

Required fields are shown with yellow backgrounds and asterisks.

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 Options 2 at Section 4 Obligations of Market Makers and Lead Market Makers and Section 5 Market Maker Quotations

**Contact Information**

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

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

**Signature**

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

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

(Title \*)

Date <input type="text" value="07/12/2021"/>	<input type="text" value="EVP and Chief Legal Officer"/>
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 \***

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

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

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Options 2 at Section 4, Obligations of Market Makers and Lead Market Makers, and Section 5, Market Maker Quotations. The Exchange also proposes a technical amendment to Options 1, Section 1, Definitions.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 Options 2 at Section 4, Obligations of Market Makers and Lead Market Makers, and Section 5, Market Maker Quotations. Currently, the Exchange requires Market Makers<sup>3</sup> and Lead Market Makers<sup>4</sup> to enter bids and offers for the options to which they are registered, except in an assigned options series listed intra-day on the Exchange.<sup>5</sup> Quotations must meet the legal quote width requirements specified in Options 2, Section 4(f)(4) and Options 2, Section 5(d)(2).<sup>6</sup> On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements. Market Makers associated with the same Options Participant<sup>7</sup> are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that

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<sup>3</sup> The term "BX Options Market Maker" or "Options Market Maker" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Options 2 of these Rules. See Options 1, Section 1(a)(10).

<sup>4</sup> Approved BX Options Market Makers may become Lead Market Makers. Only one Lead Market Maker may be allocated to an options class. See Options 2, Section 3(A).

<sup>5</sup> Options 2, Section 4(j) and Options 2, Section 5(d)(1).

<sup>6</sup> Options 2, Section 4(f)(4) and Options 2, Section 5(d)(2) describe the required bid/ask differentials for Lead Market Makers and Market Makers, respectively.

<sup>7</sup> The term "Options Participant" or "Participant" mean a firm, or organization that is registered with the Exchange pursuant to Options 2A of these Rules for purposes of participating in options trading on BX Options as a "BX Options Order Entry Firm" or "BX Options Market Maker." See Options 1, Section 1(a)(40).

Options Participant's assigned options series are open for trading.<sup>8</sup> Notwithstanding the foregoing, a Market Maker is not required to make two-sided markets pursuant to Options 2, Section 5(d)(1) in any Quarterly Option Series, any adjusted option series,<sup>9</sup> and any option series with an expiration of nine months or greater.<sup>10</sup> Lead Market Makers associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Option Participant's assigned options series are open for trading. Lead Market Makers are required to make two-sided markets pursuant to Options 2, Section 5 in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.<sup>11</sup> Finally, a Directed Market Maker is subject to the requirements within Options 2, Section 10(a)(3)(A).<sup>12</sup>

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<sup>8</sup> Options 2, Section 5(d)(1)(A).

<sup>9</sup> An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series"). See Options 2, Section 4(j)(1)(a) and Options 2, Section 5(d)(1)(A)(i).

<sup>10</sup> Options 2, Section 4(j)(1) and Options 2, Section 5(d)(1)(A).

<sup>11</sup> Options 2, Section 4(j)(1).

<sup>12</sup> Directed Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant's assigned options series are open for trading. An Options Participant shall be considered directed in all assigned options once the Options Participant receives a Directed Order in any option in which they are assigned and shall be considered a Directed Market Maker until such time as an Options Participant notifies the Exchange that they are no longer directed. Notwithstanding the foregoing, an Options Participant shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

An Options Participant is required to meet each market making obligation separately.<sup>13</sup> Currently, Options 2, Section 5(d)(1) states, “A Market Maker who is also the Lead Market Maker, pursuant to Options 2, Section 4, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned. A Market Maker who receives a Directed Order, as described in Options 3, Section 10, shall be held to the standard of a Directed Market Maker as described in Options 2, Section 10.” Also, Options 2, Section 4(j), applicable to Lead Market Makers, provides, “A Market Maker who is also the Lead Market Maker, pursuant to Options 2, Section 4, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned pursuant to Options 2, Section 5(d).”

Today, the Exchange calculates whether a Participant that is assigned in an options series as both a Lead Market Maker and a Market Maker has met its quoting obligations as Lead Market Maker and Market Maker, respectively, by aggregating all quotes submitted through the Specialized Quote Feed<sup>14</sup> interface from the Participant,

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Notwithstanding the obligations specified herein, a Directed Market Maker may still receive a participation entitlement in such series if it elects to quote in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater series and otherwise satisfies the requirements of Options 3, Section 10.

<sup>13</sup> See Options 2, Section 5(d)(1). Today, the Exchange aggregates all quotes submitted through the Specialized Quote Feed interface from the Participant, regardless of whether the quote was submitted by the Participant in its capacity as Lead Market Maker or Market Maker.

<sup>14</sup> “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

whether the quote was submitted by the Participant in its capacity as Lead Market Maker or Market Maker.

The Exchange proposes to amend its calculation to only consider quotes submitted through the Specialized Quote Feed interface utilizing badges<sup>15</sup> and options series<sup>16</sup> assigned to a Lead Market Maker when calculating whether a Participant acting as a Lead Market Maker has satisfied the requirements to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading. Similarly, the Exchange proposes to only consider quotes submitted through the Specialized Quote Feed interface utilizing badges and options series assigned to a Market Maker when calculating whether a Participant acting as a Market Maker has satisfied the requirements to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading. With this proposed change, an Options

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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. See Options 3, Section 7(e)(1)(B).

<sup>15</sup> The term "badge" means an account number, which may contain letters and/or numbers, assigned to BX Market Makers. A BX Market Maker account may be associated with multiple badges. See Options 1, Section 1(a)(6).

<sup>16</sup> BX currently utilizes a badge with an associated options series to designate a Lead Market Maker assigned in an options series and a badge with an associated options series to designate a Market Maker assigned in an option series.

Participant that is a Market Maker in an options series where the Options Participant is also assigned as the Lead Market Maker, pursuant to Options 2, Section 4, in an options series will be held to both the Lead Market Maker and Market Maker obligations, pursuant to Options 2, Section 5(d), separately, in that options series. The Exchange will consider whether an Options Participant, acting as both Lead Market Maker and Market Maker in an assigned options series, has complied with each requirement by only considering quotes in the respective badges.

By way of example,

**Current Quoting obligation methodology:**

Lead Market Maker firm 123 is assigned five badges: 123A, 123B, 123C, 123D and 123E

Badge 123A is designated the Lead Market Maker badge and badge 123B-E are designated as Market Maker badges.

Today, all quoting activity from all 5 badges is aggregated in determining if Firm 123 complied with the requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which that Participant's assigned options series are open for trading. The higher of the two obligations is required today.

**Proposed Quoting obligation methodology:**

Lead Market Maker firm 123 is assigned five badges: 123A, 123B, 123C, 123D and 123E.

Badge 123A is designated the Lead Market Maker badge and badge 123B-E are designated as Market Maker badges.

As proposed only quoting activity from badge 123A (and excluding badges 123 B-E) would be counted toward the requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which that Participant's assigned options series are open for trading.

All other badges (123 B-E), excluding badge 123A, would be counted toward the requirement to provide two-sided quotations in 60% of the cumulative number of seconds for which that Participant's assigned options series are open for trading.



An Options Participant may have only one Lead Market Maker badge per option series.

The below example explains how the Exchange aggregates quotes from Lead Market Makers, in their assigned options series, to determine compliance with quoting requirements, which will not be changing pursuant to this proposal. The same calculation applies to quotes from Market Makers in their assigned options series.

Under the proposal, and as is the case today, by way of example, assume Lead Market Maker Firm ABC is assigned in five symbols across 2 different badges:

Badge 123A and B is assigned in symbols QQQ and SPY, respectively

Badge 124A, B and C is assigned in symbols IBM, GM, and MSFT, respectively

Quotes submitted through the Specialized Quote Feed interface from the Firm ABC's Lead Market Maker badges from all 5 symbols will be counted in determining compliance with Firm ABC's requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which Firm ABC's assigned options series are open for trading.

If Firm ABC Lead Market Maker badge 123A quotes symbol QQQ at 95% and badge 123B quotes symbol SPY at 90% and Firm ABC Lead Market Maker badge 124A quotes IBM at 85%, badge 124B quotes GM at 95%, and badge 124C quotes MSFT at 90% then Firm ABC will have met its requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which Firm ABC's assigned options series are open for trading because the percentage across the 5 symbols is 91%.

#### Technical Amendments

The Exchange proposes a technical amendment to Options 1, Section 1, Definitions. Specifically, the Exchange proposes to amend Options 1, Section 1(a)(10) which contains the term "BX Options Market Maker" or "Options Market Maker." The Exchange proposes to amend the term "mean" to "means."

Also, the Exchange proposes to amend Options 2, Section 4(j) to correct an inaccurate citation to Options 2, Section 4 subsection (f)(4)-(6). Subsections (f)(5) and

(6) do not exist. The Exchange proposes to amend the citation to Options 2, Section 4 subsection (f)(4) which contains intra-day bid/ask differentials.

#### Implementation

The Exchange proposes to implement this rule change on August 2, 2021. The Exchange has issued an Options Regulatory Alert notifying Options Participants of this change.<sup>17</sup>

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>18</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>19</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by requiring Lead Market Makers and Market Makers to separately meet quoting requirements as both a Lead Market Maker and Market Maker respectively, when the Options Participant is assigned in both roles in an options series.

The Exchange's proposal to separately calculate Market Maker and Lead Market Maker quoting obligations where the Participant is assigned as both Lead Market Maker and Market Maker in an options series is consistent with the Act. Specifically, the Exchange's proposal would only consider quotes submitted through the Specialized Quote Feed interface utilizing badges and options series assigned to a Lead Market Maker when calculating whether a Participant acting as a Lead Market Maker has satisfied the requirements to provide two-sided quotations in 90% of the cumulative

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<sup>17</sup> See Options Regulatory Alert 2021-36.

<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading. Similarly, the Exchange's proposal would only consider quotes submitted through the Specialized Quote Feed interface utilizing badges and option series assigned to a Market Maker when calculating whether a Participant acting as a Market Maker has satisfied the requirements to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading.

The proposed change for calculating the Lead Market Maker requirement separate from the Market Maker requirement, where a Participant is assigned in both roles in an options series, would ensure that the Participant quotes the requisite number of seconds in an assigned options series, when acting as both Lead Market Maker and Market Maker. This would ensure that an Options Participant adds the requisite amount of liquidity in that assigned options series in exchange for certain benefits offered by the Exchange to the Options Participant, such as enhanced Lead Market Maker allocation<sup>20</sup> and favorable pricing,<sup>21</sup> in addition to the Options Participant fulfilling other market making obligations specified in Options 2, Section 4(a) and (b).<sup>22</sup>

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<sup>20</sup> See Options 3, Section 10(a)(1)(C)(1)(b) and Options 3, Section 10(a)(1)(C)(2)(ii).

<sup>21</sup> See Options 7, Pricing Schedule.

<sup>22</sup> In registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Ordinarily, Market Makers are expected to: (1) During trading hours, a Market Maker must maintain a two-sided market, pursuant to Section

### Technical Amendments

The Exchange's proposal to amend Options 1, Section 1(a)(10), which contains the term "BX Options Market Maker" or "Options Market Maker," to amend the term "mean" to "means" is a non-substantive amendment. Also, the Exchange's proposal to amend Options 2, Section 4(j) to correct an inaccurate citation is a non-substantive amendment. Correcting these technical amendments will bring greater clarity to BX's Rules.

#### 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. Rather, the proposal would ensure that Options Participants that are assigned in an options series as both the Lead Market Maker and Market Maker, respectively, are meeting the same quoting obligations as other Options Participants who are assigned solely as either the Lead Market Maker or Market Maker in an option series. Also, this

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5(d)(1) of Options 2, in those options in which the Market Maker is registered to trade, in a manner that enhances the depth, liquidity and competitiveness of the market. (2) Engage, to a reasonable degree under the existing circumstances, in dealings for their own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. (3) Compete with other Market Makers in all options in which the Market Maker is registered to trade. (4) Make markets that will be honored for the number of contracts entered into BX Options' System in all options in which the Market Maker is registered to trade. (5) Update quotations in response to changed market conditions in all options in which the Market Maker is registered to trade. (6) Maintain active markets in all options in which the Market Maker is registered. (7) Honor all orders that the Trading System routes to away markets pursuant to Options 5 of these Rules. Options Market Makers should not effect purchases or sales on BX Options except in a reasonable and orderly manner. See Options 2, Section 4(a) and (b).

proposal would ensure that an Options Participant quotes the requisite number of seconds in an assigned options series, when acting as both Lead Market Maker and Market Maker, respectively, thereby adding the requisite amount of liquidity in exchange for certain benefits provided by the Exchange such as enhanced Lead Market Maker allocation<sup>23</sup> and favorable pricing,<sup>24</sup> in addition to fulfilling its other market making obligations specified in Options 2, Section 4(a) and (b).<sup>25</sup>

#### Technical Amendments

The Exchange's proposal to amend Options 1, Section 1(a)(10), which contains the term "BX Options Market Maker" or "Options Market Maker," to amend the term "mean" to "means" is a non-substantive amendment. Also, the Exchange's proposal to amend Options 2, Section 4(j) to correct an inaccurate citation is a non-substantive amendment. Amending these rules does not impose an undue burden on competition because the corrections will bring greater clarity to BX's Rules.

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

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<sup>23</sup> See note 20 above.

<sup>24</sup> See note 21 above.

<sup>25</sup> See note 22 above.

19(b)(3)(A)(iii)<sup>26</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>27</sup> 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 as the proposal ensure that an Options Participant adds the requisite amount of liquidity in that assigned options series in exchange for certain benefits offered by the Exchange to the Options Participant, such as enhanced Lead Market Maker allocation<sup>28</sup> and favorable pricing,<sup>29</sup> in addition to the Options Participant fulfilling other market making obligations specified in Options 2, Section 4(a) and (b).<sup>30</sup> The Exchange believes that this proposal does not impose any significant burden on competition as Options Participants that are assigned in an options series as both the Lead Market Maker and Market Maker, respectively, would meet the same quoting obligations as other Options Participants who are assigned solely as either the Lead Market Maker or Market Maker in an option series. The remainder of the changes are non-substantive.

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<sup>26</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>27</sup> 17 CFR 240.19b-4(f)(6).

<sup>28</sup> See note 20 above.

<sup>29</sup> See note 21 above.

<sup>30</sup> See note 22 above.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>31</sup> 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 amend the calculation of its quoting obligations to ensure that Options Participants, acting as both Lead Market Maker and Market Maker, respectively, are required to add the requisite amount of liquidity in exchange for certain benefits such as enhanced Lead Market Maker allocation<sup>32</sup> and favorable pricing.<sup>33</sup> The Exchange proposes to implement this rule change on August 2, 2021. The Exchange has provided Options Participants notice

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<sup>31</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>32</sup> See note 20 above.

<sup>33</sup> See note 21 above.

of this proposed change.<sup>34</sup>

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

Not applicable.

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.

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<sup>34</sup> See Options Regulatory Alert 2021-36.



**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-BX-2021-031)

July \_\_, 2021

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 2 at Section 4, Obligations of Market Makers and Lead Market Maker, and Section 5, Market Maker Quotations

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 12, 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 Options 2 at Section 4, Obligations of Market Makers and Lead Market Makers, and Section 5, Market Maker Quotations. The Exchange also proposes a technical amendment to Options 1, Section 1, Definitions.

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 Options 2 at Section 4, Obligations of Market Makers and Lead Market Makers, and Section 5, Market Maker Quotations. Currently, the Exchange requires Market Makers<sup>3</sup> and Lead Market Makers<sup>4</sup> to enter bids and offers for the options to which they are registered, except in an assigned options series listed intra-day on the Exchange.<sup>5</sup> Quotations must meet the legal quote width requirements specified in Options 2, Section 4(f)(4) and Options 2, Section 5(d)(2).<sup>6</sup> On a daily basis, a Market Maker must make markets consistent with the applicable quoting

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<sup>3</sup> The term "BX Options Market Maker" or "Options Market Maker" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Options 2 of these Rules. See Options 1, Section 1(a)(10).

<sup>4</sup> Approved BX Options Market Makers may become Lead Market Makers. Only one Lead Market Maker may be allocated to an options class. See Options 2, Section 3(A).

<sup>5</sup> Options 2, Section 4(j) and Options 2, Section 5(d)(1).

<sup>6</sup> Options 2, Section 4(f)(4) and Options 2, Section 5(d)(2) describe the required bid/ask differentials for Lead Market Makers and Market Makers, respectively.

requirements. Market Makers associated with the same Options Participant<sup>7</sup> are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant's assigned options series are open for trading.<sup>8</sup> Notwithstanding the foregoing, a Market Maker is not required to make two-sided markets pursuant to Options 2, Section 5(d)(1) in any Quarterly Option Series, any adjusted option series,<sup>9</sup> and any option series with an expiration of nine months or greater.<sup>10</sup> Lead Market Makers associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Option Participant's assigned options series are open for trading. Lead Market Makers are required to make two-sided markets pursuant to Options 2, Section 5 in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.<sup>11</sup>

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<sup>7</sup> The term "Options Participant" or "Participant" mean a firm, or organization that is registered with the Exchange pursuant to Options 2A of these Rules for purposes of participating in options trading on BX Options as a "BX Options Order Entry Firm" or "BX Options Market Maker." See Options 1, Section 1(a)(40).

<sup>8</sup> Options 2, Section 5(d)(1)(A).

<sup>9</sup> An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series"). See Options 2, Section 4(j)(1)(a) and Options 2, Section 5(d)(1)(A)(i).

<sup>10</sup> Options 2, Section 4(j)(1) and Options 2, Section 5(d)(1)(A).

<sup>11</sup> Options 2, Section 4(j)(1).

Finally, a Directed Market Maker is subject to the requirements within Options 2, Section 10(a)(3)(A).<sup>12</sup>

An Options Participant is required to meet each market making obligation separately.<sup>13</sup> Currently, Options 2, Section 5(d)(1) states, “A Market Maker who is also the Lead Market Maker, pursuant to Options 2, Section 4, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned. A Market Maker who receives a Directed Order, as described in Options 3, Section 10, shall be held to the standard of a Directed Market Maker as described in Options 2, Section 10.” Also, Options 2, Section 4(j), applicable to Lead Market Makers, provides, “A Market Maker who is also the Lead Market Maker, pursuant to Options 2, Section 4, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is

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<sup>12</sup> Directed Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant's assigned options series are open for trading. An Options Participant shall be considered directed in all assigned options once the Options Participant receives a Directed Order in any option in which they are assigned and shall be considered a Directed Market Maker until such time as an Options Participant notifies the Exchange that they are no longer directed. Notwithstanding the foregoing, an Options Participant shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater. Notwithstanding the obligations specified herein, a Directed Market Maker may still receive a participation entitlement in such series if it elects to quote in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater series and otherwise satisfies the requirements of Options 3, Section 10.

<sup>13</sup> See Options 2, Section 5(d)(1). Today, the Exchange aggregates all quotes submitted through the Specialized Quote Feed interface from the Participant, regardless of whether the quote was submitted by the Participant in its capacity as Lead Market Maker or Market Maker.

assigned and will be held to Market Maker obligations in all other options series where assigned pursuant to Options 2, Section 5(d).”

Today, the Exchange calculates whether a Participant that is assigned in an options series as both a Lead Market Maker and a Market Maker has met its quoting obligations as Lead Market Maker and Market Maker, respectively, by aggregating all quotes submitted through the Specialized Quote Feed<sup>14</sup> interface from the Participant, whether the quote was submitted by the Participant in its capacity as Lead Market Maker or Market Maker.

The Exchange proposes to amend its calculation to only consider quotes submitted through the Specialized Quote Feed interface utilizing badges<sup>15</sup> and options series<sup>16</sup> assigned to a Lead Market Maker when calculating whether a Participant acting as a Lead Market Maker has satisfied the requirements to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may

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<sup>14</sup> “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. See Options 3, Section 7(e)(1)(B).

<sup>15</sup> The term “badge” means an account number, which may contain letters and/or numbers, assigned to BX Market Makers. A BX Market Maker account may be associated with multiple badges. See Options 1, Section 1(a)(6).

<sup>16</sup> BX currently utilizes a badge with an associated options series to designate a Lead Market Maker assigned in an options series and a badge with an associated options series to designate a Market Maker assigned in an option series.

announce for which that Participant's assigned options series are open for trading. Similarly, the Exchange proposes to only consider quotes submitted through the Specialized Quote Feed interface utilizing badges and options series assigned to a Market Maker when calculating whether a Participant acting as a Market Maker has satisfied the requirements to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading. With this proposed change, an Options Participant that is a Market Maker in an options series where the Options Participant is also assigned as the Lead Market Maker, pursuant to Options 2, Section 4, in an options series will be held to both the Lead Market Maker and Market Maker obligations, pursuant to Options 2, Section 5(d), separately, in that options series. The Exchange will consider whether an Options Participant, acting as both Lead Market Maker and Market Maker in an assigned options series, has complied with each requirement by only considering quotes in the respective badges.

By way of example,

**Current Quoting obligation methodology:**

Lead Market Maker firm 123 is assigned five badges: 123A, 123B, 123C, 123D and 123E

Badge 123A is designated the Lead Market Maker badge and badge 123B-E are designated as Market Maker badges.

Today, all quoting activity from all 5 badges is aggregated in determining if Firm 123 complied with the requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which that Participant's assigned options series are open for trading. The higher of the two obligations is required today.

**Proposed Quoting obligation methodology:**

Lead Market Maker firm 123 is assigned five badges: 123A, 123B, 123C, 123D and 123E.

Badge 123A is designated the Lead Market Maker badge and badge 123B-E are designated as Market Maker badges.

As proposed only quoting activity from badge 123A (and excluding badges 123 B-E) would be counted toward the requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which that Participant's assigned options series are open for trading.

All other badges (123 B-E), excluding badge 123A, would be counted toward the requirement to provide two-sided quotations in 60% of the cumulative number of seconds for which that Participant's assigned options series are open for trading.

An Options Participant may have only one Lead Market Maker badge per option series.

The below example explains how the Exchange aggregates quotes from Lead Market Makers, in their assigned options series, to determine compliance with quoting requirements, which will not be changing pursuant to this proposal. The same calculation applies to quotes from Market Makers in their assigned options series.

Under the proposal, and as is the case today, by way of example, assume Lead Market Maker Firm ABC is assigned in five symbols across 2 different badges:

Badge 123A and B is assigned in symbols QQQ and SPY, respectively

Badge 124A, B and C is assigned in symbols IBM, GM, and MSFT, respectively

Quotes submitted through the Specialized Quote Feed interface from the Firm ABC's Lead Market Maker badges from all 5 symbols will be counted in determining compliance with Firm ABC's requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which Firm ABC's assigned options series are open for trading.

If Firm ABC Lead Market Maker badge 123A quotes symbol QQQ at 95% and badge 123B quotes symbol SPY at 90% and Firm ABC Lead Market Maker badge 124A quotes IBM at 85%, badge 124B quotes GM at 95%, and badge 124C quotes MSFT at 90% then Firm ABC will have met its requirement to provide two-sided quotations in 90% of the cumulative number of seconds for which Firm ABC's assigned options series are open for trading because the percentage across the 5 symbols is 91%.



### Technical Amendments

The Exchange proposes a technical amendment to Options 1, Section 1, Definitions. Specifically, the Exchange proposes to amend Options 1, Section 1(a)(10) which contains the term “BX Options Market Maker” or “Options Market Maker.” The Exchange proposes to amend the term “mean” to “means.”

Also, the Exchange proposes to amend Options 2, Section 4(j) to correct an inaccurate citation to Options 2, Section 4 subsection (f)(4)-(6). Subsections (f)(5) and (6) do not exist. The Exchange proposes to amend the citation to Options 2, Section 4 subsection (f)(4) which contains intra-day bid/ask differentials.

### Implementation

The Exchange proposes to implement this rule change on August 2, 2021. The Exchange has issued an Options Regulatory Alert notifying Options Participants of this change.<sup>17</sup>

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>18</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>19</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by requiring Lead Market Makers and Market Makers to separately meet quoting requirements as both a Lead Market Maker and Market Maker respectively, when the Options Participant is assigned in both roles in an options series.

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<sup>17</sup> See Options Regulatory Alert 2021-36.

<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

The Exchange's proposal to separately calculate Market Maker and Lead Market Maker quoting obligations where the Participant is assigned as both Lead Market Maker and Market Maker in an options series is consistent with the Act. Specifically, the Exchange's proposal would only consider quotes submitted through the Specialized Quote Feed interface utilizing badges and options series assigned to a Lead Market Maker when calculating whether a Participant acting as a Lead Market Maker has satisfied the requirements to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading. Similarly, the Exchange's proposal would only consider quotes submitted through the Specialized Quote Feed interface utilizing badges and option series assigned to a Market Maker when calculating whether a Participant acting as a Market Maker has satisfied the requirements to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce for which that Participant's assigned options series are open for trading.

The proposed change for calculating the Lead Market Maker requirement separate from the Market Maker requirement, where a Participant is assigned in both roles in an options series, would ensure that the Participant quotes the requisite number of seconds in an assigned options series, when acting as both Lead Market Maker and Market Maker. This would ensure that an Options Participant adds the requisite amount of liquidity in that assigned options series in exchange for certain benefits offered by the Exchange to

the Options Participant, such as enhanced Lead Market Maker allocation<sup>20</sup> and favorable pricing,<sup>21</sup> in addition to the Options Participant fulfilling other market making obligations specified in Options 2, Section 4(a) and (b).<sup>22</sup>

#### Technical Amendments

The Exchange's proposal to amend Options 1, Section 1(a)(10), which contains the term "BX Options Market Maker" or "Options Market Maker," to amend the term "mean" to "means" is a non-substantive amendment. Also, the Exchange's proposal to amend Options 2, Section 4(j) to correct an inaccurate citation is a non-substantive

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<sup>20</sup> See Options 3, Section 10(a)(1)(C)(1)(b) and Options 3, Section 10(a)(1)(C)(2)(ii).

<sup>21</sup> See Options 7, Pricing Schedule.

<sup>22</sup> In registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Ordinarily, Market Makers are expected to: (1) During trading hours, a Market Maker must maintain a two-sided market, pursuant to Section 5(d)(1) of Options 2, in those options in which the Market Maker is registered to trade, in a manner that enhances the depth, liquidity and competitiveness of the market. (2) Engage, to a reasonable degree under the existing circumstances, in dealings for their own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. (3) Compete with other Market Makers in all options in which the Market Maker is registered to trade. (4) Make markets that will be honored for the number of contracts entered into BX Options' System in all options in which the Market Maker is registered to trade. (5) Update quotations in response to changed market conditions in all options in which the Market Maker is registered to trade. (6) Maintain active markets in all options in which the Market Maker is registered. (7) Honor all orders that the Trading System routes to away markets pursuant to Options 5 of these Rules. Options Market Makers should not effect purchases or sales on BX Options except in a reasonable and orderly manner. See Options 2, Section 4(a) and (b).

amendment. Correcting these technical amendments will bring greater clarity to BX's Rules.

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. Rather, the proposal would ensure that Options Participants that are assigned in an options series as both the Lead Market Maker and Market Maker, respectively, are meeting the same quoting obligations as other Options Participants who are assigned solely as either the Lead Market Maker or Market Maker in an option series. Also, this proposal would ensure that an Options Participant quotes the requisite number of seconds in an assigned options series, when acting as both Lead Market Maker and Market Maker, respectively, thereby adding the requisite amount of liquidity in exchange for certain benefits provided by the Exchange such as enhanced Lead Market Maker allocation<sup>23</sup> and favorable pricing,<sup>24</sup> in addition to fulfilling its other market making obligations specified in Options 2, Section 4(a) and (b).<sup>25</sup>

Technical Amendments

The Exchange's proposal to amend Options 1, Section 1(a)(10), which contains the term "BX Options Market Maker" or "Options Market Maker," to amend the term "mean" to "means" is a non-substantive amendment. Also, the Exchange's proposal to amend Options 2, Section 4(j) to correct an inaccurate citation is a non-substantive

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<sup>23</sup> See note 20 above.

<sup>24</sup> See note 21 above.

<sup>25</sup> See note 22 above.

amendment. Amending these rules does not impose an undue burden on competition because the corrections will bring greater clarity to BX's Rules.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>26</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>27</sup>

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.

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<sup>26</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>27</sup> 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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2021-031 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-2021-031. 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-2021-031 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.<sup>28</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>28</sup> 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****Options 1 General Provisions****Section 1. Definitions**

(a) With respect to these BX Options Rules, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Rules of the Exchange shall have the same meaning with respect to this Rule, unless otherwise defined below.

\* \* \* \* \*

(10) The term “BX Options Market Maker” or “Options Market Maker” means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Options 2 of these Rules.

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**Options 2 Options Market Participants**

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**Section 4. Obligations of Market Makers and Lead Market Makers**

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(j) LMM Quotations. An LMM must enter two-sided quotations. An LMM that enters a bid (offer) in a series of an option in which he is registered on BX must enter an offer (bid), except in an assigned options series listed intra-day on BX. These quotations must meet the legal quote width requirements specified in Options 2, Section 4 subsection (f)(4)[- (6)]. An Options Participant will be required to meet each market making obligation separately. Quotes submitted through the Specialized Quote Feed interface, utilizing badges and options series assigned to a Lead Market Maker, will be counted toward the requirement to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce. An Options Participant that is a Market Maker in an options series where the Options Participant is also assigned as the Lead Market Maker, pursuant to Options 2, Section 4, in an option series will be held to both the Lead Market Maker obligations, pursuant to Options 2, Section 5(d), separately, in that options series. [A Market Maker who is also the Lead Market Maker,



pursuant to Options 2, Section 4, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned pursuant to Options 2, Section 5(d).]

(1) LMMs, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Option Participant's assigned options series are open for trading. An LMM shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater. However, an LMM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements of Options 3, Section 10.

(a) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").

(2) Specifically, the Exchange will calculate subparagraph (1) above by (i) taking the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(3) BX Regulation may consider exceptions to the requirement to quote 90% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the Exchange's surveillance of an Options Participant compliance with this Rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

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

\* \* \* \* \*

## **Section 5. Market Maker Quotations**

\* \* \* \* \*

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

(1) A Market Maker must enter bids and offers for the options to which it is registered, except in an assigned options series listed intra-day on the Exchange. On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below. An Options Participant will be required to meet each market making obligation separately. Quotes submitted through the Specialized Quote Feed interface, utilizing badges and options series assigned to a Market Maker, will be counted toward the requirement to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce. An [Market Maker]Options Participant that is a Market Maker in an options series where the Options Participant is also assigned as[ who is also] the Lead Market Maker, pursuant to Options 2, Section 4, in an option series will be held to both the Lead Market Maker and Market Maker obligations, pursuant to Options 2, Section 5(d), separately, in that options series, [ in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned.] A Market Maker who receives a Directed Order, as described in Options 3, Section 10, shall be held to the standard of a Directed Market Maker as described in Options 2, Section 10.

(A) Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant's assigned options series are open for trading. Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this subparagraph in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

(i) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").

(B) Specifically, the Exchange will calculate subparagraph (A) above by (i) taking the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for Market Makers; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(C) BX Regulation may consider exceptions to the requirement to quote 60% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the Exchange's surveillance of an Options

Participant's compliance with this Rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

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

\* \* \* \* \*