. to conform the punctuation in the paragraph.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 3, Section 15

The Exchange’s proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) is consistent with the Act. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.¹¹ Today, ISE, GEMX and MRX describe this limitation within those rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ See supra note 4.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders is consistent with the Act. Today, the Exchange describes an IOC Order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.¹² BX Options 3, Section 7(b)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a BX Options Market Maker through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2) respectively. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. The Exchange notes these exceptions within this rule to make clear that this information is available to market participants within the description of an IOC.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who unlike BX

¹² See BX Options 3, Section 7(b)(2).

Options Market Makers may not have their own risk settings. BX Options Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for BX Options Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. BX Options Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange. BX Options Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a BX Options Market Maker's erroneous order from being entered. The Exchange believes that BX Options Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing BX Options Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.¹³ The Exchange believes not offering Size Limitation for IOC orders entered through SQF is consistent with the Act because BX Options Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

¹³ See supra note 8.

Other Non-Substantive Amendments

The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an e.g. to conform the punctuation in the paragraph is consistent with the Act. These amendments are non-substantive.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not impose an undue burden on competition. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. This System limitation is the same on all Nasdaq affiliated exchanges.¹⁴ Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders does not impose an undue burden on competition as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

¹⁴ See supra note 4.

The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders does not impose an undue burden on competition. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. Unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.¹⁵

Other Non-Substantive Amendments

The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an e.g. to conform the punctuation in the paragraph does not impose an undue burden on competition. These amendments are non-substantive.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant

¹⁵ See supra note 8.

to Section 19(b)(3)(A)(iii) of the Act¹⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁷

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2021-020 on the subject line.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

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

All submissions should refer to File Number SR-BX-2021-020. 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-2021-020 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.¹⁸

J. Matthew DeLesDernier
Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq BX, Inc. Rules

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Options Rules

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Options 3 Options Trading Rules

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Section 7. Types of Orders and Order and Quote Protocols

* * * * *

(a) The term "Order" shall mean a single order submitted to the System by a Participant that is eligible to submit such orders. The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

* * * * *

(b) The term "Time in Force" or "TIF" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1) An Opening Only order ("OPG") is entered with a TIF of "OPG". This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route.

(2) "Immediate-or-Cancel" or "IOC" is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.

(A) Orders entered with a TIF of IOC are not eligible for routing.

(B) IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker through SQF is not subject to the Order Price Protection, [or]the Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1), [and] (a)(2), and (b)(2), respectively;

(C) Orders entered into the Price Improvement Auction ("PRISM") Mechanism are considered to have a TIF of IOC. By their terms, these orders will be: (1) executed after an exposure period, or (2) cancelled.

* * * * *

(e) Entry and Display of Orders and Quotes. Participants may enter orders and quotes into the System as specified below.

(1) The Exchange offers Participants the following protocols for entering orders and quotes respectively:

* * * * *

(B) "**Specialized Quote Feed**" or "**SQF**" is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively.

* * * * *

Section 15. Risk Protections

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(b) The following are order and quote risk protections on BX:

* * * * *

(2) **Size Limitation.** There is a limit on the number of contracts an incoming order or quote may specify. Orders or quotes that exceed the maximum number of contracts are rejected. The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time.

* * * * *