

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 24	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2021 - * 034	Amendment No. (req. for Amendments *)
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Filing by NASDAQ BX, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			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 \*).

Amend Options 2, Section 4, Obligations of Market Makers and Lead Market Makers; Options 2, Section 5, Market Maker Quotations; and Options 4A, Section 12, Terms of Index Option Contracts.

**Contact Information**

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

First Name * Angela	Last Name * Dunn
Title * Principal Associate General Counsel	
E-mail * angela.dunn@nasdaq.com	
Telephone * (215) 496-5692	Fax

**Signature**

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

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

(Title \*)

Date 08/10/2021	EVP and Chief Legal Counsel
By John Zecca (Name *)	

john.zecca@nasdaq.com

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend BX Rules at Options 2, Section 4, Obligations of Market Makers and Lead Market Makers; Options 2, Section 5, Market Maker Quotations; and Options 4A, Section 12, Terms of Index Option Contracts.

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, Section 4, Obligations of Market Makers and Lead Market Makers; Options 2, Section 5, Market Maker Quotations; and Options 4A, Section 12, Terms of Index Option Contracts. Specifically, the Exchange proposes to amend the expiration timeframe of Long-Term Options Series or "LEAPs."

Options 2, Section 5(d)(2)(A) currently provides, "Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for index options." Similarly, Options 4A, Section 12(b) currently states,

(1) Notwithstanding the provisions of paragraph (a)(3), above, BX Options may list long-term index options series that expire from nine (9) to sixty (60) months from the date of issuance.

(i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval and continuity Rules shall not apply to such options series until the time to expiration is less than nine (9) months. Bid/ask differentials for long-term options contracts are specified within Options 2, Section 5(d)(2)(A).

The Exchange proposes to amend the current text of Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) to amend the time to expiration term of LEAPs on index options from nine to sixty months to twelve to sixty months. Likewise, the Exchange proposes to amend the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options from less than nine to less than twelve months.

Today, other options markets have terms similar to those proposed herein.<sup>3</sup> The proposal would align BX's rules with other options markets with respect to the opening month for LEAPs on index options and the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPs on index options by changing nine to twelve months.

The Exchange also proposes to amend Options 2, Sections 4 and 5 concerning a Market Maker's or Lead Market Maker's obligation to make two-sided markets in any option series with an expiration of nine months or greater. Today, Market Makers and Lead Market Makers are not required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater in equities, ETFs or indexes. With this proposal, Market Makers and Lead Market Makers are not required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater in equities, and ETFs. With respect to indexes, Market Makers and Lead Market Makers would not be required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of twelve months or greater. The Exchange proposes to add rule text within Options 2, Sections 4 and 5 to make clear a Lead Market Maker's and Market Maker's obligation, respectively, to make two-sided markets with respect to LEAPs. Today, Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") have similar rules which describe the way LEAPs on index options should be quoted.<sup>4</sup>

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<sup>3</sup> See Cboe Options Exchange, Inc. Rule 4.13(b). See also Nasdaq Phlx LLC and Nasdaq ISE, LLC Options 4A, Section 12(b).

<sup>4</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

### Implementation

The Exchange proposes to implement this amendment on or before September 30, 2021. The Exchange will issue an Options Trader Alert announcing the date the amendment will be operative.

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>6</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 amending its rules, in part, to align BX's rules with other options markets with respect to the opening month of acceptable months for LEAPs on index options and the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options. Today, other options markets have terms similar to those proposed herein.<sup>7</sup>

Amending Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) would harmonize BX's rules with respect to LEAPs on index options to permit BX to list these options in the same manner as other options markets that have similar rules.<sup>8</sup> The Exchange notes that this rule change will allow BX to list more non-LEAP expirations as the front-months for LEAP expirations would begin with month twelve instead of month nine. The Exchange believes that this proposal would allow it to list more months where

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> See supra note 3.

<sup>8</sup> See supra note 3.

there is greater customer demand as this proposal would amend the opening month for LEAPs on index options from nine to twelve months. Harmonizing BX's rules with respect to LEAPs on index options will allow BX to list these options in the same manner as other options markets that have similar rules.<sup>9</sup>

Amending Options 2, Sections 4 and 5 to specifically note that the opening month for LEAPs on index options would be twelve months by adding a separate sentence to address LEAPs for index options is consistent with the Act. The proposal would align the Exchange with the way other options markets require market makers to quote LEAPs on index options.<sup>10</sup> BX Lead Market Makers and Market Makers would be required to provide two-sided quotations in additional months with this proposal as the opening month for LEAPs on index options is changing from nine to twelve months.

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

The Exchange does not believe that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange does not believe the proposal to amend Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) will impose any burden on intra-market competition as all Participants will be treated in the same manner with respect to time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPs on index options. Additionally, the Exchange does not believe the proposal will impose any burden on inter-market competition as market participants are welcome to become BX Participants if they determine that this proposed rule change has made BX

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<sup>9</sup> See supra note 3.

<sup>10</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

more attractive or favorable. Finally, all options exchanges are free to compete by listing and trading index options with similar expirations.

Amending Options 2, Sections 4 and 5 to specifically note that the opening month for LEAPs on index options would be twelve months by adding a separate sentence to address LEAPs on index options does not impose an undue burden on competition, rather the proposal aligns the Exchange's rule with rules of other options markets with respect to quoting LEAPs.<sup>11</sup>

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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)<sup>12</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>13</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

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<sup>11</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

Commission may designate if consistent with the protection of investors and the public interest.

Amending Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) does not significantly affect the protection of investors or the public interest as the proposal is non-controversial as it aligns BX's rules with the rules of other options markets which define the opening month for LEAPs on index options to be twelve months.<sup>14</sup> The proposal would allow the Exchange to list more months, similar to other markets with the same rule, where there is greater customer demand as this proposal would amend the opening month for LEAPs on index options from nine to twelve months. Amending Options 2, Sections 4 and 5 does not significantly affect the protection of investors or the public interest as it would align the Exchange's rule with the way other options markets require market makers to quote LEAPs on index options.<sup>15</sup> BX Lead Market Makers and Market Makers would be required to provide two-sided quotations in additional months with this proposal as the opening month for LEAPs on index options is changing from nine to twelve months. Amending Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) does not impose any significant burden on competition as all Participants will be treated in the same manner with respect to expirations of LEAPs on index options. Amending Options 2, Sections 4 and 5 does not impose any significant burden on competition does not impose any significant burden on competition because the proposal aligns the Exchange's rule with rules of other options markets with respect to quoting LEAPs.<sup>16</sup>

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<sup>14</sup> See supra note 3.

<sup>15</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

<sup>16</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

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

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

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 operative delay to permit it to immediately align its rules with other options markets with respect to the opening month for LEAPs on index options and the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPs on index options. The proposal is not novel and is non-controversial as it aligns BX Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) with Cboe Rule 4.13(b), and Phlx and ISE Options 4A, Section 12(b) and also aligns BX Options 2, Sections 4 and 5 with ISE, GEMX and MRX Options 2, Section 5(e)(1).

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

The proposal is similar to Cboe Options Exchange, Inc. Rule 4.13(b) and Nasdaq

Phlx LLC and Nasdaq ISE, LLC Options 4A, Section 12(b).

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-2021-034)

August \_\_, 2021

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 2, Section 4, Obligations of Market Makers and Lead Market Makers; Options 2, Section 5, Market Maker Quotations; and Options 4A, Section 12, Terms of Index Option Contracts.

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 August 10, 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 2, Section 4, Obligations of Market Makers and Lead Market Makers; Options 2, Section 5, Market Maker Quotations; and Options 4A, Section 12, Terms of Index Option Contracts.

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, Section 4, Obligations of Market Makers and Lead Market Makers; Options 2, Section 5, Market Maker Quotations; and Options 4A, Section 12, Terms of Index Option Contracts. Specifically, the Exchange proposes to amend the expiration timeframe of Long-Term Options Series or "LEAPs."

Options 2, Section 5(d)(2)(A) currently provides, "Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for index options." Similarly, Options 4A, Section 12(b) currently states,

(1) Notwithstanding the provisions of paragraph (a)(3), above, BX Options may list long-term index options series that expire from nine (9) to sixty (60) months from the date of issuance.

(i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval and continuity Rules shall not apply to such options series until

the time to expiration is less than nine (9) months. Bid/ask differentials for long-term options contracts are specified within Options 2, Section 5(d)(2)(A).

The Exchange proposes to amend the current text of Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) to amend the time to expiration term of LEAPs on index options from nine to sixty months to twelve to sixty months. Likewise, the Exchange proposes to amend the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options from less than nine to less than twelve months.

Today, other options markets have terms similar to those proposed herein.<sup>3</sup> The proposal would align BX's rules with other options markets with respect to the opening month for LEAPs on index options and the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options by changing nine to twelve months.

The Exchange also proposes to amend Options 2, Sections 4 and 5 concerning a Market Maker's or Lead Market Maker's obligation to make two-sided markets in any option series with an expiration of nine months or greater. Today, Market Makers and Lead Market Makers are not required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater in equities, ETFs or indexes. With this proposal, Market Makers and Lead Market Makers are not required to make two-sided markets in Quarterly Option

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<sup>3</sup> See Cboe Options Exchange, Inc. Rule 4.13(b). See also Nasdaq Phlx LLC and Nasdaq ISE, LLC Options 4A, Section 12(b).

Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater in equities, and ETFs. With respect to indexes, Market Makers and Lead Market Makers would not be required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of twelve months or greater. The Exchange proposes to add rule text within Options 2, Sections 4 and 5 to make clear a Lead Market Maker's and Market Maker's obligation, respectively, to make two-sided markets with respect to LEAPs. Today, Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") have similar rules which describe the way LEAPs on index options should be quoted.<sup>4</sup>

### Implementation

The Exchange proposes to implement this amendment on or before September 30, 2021. The Exchange will issue an Options Trader Alert announcing the date the amendment will be operative.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>6</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 amending its rules, in part, to align BX's rules with other options markets with respect to the opening month of acceptable months for LEAPs on index options and the time to expiration for strike price interval, continuity rules and

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<sup>4</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

bid/ask differentials for LEAPS on index options. Today, other options markets have terms similar to those proposed herein.<sup>7</sup>

Amending Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) would harmonize BX's rules with respect to LEAPs on index options to permit BX to list these options in the same manner as other options markets that have similar rules.<sup>8</sup> The Exchange notes that this rule change will allow BX to list more non-LEAP expirations as the front-months for LEAP expirations would begin with month twelve instead of month nine. The Exchange believes that this proposal would allow it to list more months where there is greater customer demand as this proposal would amend the opening month for LEAPs on index options from nine to twelve months. Harmonizing BX's rules with respect to LEAPs on index options will allow BX to list these options in the same manner as other options markets that have similar rules.<sup>9</sup>

Amending Options 2, Sections 4 and 5 to specifically note that the opening month for LEAPs on index options would be twelve months by adding a separate sentence to address LEAPs for index options is consistent with the Act. The proposal would align the Exchange with the way other options markets require market makers to quote LEAPs on index options.<sup>10</sup> BX Lead Market Makers and Market Makers would be required to provide two-sided quotations in additional months with this proposal as the opening month for LEAPs on index options is changing from nine to twelve months.

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<sup>7</sup> See supra note 3.

<sup>8</sup> See supra note 3.

<sup>9</sup> See supra note 3.

<sup>10</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

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

The Exchange does not believe that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange does not believe the proposal to amend Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) will impose any burden on intra-market competition as all Participants will be treated in the same manner with respect to time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPs on index options. Additionally, the Exchange does not believe the proposal will impose any burden on inter-market competition as market participants are welcome to become BX Participants if they determine that this proposed rule change has made BX more attractive or favorable. Finally, all options exchanges are free to compete by listing and trading index options with similar expirations.

Amending Options 2, Sections 4 and 5 to specifically note that the opening month for LEAPs on index options would be twelve months by adding a separate sentence to address LEAPs on index options does not impose an undue burden on competition, rather the proposal aligns the Exchange's rule with rules of other options markets with respect to quoting LEAPs.<sup>11</sup>

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.

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<sup>11</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

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>12</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>13</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.

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:

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</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.

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-2021-034 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-2021-034. 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-2021-034 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>14</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>14</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 2 Options Market Participants**

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

\* \* \* \* \*

(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). 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 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.

(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 for options on equities and exchange-traded funds ("ETFs") or with an expiration of twelve months or greater for index options. 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 for options on equities and ETFs or with an expiration of twelve months or greater for index options; 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.

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## **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 Options Participant that is a Market Maker in an options

series where the Options Participant is also assigned as the Lead Market Maker 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. 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 for options on equities and exchange-traded funds ("ETFs") or with an expiration of twelve months or greater for index options.

(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 options on equities and ETFs or with an expiration of twelve months or greater for index options 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.

**(2) Intra-Day Bid/Ask Differentials (Quote Spread Parameters).** Options on equities (including Exchange-Traded Fund Shares), and on index options must be quoted with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid. However, respecting in-the-money series where the market for the underlying security is wider than \$5, the bid/ask differential may be as wide as the spread between the national best bid and offer in the underlying security. The Exchange may establish differences other than the above for one or more series or classes of options.

(A) Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for equity options, exchange-traded products, and foreign currencies. Bid/ask differentials shall not apply to any options series until the time to expiration is less than [nine (9)]twelve (12) months for index options.

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#### **Options 4A Options Index Rules**

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#### **Section 12. Terms of Index Options Contracts**

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#### **(b) Long-Term Index Options Series.**

(1) Notwithstanding the provisions of paragraph (a)(3), above, BX Options may list long-term index options series that expire from [nine (9)]twelve (12) to sixty (60) months from the date of issuance.

(i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval and continuity Rules shall not apply to such options series until the time to expiration is less than [nine (9)]twelve (12) months. Bid/ask differentials for long-term options contracts are specified within Options 2, Section 5(d)(2)(A).

(ii) When a new Index long term options series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

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