Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

Section 806(e)(2) *

Background

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

Proposal to amend The NASDAQ Options Market LLC Rules at Chapter IV, Section 6, entitled Series of Options Contracts Open for Trading.

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
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.

(Date *)

Executive Vice President and General Counsel

(Name *)

Edward S. Knight

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.
<table>
<thead>
<tr>
<th>Form 19b-4 Information *</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change *</td>
<td>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)</td>
</tr>
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<td>Remove</td>
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<tr>
<td>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</td>
<td>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)</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<td>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.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
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<tr>
<td>Exhibit Sent As Paper Document</td>
<td></td>
</tr>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<td>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.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
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<tr>
<td>Exhibit Sent As Paper Document</td>
<td></td>
</tr>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<td>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.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<td>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.</td>
</tr>
<tr>
<td>Add</td>
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</tr>
<tr>
<td>Partial Amendment</td>
<td>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.</td>
</tr>
<tr>
<td>Add</td>
<td>Remove</td>
</tr>
</tbody>
</table>
1. **Text of the Proposed Rule Change**

   (a) The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend The NASDAQ Options Market LLC ("NOM") Rules at Chapter IV, Section 6, entitled “Series of Options Contracts Open for Trading.”

   The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).\(^3\)

   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 set forth below. Proposed new language is underlined; deleted text is in brackets.

   * * * * *

   **NASDAQ Stock Market Rules**

   * * * * *

   **Options Rules**

   * * * * *

   **Chapter IV Securities Traded on NOM**

   * * * * *

   **Sec. 6 Series of Options Contracts Open for Trading**

   (a) – (g) No change.

   **Supplementary Material to Section 6**

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(a) and (b) No change.

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

(d) – (f) No change.

.02 - .09 No change.

* * * * *

(b) The Exchange reasonably expects that the proposed rule change will have an effect on the application of Commentary .07(e) to Chapter IV, Section 6 on IVV listed pursuant to the Short Term Option Series Program. Currently, under Commentary .01(b) to Chapter IV, Section 6, the Exchange is permitted to list series of IVV options with $1 or greater strike price intervals up to $200 and $5 or greater strike price intervals above $200. Pursuant to Commentary .07(e) to Chapter IV, Section 6,

The interval between strike prices on Short Term Option Series may be (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all classes that participate in the Short Term Options Series Program; (ii) $0.50 for classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. Related non-Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Supplementary Material to Section 6 at .07 and in the same strike price intervals that are permitted in Supplementary Material to Section 6 at .07.

With this proposal, the Exchange would be permitted to list IVV options in intervals $1 or greater both above and below $200. Thus, pursuant to Commentary .07(e) to Chapter IV, Section 6, pursuant to the Short Term Option Series Program, the
Exchange would also be permitted to list series of IVV options with $0.50 intervals between strike prices above $200.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange staff approved this rule filing pursuant to delegated authority on August 15, 2016. This action constitutes the requisite approval under the Exchange’s Certificate of Formation, Operating Agreement and Constitution.

Questions and comments on the proposed rule change may be directed to:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
215-496-5692

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 NOM Rules at Chapter IV, Section 6, entitled “Series of Options Contracts Open for Trading” by modifying the strike setting regime for the iShares Core S&P 500 ETF (“IVV”) options. Specifically, the Exchange proposes to modify the interval setting regime for IVV options to allow $1 strike price intervals above $200.

The Exchange believes that the proposed rule change would make IVV options easier for investors and traders to use and more tailored to their investment needs. Additionally, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on units of the Standard & Poor’s Depository Receipts
Trust (“SPY”), which is an exchange-traded fund (“ETF”) that is identical in all material respects to the IVV ETF.

The SPY and IVV ETFs are identical in all material respects. The SPY and IVV ETFs are designed to roughly track the performance of the S&P 500 Index with the price of SPY and IVV designed to roughly approximate 1/10th of the price of the S&P 500 Index. Accordingly, SPY and IVV strike prices – having a multiplier of $100 – reflect a value roughly equal to 1/10th of the value of the S&P 500 Index. For example, if the S&P 500 Index is at 1972.56, SPY and IVV options might have a value of approximately 197.26 with a notional value of $19,726. In general, SPY and IVV options provide retail investors and traders with the benefit of trading the broad market in a manageably sized contract. As options with an ETP underlying, SPY and IVV options are listed in the same manner as equity options under the Rules.

However, pursuant to current Commentary .01 to Chapter IV, Section 6, the interval between strike prices in series of options on ETPs, including IVV options will be $1 or greater where the strike price is $200 or less and $5.00 or greater where the strike price is greater than $200. In addition, pursuant to Commentary .07(e) to Chapter IV, Section 6,

The interval between strike prices on Short Term Option Series may be (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all classes that participate in the Short Term Options Series Program; (ii) $0.50 for classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. Related non-

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Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Supplementary Material to Section 6 at .07 and in the same strike price intervals that are permitted in Supplementary Material to Section 6 at .07.

The Exchange’s proposal seeks to narrow the strike price intervals to $1 for IVV options above $200, in effect matching the strike setting regime for strike intervals in IVV options below $200 and matching the strike setting regime applied to SPY options. Currently, the S&P 500 Index is above 2000. The S&P 500 Index is widely regarded as the best single gauge of large cap U.S. equities and is widely quoted as an indicator of stock prices and investor confidence in the securities market. As a result, individual investors often use S&P 500 Index-related products to diversify their portfolios and benefit from market trends. Accordingly, the Exchange believes that offering a wide range of S&P 500 Index-based options affords traders and investors important hedging and trading opportunities. The Exchange believes that not having the proposed $1 strike price intervals above $200 in IVV significantly constricts investors’ hedging and trading possibilities.

The Exchange proposes to amend Commentary .05(a)(iv)(C) of Chapter IV, Section 6 to allow IVV options to trade in $1 increments above a strike price of $200. Specifically, the Exchange proposes to amend Commentary .05(a)(iv)(C) of Chapter IV, Section 6 to state that notwithstanding other provisions limiting the ability of the Exchange to list $1 increment strike prices on equity and ETF options above $200, the interval between strike prices of series of options on Units of IVV will be $1 or greater. The Exchange believes that by having smaller strike intervals in IVV, investors would have more efficient hedging and trading opportunities due to the lower $1 interval
The proposed $1 intervals, particularly above the $200 strike price, will result in having at-the-money series based upon the underlying IVV moving less than 1%.

The Exchange believes that the proposed strike setting regime is in line with the slower movements of broad-based indices. Furthermore, the proposed $1 intervals would allow option trading strategies (such as, for example, risk reduction/hedging strategies using IVV weekly options), to remain viable. Considering the fact that $1 intervals already exist below the $200 price point and that IVV is above the $200 level, the Exchange believes that continuing to maintain the artificial $200 level (above which intervals increase by $5), would have a negative effect on investing, trading and hedging opportunities, and volume.

The Exchange believes that the investing, trading, and hedging opportunities available with IVV options far outweighs any potential negative impact of allowing IVV options to trade in more finely tailored intervals above the $200 price point. The proposed strike setting regime would permit strikes to be set to more closely reflect values in the underlying S&P 500 Index and allow investors and traders to roll open positions from a lower strike to a higher strike in conjunction with the price movement of the underlying.

Pursuant to Chapter IV, Section 6, where the next higher available series would be $5 away above a $200 strike price, the ability to roll such positions is effectively negated. Accordingly, to move a position from a $200 strike to a $205 strike pursuant to the current rule, an investor would need for the underlying product to move 2.5%, and would not be able to execute a roll up until such a large movement occurred. With the proposed rule change, however, the investor would be in a significantly safer position of
being able to roll his open options position from a $200 to a $201 strike price, which is
only a 0.5% move for the underlying.

The proposed rule change will allow the Exchange to better respond to customer
demand for IVV strike prices more precisely aligned with current S&P 500 Index values.
The Exchange believes that the proposed rule change, like the other strike price programs
currently offered by the Exchange, will benefit investors by providing investors the
flexibility to more closely tailor their investment and hedging decisions using IVV
options. By allowing series of IVV options to be listed in $1 intervals between strike
prices over $200, the proposal will moderately augment the potential total number of
options series available on the Exchange. However, the Exchange believes it and the
Options Price Reporting Authority ("OPRA") have the necessary systems capacity to
handle any potential additional traffic associated with this proposed rule change. The
Exchange also believes that Participants will not have a capacity issue due to the
proposed rule change.

In addition, the Exchange represents that it does not believe that this expansion
will cause fragmentation of liquidity. In addition, the interval setting regime the
Exchange proposes to apply to IVV options is currently applied to options on SPY,5
which is an ETF that is identical in all material respects to the IVV ETF.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the
Act,6 in general, and furthers the objectives of Section 6(b)(5) of the Act,7 in particular.8

5 See note 4 above.
Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)\(^9\) requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)\(^{10}\) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will allow investors to more easily use IVV options. Moreover, the proposed rule change would allow investors to better trade and hedge positions in IVV options where the strike price is greater than $200, and ensure that IVV options investors are not at a disadvantage simply because of the strike price.

The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond

\(^7\)  15 U.S.C. 78f(b)(5).


\(^{10}\)  Id.
to customer demand to allow IVV options to trade in $1 intervals above a $200 strike price. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

As noted above, ETF options trade in wider $5 intervals above a $200 strike price, whereas options at or below a $200 strike price trade in $1 intervals. This creates a situation where contracts on the same option class effectively may not be able to execute certain strategies such as, for example, rolling to a higher strike price, simply because of the arbitrary $200 strike price above which options intervals increase by $5. This proposal remedies the situation by establishing an exception to the current ETF interval regime for IVV options to allow such options to trade in $1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with a prior rule change on NASDAQ PHLX LLC.11

With regard to the impact of this proposal on system capacity, the Exchange believes it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,\textsuperscript{12} which is an ETF that is identical in all material respects to the IVV ETF.

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 Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that IVV options investors and traders will significantly benefit from the availability of finer strike price intervals above a $200 price point. In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,\textsuperscript{13} which is an ETF that is identical in all material respects to the IVV ETF. Thus, applying the same strike setting regime to SPY and IVV options will help level the playing field for options on similar, competing ETFs.

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.

\textsuperscript{12} See note 4 above.

\textsuperscript{13} See note 4 above.
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) of the Act and Rule 19b-4(f)(6) thereunder 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 proposed rule would allow the Exchange to modify the interval setting regimes for IVV options to allow $1 strike price intervals above $200 as these indices ascend. The Exchange believes that the proposed rule change does not significantly affect the protection of investors or the public interest; rather the proposal is necessary to tailor IVV options to investors’ and traders’ needs. The Exchange does not believe that the proposed rule changes raise any novel or unique substantive issues. The proposal does not impose any significant burden on competition as the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY, which is an ETF that is identical in all material respects to the IVV ETF.

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

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16  See note 4 above.
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 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that the Exchange may list IVV options similar to the Chicago Board Options Exchange Incorporated (“CBOE”) and allow the Exchange to be competitive with CBOE, which has already listed this options. Also, consistent with the protection of investors and the public interest, this proposal would help investors by providing them alternative venues to transact IVV options.

The Exchange believes that this proposal will permit market participants to tailor their needs, when trading IVV options, on multiple venues.

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

The proposal is similar to a CBOE rule change.¹⁸

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

Not applicable.

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

Not applicable.

11. **Exhibits**


5. Text of the proposed rule change.

¹⁸ *Id.*
Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options Market Rules at Chapter IV, Section 6

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),\(^1\) and Rule 19b-4 thereunder,\(^2\) notice is hereby given that on July 21, 2017, The NASDAQ Stock Market LLC ("Nasdaq" 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 The NASDAQ Options Market LLC ("NOM") Rules at Chapter IV, Section 6, entitled “Series of Options Contracts Open for Trading.”

The text of the proposed rule change is set forth below. Proposed new language is underlined; deleted text is in brackets.

** * * * *

NASDAQ Stock Market Rules

** * * * *


Options Rules

Chapter IV Securities Traded on NOM

Sec. 6 Series of Options Contracts Open for Trading

(a) – (g) No change.

Supplementary Material to Section 6

.01

(a) and (b) No change.

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

(d) – (f) No change.

.02 - .09 No change.

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 NOM Rules at Chapter IV, Section 6, entitled “Series of Options Contracts Open for Trading” by modifying the strike setting regime for the iShares Core S&P 500 ETF (“IVV”) options. Specifically, the Exchange proposes to modify the interval setting regime for IVV options to allow $1 strike price intervals above $200.

The Exchange believes that the proposed rule change would make IVV options easier for investors and traders to use and more tailored to their investment needs. Additionally, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on units of the Standard & Poor’s Depository Receipts Trust (“SPY”), which is an exchange-traded fund (“ETF”) that is identical in all material respects to the IVV ETF.

The SPY and IVV ETFs are identical in all material respects. The SPY and IVV ETFs are designed to roughly track the performance of the S&P 500 Index with the price of SPY and IVV designed to roughly approximate 1/10th of the price of the S&P 500 Index. Accordingly, SPY and IVV strike prices – having a multiplier of $100 – reflect a value roughly equal to 1/10th of the value of the S&P 500 Index. For example, if the S&P 500 Index is at 1972.56, SPY and IVV options might have a value of approximately 197.26 with a notional value of $19,726. In general, SPY and IVV options provide retail

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investors and traders with the benefit of trading the broad market in a manageably sized contract. As options with an ETP underlying, SPY and IVV options are listed in the same manner as equity options under the Rules.

However, pursuant to current Commentary .01 to Chapter IV, Section 6, the interval between strike prices in series of options on ETPs, including IVV options will be $1 or greater where the strike price is $200 or less and $5.00 or greater where the strike price is greater than $200. In addition, pursuant to Commentary .07(e) to Chapter IV, Section 6,

The interval between strike prices on Short Term Option Series may be (i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all classes that participate in the Short Term Options Series Program; (ii) $0.50 for classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) $2.50 or greater where the strike price is above $150. Related non-Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Supplementary Material to Section 6 at .07 and in the same strike price intervals that are permitted in Supplementary Material to Section 6 at .07.

The Exchange’s proposal seeks to narrow the strike price intervals to $1 for IVV options above $200, in effect matching the strike setting regime for strike intervals in IVV options below $200 and matching the strike setting regime applied to SPY options. Currently, the S&P 500 Index is above 2000. The S&P 500 Index is widely regarded as the best single gauge of large cap U.S. equities and is widely quoted as an indicator of stock prices and investor confidence in the securities market. As a result, individual investors often use S&P 500 Index-related products to diversify their portfolios and benefit from market trends. Accordingly, the Exchange believes that offering a wide range of S&P 500 Index-based options affords traders and investors important hedging
and trading opportunities. The Exchange believes that not having the proposed $1 strike price intervals above $200 in IVV significantly constricts investors’ hedging and trading possibilities.

The Exchange proposes to amend Commentary .05(a)(iv)(C) of Chapter IV, Section 6 to allow IVV options to trade in $1 increments above a strike price of $200. Specifically, the Exchange proposes to amend Commentary .05(a)(iv)(C) of Chapter IV, Section 6 to state that notwithstanding other provisions limiting the ability of the Exchange to list $1 increment strike prices on equity and ETF options above $200, the interval between strike prices of series of options on Units of IVV will be $1 or greater. The Exchange believes that by having smaller strike intervals in IVV, investors would have more efficient hedging and trading opportunities due to the lower $1 interval ascension. The proposed $1 intervals, particularly above the $200 strike price, will result in having at-the-money series based upon the underlying IVV moving less than 1%.

The Exchange believes that the proposed strike setting regime is in line with the slower movements of broad-based indices. Furthermore, the proposed $1 intervals would allow option trading strategies (such as, for example, risk reduction/hedging strategies using IVV weekly options), to remain viable. Considering the fact that $1 intervals already exist below the $200 price point and that IVV is above the $200 level, the Exchange believes that continuing to maintain the artificial $200 level (above which intervals increase by $5), would have a negative effect on investing, trading and hedging opportunities, and volume.

The Exchange believes that the investing, trading, and hedging opportunities available with IVV options far outweighs any potential negative impact of allowing IVV
options to trade in more finely tailored intervals above the $200 price point. The proposed strike setting regime would permit strikes to be set to more closely reflect values in the underlying S&P 500 Index and allow investors and traders to roll open positions from a lower strike to a higher strike in conjunction with the price movement of the underlying.

Pursuant to Chapter IV, Section 6, where the next higher available series would be $5 away above a $200 strike price, the ability to roll such positions is effectively negated. Accordingly, to move a position from a $200 strike to a $205 strike pursuant to the current rule, an investor would need for the underlying product to move 2.5%, and would not be able to execute a roll up until such a large movement occurred. With the proposed rule change, however, the investor would be in a significantly safer position of being able to roll his open options position from a $200 to a $201 strike price, which is only a 0.5% move for the underlying.

The proposed rule change will allow the Exchange to better respond to customer demand for IVV strike prices more precisely aligned with current S&P 500 Index values. The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by providing investors the flexibility to more closely tailor their investment and hedging decisions using IVV options. By allowing series of IVV options to be listed in $1 intervals between strike prices over $200, the proposal will moderately augment the potential total number of options series available on the Exchange. However, the Exchange believes it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The
Exchange also believes that Participants will not have a capacity issue due to the proposed rule change.

In addition, the Exchange represents that it does not believe that this expansion will cause fragmentation of liquidity. In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY, which is an ETF that is identical in all material respects to the IVV ETF.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular. Specifically, the Exchange believes the proposed rule change is consistent with the requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

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4 See note 4 above.


the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will allow investors to more easily use IVV options. Moreover, the proposed rule change would allow investors to better trade and hedge positions in IVV options where the strike price is greater than $200, and ensure that IVV options investors are not at a disadvantage simply because of the strike price.

The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow IVV options to trade in $1 intervals above a $200 strike price. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality.

As noted above, ETF options trade in wider $5 intervals above a $200 strike price, whereas options at or below a $200 strike price trade in $1 intervals. This creates a situation where contracts on the same option class effectively may not be able to execute certain strategies such as, for example, rolling to a higher strike price, simply because of the arbitrary $200 strike price above which options intervals increase by $5. This proposal remedies the situation by establishing an exception to the current ETF interval regime for IVV options to allow such options to trade in $1 or greater intervals at all strike prices.

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9 Id.
The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with a prior rule change on NASDAQ PHLX LLC.10

With regard to the impact of this proposal on system capacity, the Exchange believes it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

In addition, the interval setting regime the Exchange proposes to apply to IVV options is currently applied to options on SPY,11 which is an ETF that is identical in all material respects to the IVV ETF.

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 Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that IVV options investors and traders will significantly benefit from the

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11 See note 4 above.
availability of finer strike price intervals above a $200 price point. In addition, the
interval setting regime the Exchange proposes to apply to IVV options is currently
applied to options on SPY,\textsuperscript{12} which is an ETF that is identical in all material respects to
the IVV ETF. Thus, applying the same strike setting regime to SPY and IVV options
will help level the playing field for options on similar, competing ETFs.

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\textsuperscript{13} and subparagraph (f)(6) of Rule 19b-4
thereunder.\textsuperscript{14}

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

\textsuperscript{12} See note 4 above.


\textsuperscript{14} 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.
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.

IV. Solicitation of Comments

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

   Electronic comments:
   • Use the Commission’s Internet comment form
     (http://www.sec.gov/rules/sro.shtml); or
   • Send an e-mail to rule-comments@sec.gov. Please include File Number SR-
     NASDAQ-2017-073 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-NASDAQ-2017-073. 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

     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-NASDAQ-2017-073 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.15

Eduardo A. Aleman
Assistant Secretary