

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 52

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2021 - \* 038

Amendment No. (req. for Amendments \*)

Filing by NASDAQ BX, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

**Description**

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

Incorporate the BX Options 4 Rules by reference to Nasdaq ISE, LLC Options 4 Rules.

**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 of 1934, NASDAQ BX, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 09/03/2021    (Title \*)

By John Zecca    EVP and Chief Legal Counsel  
(Name \*)

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

 Date: 2021.09.03 11:29:01 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-BX-2021-038 19b-4.doc

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

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

Add Remove View

SR-BX-2021-038 Exhibit 1.doc

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 Advanced Notice by Clearing Agencies \***

Add Remove View

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

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

Add Remove View

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 Sent As Paper Document

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

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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 Sent As Paper Document

**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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SR-BX-2021-038 Exhibit 5.doc

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“Commission”) a proposal to incorporate the BX Options 4 Rules by reference to Nasdaq ISE, LLC (“ISE”) Options 4 Rules.

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

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

a. Purpose

The BX Options 4 Listing Rules provide for the options that may be listed and

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

<sup>2</sup> 17 CFR 240.19b-4.

traded on BX. The Exchange proposes to incorporate the BX Options 4 Rules by reference to Nasdaq ISE, LLC (“ISE”) Options 4 Rules.

Currently, the BX Options 4 Rules are very similar to the ISE Options 4 Rules. The differences between the BX and ISE Options 4 Rules are non-substantive technical differences.<sup>3</sup> Other changes are non-substantive word choice differences.<sup>4</sup> Finally,

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<sup>3</sup> BX Options 4, Section 2 has an extra “as”. BX Options 4, Section 3(a)(1) contains a “The” instead of “the.” BX Options 4, Section 3(b) uses the term “foregoing” as compared to “forgoing” on ISE. BX Options 4, Section 3(h) defines the term “NMS stock” whereas ISE defines the term “NMS.” BX Options 4, Section 3(k)(1)(B) has an extra “this.” The term “such” within BX Options 4, Section 4(f)(5) is lowercase. BX Options 4, Section 5(a) has an extra “by the Exchange.” BX Options 4, Section 5(b) has a “the” and ISE Options 4, Section 5(b) has a “that.” Options 4, Section 5(e) has a lowercase “rule” and unlike the same rule in ISE does not have the registered trademarks. BX Supplementary .01(a) to Options 4, Section 5 uses “\$50” instead of “\$50.00,” has the term “option” instead of “options,” spells out “one hundred fifty” and incorrectly uses the term “LEAPS” instead of “LEAPs.” BX Supplementary .01(b) to Options 4, Section 5 has the terms “security” instead of “stock” and “the” instead of “its.” BX Supplementary .01(d) to Options 4, Section 5 uses the term “Strike Program” instead of “Strike Price Program;” uses an extra “the;” and phrases the last paragraph as, “Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Program that are eligible for delisting.” The last paragraph of ISE Supplementary .01(d) to Options 4, Section 5 states, “Notwithstanding the above delisting policy, Member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Price Interval Program that are eligible for delisting may be granted.” These differences are non-substantive. BX Supplementary .02(d) to Options 4, Section 5 has the term “section” instead of “Rule.” BX Supplementary .03(e) to Options 4, Section 5 has rule in lowercase. BX Options 4, Section 6(a) uses a different phrase than ISE Options 4, Section 6(a), “Select provisions of the OLPP” versus “The provisions set forth in this Rule.” This aforementioned difference is non-substantive. BX Options 4, Section 6(b)(3) uses the term “options” instead of “option.” BX Options 4, Section 6(b)(ii)(1) uses the term “options” instead of “option,” the term “Strike Program” instead of “Strike Price Interval Program” and, “rules” instead of “Rules.” BX Options 4, Section 9 uses the term “Fund Shares” instead of “Exchange-Traded Fund Shares.”

<sup>4</sup> BX Options 4, Section 4(b)(5) should cite to “Options 4, Section 3(c)” instead of “Options 4, Section 3.” In addition, BX Options 4, Section 4(b)(5) has two stray commas. BX Options 4, Section 4(f) has an extra “in”. BX Options 4, Section

certain rules utilize the phrase “this Rule” instead of a citation.<sup>5</sup> Of note, BX Options 4, Section 3(h) does not list reverse repurchase agreements in the defined term “Financial Instruments”. The Exchange proposes to include “reverse repurchase agreements” within the list of securities deemed appropriate for options trading on BX in order that the Exchange may list the same products as ISE may list today. Also, BX Options 4, Section 8(a) should include the words “and continuity.” BX’s continuity rules utilize the LEAP term. ISE has this rule text within its Options 4, Section 8(a).

The Exchange proposes to incorporate by reference the BX Options 4 Rules to ISE Options 4 Rules. To that end, BX proposes to replace the current BX Options 4 Rules with the following rule text:

The rules contained in Nasdaq ISE Options 4, as such rules may be in effect from time to time (the “Options 4 Rules”), are hereby incorporated by reference into this BX Options 4, and are thus BX Rules and thereby applicable to BX Participants and associated persons. BX Participants shall comply with the Options 4 Rules as though such rules were fully set forth herein. All defined terms, including any variations thereof, contained in the Options 4 Rules shall be read to refer to the BX related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Options 4 Rules shall be read to refer to BX; the defined term “Rule” in the Options 4 Rules shall be read to refer to the BX Rule; the defined terms “Competitive Market Maker” and “Market Maker” in the Options 4 Rules shall be read

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4(g)(2) has an extra “of Options 4” and two stray commas. BX Options 4, Section 5(d) incorrectly cites to Section 3(i) instead of Section 3(h). BX Options 4, Section 6(b) incorrectly cites to Section 3(i) instead of Section 3(h). BX Options 4, Section 6(b)(i) incorrectly cites to Supplementary Material .03(d) instead of Supplementary Material .02(d). This paragraph also uses the term “options” instead of “option.” Options 3, Section 6(b)(ii) incorrectly cites to subparagraph (a) instead of subparagraph (i).

<sup>5</sup> See BX Options 4, Section 3(c)(2). BX utilizes citations to Options 4, Section 3(b)(1) and Options 4, Section 3(b)(2) instead of simply citing to “this Rules” as is the case with ISE Options 4, Section 3(c)(2). Other examples include BX Options 4, Section 3(c)(3) which cites to Options 4, Section 3(b)(4), BX Options 4, Section 3(c)(4)(B)(ii) which cites to Options 4, Section 3(b)(5)(i).

to refer to the BX Market Maker; the defined term “Primary Market Maker” in the Options 4 Rules shall be read to refer to the BX Lead Market Maker; and the defined terms “Electronic Access Member,” “EAM,” or “Member” in the Options 4 Rules shall be read to refer to the BX Participant.

This rule text will account for differences that may exist in the usage of terms as between BX and ISE. The proposed rule text list instances in which cross references in the ISE Options 4 Rules to BX Options 4 Rules shall be read to refer instead to the Exchange Rules, and references to ISE terms (whether or not defined) shall be read to refer to the Exchange-related meanings of those terms. For instance, references to defined terms “Exchange” or “ISE” shall be read to refer to ISE.

The Exchange proposes to delete in their entirety the BX Options 4 Rules and incorporate by reference the ISE Options 4 Rules.<sup>6</sup> Today, the rules of Nasdaq GEMX, LLC and Nasdaq MRX, LLC are incorporated by reference to the rules of ISE. The Exchange will also separately file to incorporate the Options 4 Rules of The Nasdaq Options Market LLC and Nasdaq Phlx LLC to the ISE Options 4 Rules, respectively, to ISE. The Exchange believes that harmonizing the Options 4 Rules across its 6 Nasdaq Affiliated Options Exchanges will assist the Exchange in listing options across its affiliated markets. Also, incorporating by reference the ISE Options 4 Rules into the Exchange’s rulebook will organize those listing rules in a more logical order, thereby eliminating unnecessary complexity in the listing process and otherwise streamlining the Exchange’s existing listing rules and their associated procedures.

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<sup>6</sup> The Exchange will separately request an exemption from the rule filing requirements of Section 19(b) of the Act for changes to BX Options 4 Rules to the extent such rules are affected solely by virtue of a change to ISE Options 4 Rules. The Exchange’s proposed rule change will not become effective unless and until the Commission grants this exemption request.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange believes that its proposal to delete its existing listing rules and incorporate by reference the ISE Options 4 Rules will promote a free and open market, and will benefit investors, the public, and the markets, because the new rules will be clearer, better organized, and simpler. Also, the proposal is just and equitable because it will render the Exchange's listing rules easier for Participants to read and understand.

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. The Exchange does not expect that its proposed changes to incorporate BX's Options 4 Rules to ISE's Options 4 Rules will have any competitive impact on BX's listing rules, to the contrary, the Exchange hopes that by clarifying, reorganizing, and streamlining its listing rules, the Exchange's listing process will be clear. The proposed changes will apply equally to all market participants.

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.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

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>9</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>10</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange believes that its proposal to delete its existing listing rules, incorporate by reference the ISE Options 4 Rules will provide for clearer, better organized, and simpler listing rules. Also, the proposal will render the Exchange's listing rules easier for Participants to read and understand. The Exchange believes that this proposal does not impose any significant burden on competition. The Exchange does not expect that its proposed changes to incorporate BX's Options 4 Rules to ISE's Options 4 Rules will have any competitive impact on BX's listing rules, to the contrary, the Exchange hopes that by clarifying, reorganizing, and streamlining its listing rules, the Exchange's listing process will be clear. The proposed changes will apply equally to all market participants. The Exchange's proposed

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).



rule change will not become operative unless and until the Commission grants the Exchange's exemption request.<sup>11</sup>

Furthermore, Rule 19b-4(f)(6)(iii)<sup>12</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

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<sup>11</sup> See note 3 above.

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-BX-2021-038)

September \_\_, 2021

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Incorporate BX Options 4 Rules by reference to Nasdaq ISE, LLC Options 4 Rules.

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 September 3, 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 incorporate the BX Options 4 Rules by reference to Nasdaq ISE, LLC (“ISE”) Options 4 Rules.

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.

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

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

<sup>2</sup> 17 CFR 240.19b-4.

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 BX Options 4 Listing Rules provide for the options that may be listed and traded on BX. The Exchange proposes to incorporate the BX Options 4 Rules by reference to Nasdaq ISE, LLC ("ISE") Options 4 Rules.

Currently, the BX Options 4 Rules are very similar to the ISE Options 4 Rules. The differences between the BX and ISE Options 4 Rules are non-substantive technical differences.<sup>3</sup> Other changes are non-substantive word choice differences.<sup>4</sup> Finally,

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<sup>3</sup> BX Options 4, Section 2 has an extra "as". BX Options 4, Section 3(a)(1) contains a "The" instead of "the." BX Options 4, Section 3(b) uses the term "foregoing" as compared to "forgoing" on ISE. BX Options 4, Section 3(h) defines the term "NMS stock" whereas ISE defines the term "NMS." BX Options 4, Section 3(k)(1)(B) has an extra "this." The term "such" within BX Options 4, Section 4(f)(5) is lowercase. BX Options 4, Section 5(a) has an extra "by the Exchange." BX Options 4, Section 5(b) has a "the" and ISE Options 4, Section 5(b) has a "that." Options 4, Section 5(e) has a lowercase "rule" and unlike the same rule in ISE does not have the registered trademarks. BX Supplementary .01(a) to Options 4, Section 5 uses "\$50" instead of "\$50.00," has the term "option" instead of "options," spells out "one hundred fifty" and incorrectly uses the term "LEAPS" instead of "LEAPs." BX Supplementary .01(b) to Options 4, Section 5 has the terms "security" instead of "stock" and "the" instead of "its." BX Supplementary .01(d) to Options 4, Section 5 uses the term "Strike Program" instead of "Strike Price Program;" uses an extra "the"; and phrases the last paragraph as, "Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Program that are eligible for delisting." The last paragraph of ISE Supplementary .01(d) to Options 4, Section 5 states, "Notwithstanding the above delisting policy, Member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Price Interval Program that are eligible for delisting may be granted." These differences are non-substantive. BX Supplementary .02(d) to Options 4, Section

certain rules utilize the phrase “this Rule” instead of a citation.<sup>5</sup> Of note, BX Options 4, Section 3(h) does not list reverse repurchase agreements in the defined term “Financial Instruments”. The Exchange proposes to include “reverse repurchase agreements” within the list of securities deemed appropriate for options trading on BX in order that the Exchange may list the same products as ISE may list today. Also, BX Options 4, Section 8(a) should include the words “and continuity.” BX’s continuity rules utilize the LEAP term. ISE has this rule text within its Options 4, Section 8(a).

The Exchange proposes to incorporate by reference the BX Options 4 Rules to ISE Options 4 Rules. To that end, BX proposes to replace the current BX Options 4 Rules with the following rule text:

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- 5 has the term “section” instead of “Rule.” BX Supplementary .03(e) to Options 4, Section 5 has rule in lowercase. BX Options 4, Section 6(a) uses a different phrase than ISE Options 4, Section 6(a), “Select provisions of the OLPP” versus “The provisions set forth in this Rule.” This aforementioned difference is non-substantive. BX Options 4, Section 6(b)(3) uses the term “options” instead of “option.” BX Options 4, Section 6(b)(ii)(1) uses the term “options” instead of “option,” the term “Strike Program” instead of “Strike Price Interval Program” and, “rules” instead of “Rules.” BX Options 4, Section 9 uses the term “Fund Shares” instead of “Exchange-Traded Fund Shares.”
- <sup>4</sup> BX Options 4, Section 4(b)(5) should cite to “Options 4, Section 3(c)” instead of “Options 4, Section 3.” In addition, BX Options 4, Section 4(b)(5) has two stray commas. BX Options 4, Section 4(f) has an extra “in”. BX Options 4, Section 4(g)(2) has an extra “of Options 4” and two stray commas. BX Options 4, Section 5(d) incorrectly cites to Section 3(i) instead of Section 3(h). BX Options 4, Section 6(b) incorrectly cites to Section 3(i) instead of Section 3(h). BX Options 4, Section 6(b)(i) incorrectly cites to Supplementary Material .03(d) instead of Supplementary Material .02(d). This paragraph also uses the term “options” instead of “option.” Options 3, Section 6(b)(ii) incorrectly cites to subparagraph (a) instead of subparagraph (i).
- <sup>5</sup> See BX Options 4, Section 3(c)(2). BX utilizes citations to Options 4, Section 3(b)(1) and Options 4, Section 3(b)(2) instead of simply citing to “this Rules” as is the case with ISE Options 4, Section 3(c)(2). Other examples include BX Options 4, Section 3(c)(3) which cites to Options 4, Section 3(b)(4), BX Options 4, Section 3(c)(4)(B)(ii) which cites to Options 4, Section 3(b)(5)(i).

The rules contained in Nasdaq ISE Options 4, as such rules may be in effect from time to time (the “Options 4 Rules”), are hereby incorporated by reference into this BX Options 4, and are thus BX Rules and thereby applicable to BX Participants and associated persons. BX Participants shall comply with the Options 4 Rules as though such rules were fully set forth herein. All defined terms, including any variations thereof, contained in the Options 4 Rules shall be read to refer to the BX related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term “Exchange” in the Options 4 Rules shall be read to refer to BX; the defined term “Rule” in the Options 4 Rules shall be read to refer to the BX Rule; the defined terms “Competitive Market Maker” and “Market Maker” in the Options 4 Rules shall be read to refer to the BX Market Maker; the defined term “Primary Market Maker” in the Options 4 Rules shall be read to refer to the BX Lead Market Maker; and the defined terms “Electronic Access Member,” “EAM,” or “Member” in the Options 4 Rules shall be read to refer to the BX Participant.

This rule text will account for differences that may exist in the usage of terms as between BX and ISE. The proposed rule text list instances in which cross references in the ISE Options 4 Rules to BX Options 4 Rules shall be read to refer instead to the Exchange Rules, and references to ISE terms (whether or not defined) shall be read to refer to the Exchange-related meanings of those terms. For instance, references to defined terms “Exchange” or “ISE” shall be read to refer to ISE.

The Exchange proposes to delete in their entirety the BX Options 4 Rules and incorporate by reference the ISE Options 4 Rules.<sup>6</sup> Today, the rules of Nasdaq GEMX, LLC and Nasdaq MRX, LLC are incorporated by reference to the rules of ISE. The Exchange will also separately file to incorporate the Options 4 Rules of The Nasdaq Options Market LLC and Nasdaq Phlx LLC to the ISE Options 4 Rules, respectively, to ISE. The Exchange believes that harmonizing the Options 4 Rules across its 6 Nasdaq Affiliated Options Exchanges will assist the Exchange in listing options across its affiliated markets. Also, incorporating by reference the ISE Options 4 Rules into the Exchange's rulebook will organize those listing rules in a more logical order, thereby eliminating unnecessary complexity in the listing process and otherwise streamlining the Exchange's existing listing rules and their associated procedures.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange believes that its proposal to delete its existing listing rules and incorporate by reference the ISE Options 4 Rules will promote a free and open market, and will benefit investors, the public, and the markets, because the

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<sup>6</sup> The Exchange will separately request an exemption from the rule filing requirements of Section 19(b) of the Act for changes to BX Options 4 Rules to the extent such rules are affected solely by virtue of a change to ISE Options 4 Rules. The Exchange's proposed rule change will not become effective unless and until the Commission grants this exemption request.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

new rules will be clearer, better organized, and simpler. Also, the proposal is just and equitable because it will render the Exchange's listing rules easier for Participants to read and understand.

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. The Exchange does not expect that its proposed changes to incorporate BX's Options 4 Rules to ISE's Options 4 Rules will have any competitive impact on BX's listing rules, to the contrary, the Exchange hopes that by clarifying, reorganizing, and streamlining its listing rules, the Exchange's listing process will be clear. The proposed changes will apply equally to all market participants.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup>

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</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



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

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2021-038 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-2021-038. 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

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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.

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-2021-038 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>11</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>11</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 4 Options Listing Rules**

The rules contained in Nasdaq ISE Options 4, as such rules may be in effect from time to time (the "Options 4 Rules"), are hereby incorporated by reference into this BX Options 4, and are thus BX Rules and thereby applicable to BX Participants and associated persons. BX Participants shall comply with the Options 4 Rules as though such rules were fully set forth herein. All defined terms, including any variations thereof, contained in the Options 4 Rules shall be read to refer to the BX related meaning of such term. Solely by way of example, and not in limitation or in exhaustion: the defined term "Exchange" in the Options 4 Rules shall be read to refer to BX; the defined term "Rule" in the Options 4 Rules shall be read to refer to the BX Rule; the defined terms "Competitive Market Maker" and "Market Maker" in the Options 4 Rules shall be read to refer to the BX Market Maker; the defined term "Primary Market Maker" in the Options 4 Rules shall be read to refer to the BX Lead Market Maker; and the defined terms "Electronic Access Member," "EAM," or "Member" in the Options 4 Rules shall be read to refer to the BX Participant.

**[Section 1. Designation of Securities**

The Exchange trades options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month or expiration date, exercise price and type (put or call).

**Section 2. Rights and Obligations of Holders and Writers**

The rights and obligations of holders and writers shall be as set forth in the Rules of the Clearing Corporation.

**Section 3. Criteria for Underlying Securities**

(a) Underlying securities with respect to which put or call options contracts are approved for listing and trading on the Exchange must meet the following criteria:

- (1) The security must be registered and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and

- (2) the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

(b) In addition, the Exchange shall from time to time establish guidelines to be considered in evaluating potential underlying securities for Exchange options transactions. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the guidelines established by the Exchange does not necessarily mean that it will be selected as an underlying security. Further, in exceptional circumstances an underlying security may be selected by the Exchange even though it does not meet all of the guidelines. The Exchange may also give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the foregoing, however absent exceptional circumstances, an underlying security will not be selected unless:

- (1) There are a minimum of seven (7) million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.
- (2) There are a minimum of 2,000 holders of the underlying security.
- (3) The issuer is in compliance with any applicable requirements of the Exchange Act.
- (4) Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.
- (5) Either:
  - (i) If the underlying security is a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous three consecutive business days preceding the date on which the Exchange submits a certificate to the Clearing Corporation for listing and trading, as measured by the closing price reported in the primary market in which the underlying security is traded; or
  - (ii) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.
- (6) Notwithstanding the requirements set forth in Paragraphs 1, 2, 4 and 5 above, the Exchange may list and trade an options contract if (i) the underlying security meets the guidelines for continued approval in Options 4, Section 4; and (ii) options on such underlying security are traded on at least one other registered national securities exchange.

(c) *Securities of Restructured Companies*

- (1) *Definitions.* The following definitions shall apply to the provisions of this paragraph (c):
- (A) "Restructuring Transaction" refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.
  - (B) "Restructure Security" refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.
  - (C) "Original Equity Security" refers to a company's equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.
  - (D) "Relevant Percentage" refers to either:
    - (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or
    - (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.
- (2) *"Share" and "Number of Shareholder" Guidelines.* In determining whether a Restructure Security satisfies the share guideline set forth in Options 4, Section 3(b)(1) (the "Share Guideline") or the number of holders guideline set forth in Options 4, Section 3(b)(2) (the "Number of Shareholders Guideline"), the Exchange may rely upon the facts and circumstances that it expects to exist on the option's intended listing date, rather than on the date on which the Exchange selects for options trading the underlying Restructure Security.
- (A) The Exchange may assume that:
    - (i) both the "Share" and "Number of Shareholders" Guidelines are satisfied if, on the option's intended listing date, the Exchange expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and
    - (ii) either such Guideline is satisfied if, on the option's intended listing day, the Exchange expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Guideline in question.
  - (B) The Exchange may not rely on any such assumption, however, if a reasonable Exchange investigation or that of another exchange demonstrates that either the

Share Guideline or Number of Shareholders Guideline will not in fact be satisfied on an option's intended listing date.

(C) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, the Exchange may determine that either the Share Guideline or the Number of Shareholders Guideline is satisfied based upon the Exchange's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.

(3) *"Trading Volume" Guideline.* In determining whether a Restructure Security that is issued or distributed to the holders of shares of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies the trading volume guideline set forth in Options 4, Section 3(b)(4) (the "Trading Volume Guideline"), the Exchange may consider the trading volume history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (c)(5) below.

(4) *"Market Price" Guideline.* In determining whether a Restructure Security satisfies the market price history guideline set forth in Options 4, Section 3(b)(5) (the "Market Price Guideline"), the Exchange may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:

(A) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (c)(5) below; and

(B) in the case of the application of the Market Price Guideline to a Restructure Security that is distributed pursuant to a public offering or a rights distribution:

(i) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five trading days immediately preceding the date of selection; and

(ii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of trading on the date of selection, the market price of the Restructure Security was at least \$7.50, or, if the Restructure Security is a "covered security," as defined in Options 4, Section 3(b)(5)(I), the market price of the Restructure Security was at least \$3.00.

(5) *The "Substantiality Test."* A Restructure Security satisfies the "Substantiality Test" if:

- (A) the Restructure Security has an aggregate market value of at least \$500 million;  
or
- (B) at least one of the following conditions is met:
- (i) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;
  - (ii) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
  - (iii) the revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.
- (6) A Restructure Security's aggregate market value may be determined from "when issued" prices, if available.
- (7) In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, the Exchange shall use the Restructure Security's closing price on its primary market on the last business day prior to the selection date or the Restructure Security's opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.
- (8) In calculating comparative asset values and revenues, the Exchange shall use (i) the issuer's latest annual financial statements or (ii) the issuer's most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.
- (9) Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange may not rely upon the trading volume or market price history of an Original Equity Security as this paragraph (c) permits for any trading day unless it relies upon both of those measures for that trading day.
- (10) Once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.
- (11) "*When Issued*" Trading Prohibited. The Exchange shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding,

regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.

- (d) In considering underlying securities, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which the security is traded.
- (e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.
- (f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and guidelines set forth in this Rule and if, in the case of ADRs:
- (1) the Exchange has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded;
  - (2) the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading;
  - (3)
    - (i) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading,
    - (ii) the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and
    - (iii) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months preceding the date of selection of the ADR for options trading ("Daily Trading Volume Standard"); or
  - (4) the SEC otherwise authorizes the listing.



(g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ("International Funds") if they meet the criteria and guidelines set forth in this Rule and either:

- (1) the Exchange has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or
- (2) the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five or more countries.

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

securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided that:

- (1) The Exchange-Traded Fund Shares either (i) meet the criteria and guidelines set forth in paragraphs (a) and (b) above; or (ii) the Exchange-Traded Fund Shares are available for creation or redemption each business day from or through the issuing trust, investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares' prospectus.
- (2) Exchange-Traded Fund Shares based on international or global indexes, or portfolios that include non-U.S. securities, shall meet the following criteria:
  - (A) are listed pursuant to generic listing standards under which a comprehensive surveillance sharing agreement is not required; or
  - (B) any non-U.S. component securities of an index on which the Exchange-Traded Fund Shares are based or if not available or applicable, the Exchange-Traded Fund's portfolio of securities that are not subject to comprehensive surveillance sharing agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;
  - (C) component securities of an index on which the Exchange-Traded Fund Shares are based or if not available or applicable, the Exchange-Traded Fund's portfolio of securities for which the primary market is in any one country that is not subject to a comprehensive surveillance sharing agreement do not represent 20% or more of the weight of the index or portfolio; and
  - (D) component securities of an index on which the Exchange-Traded Fund Shares are based or if not available or applicable, the Exchange-Traded Fund's portfolio of securities for which the primary market is in any two countries that are not subject to comprehensive surveillance sharing agreements do not represent 33% or more of the weight of the index or portfolio.
  - (E) For Currency Trust Shares, the Exchange has entered into an appropriate comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non- U.S. currency or currencies, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded; and

(F) For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded.

(i) A "market information sharing agreement" for purposes of this Rule is an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the Participant of the foreign exchange executing a trade. International Fund shares not meeting criteria of paragraph (h) shall be deemed appropriate for options trading if the SEC specifically authorizes the listing.

(j) Securities deemed appropriate for options trading shall include shares or other securities ("Trust Issued Receipts") that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:

(A) the Trust Issued Receipts (i) meet the criteria and guidelines for underlying securities set forth in paragraph (b) to this Rule; or (ii) must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and

(B) not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.

(k) Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index-Linked Securities" or "ETNs") that are principally traded on a national securities exchange and an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:

(1) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an underlying index or indexes of equity securities ("Equity Reference Asset");

- (A) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing ("Commodity Reference Asset");
- (B) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in this Options 4, Section 3(h)), or a basket or index of any of the foregoing ("Currency Reference Asset");
- (C) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing ("Fixed Income Reference Asset");
- (D) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts ("Futures Reference Asset"); and
- (E) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets ("Multifactor Reference Asset");
- (2) For purposes of this Options 4, Section 3(k), Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as "Reference Assets."
- (3) (A) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in Options 4, Section 3(b); or
- (B) the Index-Linked Securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents,

satisfactory to the issuer of Index- Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

- (4) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

#### **Section 4. Withdrawal of Approval of Underlying Securities**

(a) Whenever the Exchange determines that an underlying security previously approved for Exchange options transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange will not open for trading any additional series of options of the class covering that underlying security and may prohibit any opening purchase transactions in series of options of that class previously opened (except that opening transactions by Market Makers executed to accommodate closing transactions of other market participants may be permitted) to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange's current approval maintenance requirements, regarding number of publicly held shares, number of shareholders, trading volume or market price the Exchange may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of option contracts of the class covering that underlying security. When all options contracts with respect to any underlying security that is no longer approved have expired, the Exchange may make application to the SEC to strike from trading and listing all such options contracts.

(b) Absent exceptional circumstances, an underlying security will not be deemed to meet the Exchange's requirements for continued approval whenever any of the following occur:

- (1) There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.
- (2) There are fewer than 1,600 holders of the underlying security.
- (3) The trading volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months.
- (4) The underlying security ceases to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act.
- (5) If an underlying security is approved for options listing and trading under the provisions of Options 4, Section 3, the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including "when-issued" trading, may be

taken into account in determining whether the trading volume requirement of (3) of this paragraph (b) is satisfied.

(c) In considering whether any of the events specified in paragraph (b) of this Rule have occurred with respect to an underlying security, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.

(d) If prior to the delisting of a class of options contracts covering an underlying security that has been found not to meet the Exchange's requirements for continued approval, the Exchange determines that the underlying security again meets the Exchange's requirements, the Exchange may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed by this Rule.

(e) Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Participant shall, prior to effecting any transaction in options contracts with respect to such underlying security for a customer, inform such customer of such fact and of the fact that the Exchange may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.

(f) If an ADR was initially deemed appropriate for options trading on the grounds that fifty percent (50%) or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which the Exchange has in place an effective surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the daily trading volume standard in Options 4, Section 3(f)(3), the Exchange may not open for trading additional series of options on the ADR unless:

(1) The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place effective surveillance sharing agreements for any consecutive three (3) month period is either: (i) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or (ii) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares; or

(2) the Exchange then has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

(3) the SEC has otherwise authorized the listing.

(g) Exchange-Traded Fund Shares approved for options trading pursuant to Options 4, Section 3(h) will not be deemed to meet the requirements for continued approval, and the

Exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares if the Exchange-Traded Fund Shares are delisted from trading as provided in subparagraph (b)(5) of this Rule or the Exchange-Traded Fund Shares are halted or suspended from trading on their primary market. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:

- (1) In the case of options covering Exchange-Traded Fund Shares approved pursuant to Options 4, Section 3(h)(A)(i), in accordance with the terms of subparagraphs (b)(1), (2), (3), and (4) of this Rule;
- (2) In the case of options covering Fund Shares approved pursuant to Options 4, Section 3(h)(A)(ii) of this Options 4, following the initial twelve-month period beginning upon the commencement of trading in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;
- (3) the value of the index or portfolio of securities or non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities and/or Financial Instruments and Money Market Instruments, on which the Exchange-Traded Fund Shares are based is no longer calculated or available; or
- (4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

(h) Absent exceptional circumstances, securities initially approved for options trading pursuant to paragraph (j) of Options 4, Section 3 (such securities are defined and referred to in that paragraph as "Trust Issued Receipts") shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

- (1) in accordance with the terms of paragraph (b) this Rule in the case of options covering Trust Issued Receipts when such options were approved pursuant to subparagraph (j)(1)(i) under this Rule;

- (2) the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;
- (3) the Trust has fewer than 50,000 receipts issued and outstanding;
- (4) the market value of all receipts issued and outstanding is less than \$1,000,000; or
- (5) Such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

(i) For Holding Company Depository Receipts (HOLDRs), the Exchange will not open additional series of options overlying HOLDRs (without prior Commission approval) if:

- (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRs trust is less than 80% (as measured by their relative weightings in the HOLDRs trust); or
- (2) less than 80% of the total number of securities held in a HOLDRs trust underlie standardized equity options.

(j) Absent exceptional circumstances, Index-Linked Securities ("Securities") initially approved for options trading pursuant to Options 4, Section 3(k) shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series or option contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

- (1) The underlying Index-Linked Security fails to comply with the terms of Options 4, Section 3(k);
- (2) In accordance with the terms of paragraph (b), in the case of options covering Index-Linked Securities when such options were approved pursuant to Options 4, Section 3(k), except that, in the case of options covering Index-Linked Securities approved pursuant to Options 4, Section 3(k)(3)(ii) that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are "NMS" stock as defined in Rule 600 of Regulation NMS;
- (3) In the case of any Index-Linked Security trading pursuant to Options 4, Section 3(k), the value of the Reference Asset is no longer calculated; or



- (4) Such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

#### Supplementary Material to Options 4, Section 4

.01 If an option series is listed but restricted to closing transactions on another national securities exchange, the Exchange may list such series (even if such series would not otherwise be eligible for listing under the Exchange's Rules), which shall also be restricted to closing transactions on the Exchange.

### **Section 5. Series of Options Contracts Open for Trading**

(a) After a particular class of options has been approved for listing and trading on the Exchange by the Exchange, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on the Exchange. Prior to the opening of trading in a given series, the Exchange will fix the type of option, expiration month, year and exercise price of that series. Exercise-price setting parameters adopted as part of the Options Listing Procedures Plan ("OLPP") are set forth in Options 4, Section 6(b). For Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .03. For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04.

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

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

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

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

- (1) \$2.50 or greater where the strike price is \$25.00 or less;
- (2) \$5.00 or greater where the strike price is greater than \$25.00; and
- (3) \$10.00 or greater where the strike price is greater than \$200.00.

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

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

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

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

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

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

(j) The interval of strike prices may be \$2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of \$2.50 on such options class.

(k) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Options 4, Section 6(b).

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

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

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

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

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

- (1) If the price of the underlying stock is equal to or less than \$20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is \$2, the Exchange would be permitted to list the following series: \$1, \$2, \$3, \$4, \$5, \$6 and \$7.
- (2) If the price of the underlying stock is greater than \$20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to \$50.
- (3) For the purpose of adding strikes under the \$1 Strike Price Interval Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in Options 4, Section 6(b)(i).
- (4) No additional series in \$1 strike price intervals may be listed if the underlying stock closes at or above \$50 in its primary market. Additional series in \$1 strike price intervals may not be added until the underlying stock closes again below \$50.

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

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

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

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

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

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

**.02 \$2.50 Strike Price Interval Program.** The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50 (the “\$2.50 Strike Price Program”). On any option class that has been selected as part of this \$2.50 Strike Price Program, \$2.50

strike prices between \$50 and \$100 may be listed, provided that \$2.50 strike prices between \$50 and \$100 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the \$2.50 Strike Price Program, and the underlying stock closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54, the Exchange may list the \$52.50 strike price, the \$57.50 strike price and the \$62.50 strike price on the next business day. The Exchange may list a strike price interval of \$2.50 in any multiply-traded option once an exchange selects an option as part of the \$2.50 Strike Price Program.

**.03 Short Term Option Series Program:** After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY and QQQ Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY and QQQ Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) and the INVESCO QQQ Trust<sup>SM</sup>, Series 1 (QQQ) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations" and "Wednesday QQQ Expirations"). With respect to Monday SPY and QQQ Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY or QQQ to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations" and "Monday QQQ Expirations"), provided that Monday SPY Expirations and Monday QQQ Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and Wednesday QQQ Expirations and five consecutive Monday SPY Expirations and Monday QQQ Expirations at one time; the Exchange may have no more than a total of five each of Wednesday SPY Expirations and Wednesday QQQ Expirations and a total of five each of Monday SPY Expirations and Monday QQQ Expirations. Monday and Wednesday SPY Expirations and Monday and Wednesday QQQ Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

- (a) Classes. The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short

Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) Expiration. With the exception of Monday and Wednesday SPY Expirations and Monday and Wednesday QQQ Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Options Series.

(c) Initial Series. The Exchange may open up to 30 initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

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

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

The Exchange may also open additional strike prices on Short Term Option Series that are more than 50% above or below the current price of the underlying security

(if the price is greater than \$20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market makers trading for their own account shall not be considered when determining customer interest under this provision.

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

- (e) **Strike Interval.** During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this rule ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option. The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) \$0.50 or greater where the strike price is less than \$100, and \$1 or greater where the strike price is between \$100 and \$150 for all option classes that participate in the Short Term Options Series Program; (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) \$2.50 or greater where the strike price is above \$150.
- (f) Notwithstanding (e) above, when Short Term Options Series in equity options, excluding Exchange-Traded Funds ("ETFs") and ETNs, have an expiration more than twenty-one days from the listing date, the strike interval for each options class shall be based on the table within Supplementary Material .07.

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

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

- (b) The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.
- (c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the approximate value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within \$5 from the closing price of the underlying on the preceding day.
- (d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Options 4, Section 3(h) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.
- (e) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.
- (f) (1) Delisting Policy. With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having a: (a) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (b) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.
- (2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.
- (3) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges



with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

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

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

**.07** With respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs, which have an expiration date more than twenty-one days from the listing date, the following table will apply as noted within Supplementary Material .03(e). The below table indicates the applicable strike intervals and supersedes Supplementary Material .03(d) which permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

| Tier | Average Daily Volume        | Share Price    |                        |                         |                          |                  |
|------|-----------------------------|----------------|------------------------|-------------------------|--------------------------|------------------|
|      |                             | less than \$25 | \$25 to less than \$75 | \$75 to less than \$150 | \$150 to less than \$500 | \$500 or greater |
| 1    | Greater than 5,000          | \$0.50         | \$1.00                 | \$1.00                  | \$5.00                   | \$5.00           |
| 2    | Greater than 1,000 to 5,000 | \$1.00         | \$1.00                 | \$1.00                  | \$5.00                   | \$10.00          |
| 3    | 0 to 1,000                  | \$2.50         | \$5.00                 | \$5.00                  | \$5.00                   | \$10.00          |

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

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

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

Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3 will not be subject to this proposed Supplementary .07 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market.

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

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

## **Section 6. Select Provisions of Options Listing Procedures Plan**

(a) Select provisions of the OLPP were adopted by the Exchange as a quote mitigation strategy and are codified in the OLPP. A complete copy of the current OLPP may be accessed at: [http://www.optionsclearing.com/products/options\\_listing\\_procedures plan.pdf](http://www.optionsclearing.com/products/options_listing_procedures_plan.pdf).

(b) The exercise price of each options series listed by the Exchange shall be fixed at a price per share which is reasonably close to the price of the underlying equity security, Exchange Traded Fund ("ETF") and referred to as Exchange Traded Fund Shares in Options 4, Section 3(i) or Trust Issued Receipt ("TIR") at or about the time the Exchange determines to list such series. Additionally,

(i) Except as provided in subparagraphs (ii) through (iv) below, if the price of the underlying security is less than or equal to \$20, the Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three exercise prices per expiration month in an option class. Except as provided in Supplementary Material .03(d) to Options 3, Section 5, if the price of the underlying security is greater than \$20, the Exchange shall not list new option

series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

- (1) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;
  - (2) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines its preliminary notification of a new series; and
  - (3) for option series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. Eastern Time
- (ii) The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to:
- (1) the listing of \$1 strike prices in option classes participating in the \$1 Strike Price Interval Program. Instead, the Exchange shall be permitted to list \$1 strike prices to the fullest extent as permitted under its rules for the \$1 Strike Program; or
  - (2) the listing of series of Flexible Exchange Options.
- (iii) The Exchange may designate up to five options classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the options class is delisted by the Exchange, in which case the Exchange may designate another options class to replace the delisted class. If a designated options class is delisted by the Exchange but continues to trade on at least one options exchange, the options class shall be subject to the limitations on listing new series set forth in subparagraph (i) above unless designated by another exchange.
- (iv) If the Exchange that has designated five options classes pursuant to subparagraph (iii) above requests that one or more additional options classes be excepted from the limitations on listing new series set forth in subparagraph (i) above, the additional options class(es) shall be so designated upon the unanimous consent of all exchanges that trade the options class(es). Additionally, pursuant to the Exchange's request, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an options class, by the unanimous consent of all exchanges that trade the designated options class. Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the vote, plus the next

standard expiration month to be added, and also to any non-standard expirations that occur prior to the next standard monthly expiration.

- (v) The provisions of this subparagraph (b) shall not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern.
- (vi) The Exchange may list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

### **Section 7. Adjustments**

Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. When adjustments have been made, the Exchange will announce that fact, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.

### **Section 8. Long-Term Options Contracts**

(a) Notwithstanding conflicting language in Options 3, Section 5, the Exchange may list long-term options contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six (6) expiration months for options on all other securities. Strike price interval 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).

(b) After a new long-term options contract 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.

### **Section 9. Limitation on the Liability of Index Licensors for Options on Fund Shares**

(a) The term "index licensor" as used in this Rule refers to any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Exchange-Traded Fund Shares (as defined in Options 4, Section 3(h)).

(b) No index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such

index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The index licensor shall obtain information for inclusion in, or for use in the calculation of, such index or portfolio from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The index licensor hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon. The index licensor shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon, or arising out of any errors or delays in calculating or disseminating such index or portfolio.

## **Section 10. Back-up Trading Arrangements**

(a) Nasdaq BX is Disabled Exchange.

(1) Nasdaq BX Exclusively Listed Options.

- (i) For purposes of this Rule, the term "exclusively listed option" means an option that is listed exclusively by an exchange (because the exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option).
- (ii) The Exchange ("Nasdaq BX") may enter into arrangements with one or more other exchanges (each a "Back-up Exchange") to permit Nasdaq BX and its Participants to use a portion of the Back-up Exchange's facilities to conduct the trading of some or all of Nasdaq BX's exclusively listed options in the event that the functions of Nasdaq BX are severely and adversely affected by an emergency or extraordinary circumstances (a "Disabling Event"). Such option classes shall trade as listings of Nasdaq BX. The facility of the Back-up Exchange used by Nasdaq BX for this purpose will be deemed to be a facility of Nasdaq BX.
- (iii) Trading of Nasdaq BX exclusively listed options on Nasdaq BX's facility at the Back-up Exchange shall be conducted in accordance with the rules of the Back-up Exchange, except that (A) such trading shall be subject to Nasdaq BX rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits and (B) Nasdaq BX Participants that are trading on Nasdaq BX's facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Participants of Nasdaq BX pursuant to paragraph (a)(1)(vi)) will be subject to Nasdaq BX rules governing or applying to the maintenance of a person's or a firm's status as a

Participant of Nasdaq BX. In addition, Nasdaq BX and the Back-up Exchange may agree that other Nasdaq BX rules will apply to such trading. Nasdaq BX and the Back-up Exchange have agreed to communicate to their members which rules apply in advance of trading. The Back-up Exchange rules that govern trading on Nasdaq BX's facility at the Back-up Exchange shall be deemed to be Nasdaq BX rules for purposes of such trading.

- (iv) The Back-up Exchange has agreed to perform the related regulatory functions with respect to trading of Nasdaq BX exclusively listed options on Nasdaq BX's facility at the Back-up Exchange, in each case except as Nasdaq BX and the Back-up Exchange may specifically agree otherwise. The Back-up Exchange and Nasdaq BX have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of Nasdaq BX exclusively listed options on Nasdaq BX's facility at the Back-up Exchange. Nasdaq BX shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to Nasdaq BX's facility at the Back-up Exchange.
- (v) Nasdaq BX shall have the right to designate its Participants that will be authorized to trade Nasdaq BX exclusively listed options on Nasdaq BX's facility at the Back-up Exchange and, if applicable, its Participant (s) that will be a Lead Market Maker or BX Market Maker in those options. If the Back-up Exchange is unable to accommodate all Nasdaq BX Participants that desire to trade on Nasdaq BX's facility at the Back-up Exchange, Nasdaq BX may determine which Participants shall be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Participant is a Lead Market Maker or BX Market Maker in the applicable product(s), the number of contracts traded by the Participant in the applicable product(s), market performance, and other factors relating to a Participant's contribution to the market in the applicable product(s).
- (vi) Participants of the Back-up Exchange shall not be authorized to trade in any Nasdaq BX exclusively listed options, except that (i) Nasdaq BX may deputize willing brokers of the Back-up Exchange as temporary Nasdaq BX Participants to permit them to execute orders as brokers in Nasdaq BX exclusively listed options traded on Nasdaq BX's facility at the Back-up Exchange, and (ii) the Back-up Exchange has agreed that it will, at the instruction of Nasdaq BX, select members of the Back-up Exchange that are willing to be deputized by Nasdaq BX as temporary Nasdaq BX Participants authorized to trade Nasdaq BX exclusively listed options on Nasdaq BX's facility at the Back-up Exchange for such period of time following a Disabling Event as Nasdaq BX determines to be appropriate, and Nasdaq BX may deputize such members of the Back-up Exchange as temporary Nasdaq BX Participants for that purpose.

(2) Nasdaq BX Singly Listed Options.

- (i) For purposes of this Rule, the term "singly listed option" means an option that is not an "exclusively listed option" but that is listed by an exchange and not by any other national securities exchange.
- (ii) Nasdaq BX may enter into arrangements with a Back-up Exchange under which the Back-up Exchange will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by Nasdaq BX and not by the Back-up Exchange. Any such option classes listed by the Back-up Exchange shall trade on the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such option classes shall be traded by members of the Back-up Exchange and by Nasdaq BX Participants selected by Nasdaq BX to the extent the Back-up Exchange can accommodate Nasdaq BX Participants in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Nasdaq BX Participants that desire to trade singly listed options at the Back-up Exchange, Nasdaq BX may determine which Participants shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Participant is a Lead Market Maker or BX Market Maker in the applicable product(s), the number of contracts traded by the Participant in the applicable product(s), market performance, and other factors relating to a Participant's contribution to the market in the applicable product(s).
- (iii) Any options class listed by the Back-up Exchange pursuant to paragraph (a)(2)(ii) that does not satisfy the standard listing and maintenance criteria of the Back-up Exchange will be subject, upon listing by the Back-up Exchange, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in the rules of the Back-up Exchange).
- (3) Multiply Listed Options. Nasdaq BX may enter into arrangements with a Back-up Exchange to permit Nasdaq BX Participants to conduct trading on a Back-up Exchange of some or all of Nasdaq BX's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by Nasdaq BX Participants selected by Nasdaq BX to the extent the Back-up Exchange can accommodate Nasdaq BX Participants in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Nasdaq BX Participants that desire to trade multiply listed options at the Back-up Exchange, Nasdaq BX may determine which Participants shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Participant is a Lead Market Maker or BX Market Maker in the applicable product(s), the number of contracts traded by the Participant in the applicable product(s), market performance,

and other factors relating to a Participant's contribution to the market in the applicable product(s).

(b) Nasdaq BX is Back-up Exchange.

(1) Disabled Exchange Exclusively Listed Options.

- (i) Nasdaq BX may enter into arrangements with one or more other exchanges (each a "Disabled Exchange") to permit the Disabled Exchange and its members to use a portion of Nasdaq BX's facilities to conduct the trading of some or all of the Disabled Exchange's exclusively listed options in the event of a Disabling Event. Such option classes shall trade as listings of the Disabled Exchange. The facility of Nasdaq BX used by the Disabled Exchange for this purpose will be deemed to be a facility of the Disabled Exchange.
- (ii) Trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Nasdaq BX shall be conducted in accordance with Nasdaq BX rules, except that (A) such trading shall be subject to the Disabled Exchange's rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, and (B) members of the Disabled Exchange that are trading on the Disabled Exchange's facility at Nasdaq BX (not including Nasdaq BX Participants who become temporary members of the Disabled Exchange pursuant to paragraph (b)(1)(iv)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange. In addition, the Disabled Exchange and Nasdaq BX may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange and Nasdaq BX have agreed to communicate to their members which rules apply in advance of trading.
- (iii) Nasdaq BX will perform the related regulatory functions with respect to trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Nasdaq BX, in each case except as the Disabled Exchange and Nasdaq BX may specifically agree otherwise. Nasdaq BX and the Disabled Exchange have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Nasdaq BX. The Disabled Exchange has agreed that it shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to the Disabled Exchange's facility at Nasdaq BX.
- (iv) Nasdaq BX Participants shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except (A) that the Disabled Exchange may deputize willing Nasdaq BX Participants as temporary members of the Disabled Exchange to permit them to execute orders as Participants in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange



at Nasdaq BX, and (B) at the instruction of the Disabled Exchange, Nasdaq BX shall select Nasdaq BX Participants that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange's exclusively listed options on the facility of the Disabled Exchange at Nasdaq BX for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such Nasdaq BX Participants as temporary members of the Disabled Exchange for that purpose.

(2) Disabled Exchange Singly Listed Options.

(i) Nasdaq BX may enter into arrangements with a Disabled Exchange under which Nasdaq BX will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by the Disabled Exchange and not by Nasdaq BX. Any such option classes listed by Nasdaq BX shall trade on Nasdaq BX and in accordance with Nasdaq BX rules. Such option classes shall be traded by Nasdaq BX Participants and by members of the Disabled Exchange selected by the Disabled Exchange to the extent Nasdaq BX can accommodate members of the Disabled Exchange in the capacity of temporary Participants of Nasdaq BX. Nasdaq BX may allocate such option classes to a Nasdaq BX Lead Market Maker in advance of a Disabling Event, without utilizing the allocation process under Nasdaq BX Options 2, Section 3, to enable Nasdaq BX to quickly list such option classes upon the occurrence of a Disabling Event.

(ii) Any options class listed by Nasdaq BX pursuant to paragraph (b)(2)(i) that does not satisfy the listing and maintenance criteria under Nasdaq BX rules will be subject, upon listing by Nasdaq BX, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in Nasdaq BX rules).

(3) Multiply Listed Options. Nasdaq BX may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on Nasdaq BX of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of Nasdaq BX and in accordance with Nasdaq BX rules. Such options shall be traded by Nasdaq BX Participants and by members of the Disabled Exchange to the extent Nasdaq BX can accommodate members of the Disabled Exchange in the capacity of temporary Participants of Nasdaq BX.

(c) Participant Obligations.

(1) Temporary Participants of the Disabled Exchange

(i) A Nasdaq BX Participant acting in the capacity of a temporary member of the Disabled Exchange pursuant to paragraph (b)(1)(iv) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of the

Disabled Exchange at Nasdaq BX, including the rules of the Disabled Exchange to the extent applicable during the period of such trading. Additionally, (A) such Nasdaq BX Participant shall be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such, (B) such Nasdaq BX Participant shall have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at Nasdaq BX to the extent described in this Rule, (C) the Nasdaq BX Participant shall be responsible for all obligations arising out its activities on or relating to the Disabled Exchange, and (D) the Clearing Participant of such Nasdaq BX Participant shall guarantee and clear the transactions of such Nasdaq BX Participant on the Disabled Exchange.

- (ii) A member of a Back-up Exchange acting in the capacity of a temporary Participant of Nasdaq BX pursuant to paragraph (a)(1)(vi) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of Nasdaq BX at the Back-up Exchange, including Nasdaq BX rules to the extent applicable during the period of such trading. Additionally, (A) such temporary Participant shall be deemed to have satisfied, and Nasdaq BX will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Participant of Nasdaq BX, including all dues, fees and charges imposed generally upon Nasdaq BX Participants based on their status as such, (B) such temporary Participant shall have none of the rights of a Nasdaq BX Participant except the right to conduct business on the facility of Nasdaq BX at the Back-up Exchange to the extent described in this Rule, (C) the member organization associated with such temporary Participant, if any, shall be responsible for all obligations arising out of that temporary Participant's activities on or relating to Nasdaq BX, and (D) the Clearing Participant of such temporary Participant shall guarantee and clear the transactions on Nasdaq BX of such temporary Participant.

## (2) Temporary Participants of the Back-up Exchange

- (i) A Nasdaq BX Participant acting in the capacity of a temporary member of the Back-up Exchange pursuant to paragraphs (a)(2)(ii) or (a)(3) shall be subject to, and obligated to comply with, the rules of the Back-up Exchange that are applicable to the Back-up Exchange's own members. Additionally, (A) such Nasdaq BX Participant shall be deemed to have satisfied, and the Back-up Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Back-up Exchange, including all dues, fees and charges imposed generally upon members of the Back-up Exchange based on their status as such, (B) such Nasdaq BX Participant shall have none of the rights of a member of the Back-up Exchange except the right to conduct business on the Back-up Exchange to the

- extent described in this Rule, (C) the Nasdaq BX Participant shall be responsible for all obligations arising out of its activities on or relating to the Back-up Exchange, (D) the Clearing Participant of such Nasdaq BX Participant shall guarantee and clear the transactions of such Nasdaq BX Participant on the Back-up Exchange, and (E) such Nasdaq BX Participant shall only be permitted (x) to act in those capacities on the Back-up Exchange that are authorized by the Back-up Exchange and that are comparable to capacities in which the Nasdaq BX Participant has been authorized to act on Nasdaq BX, and (y) to trade in those option classes in which the Nasdaq BX Participant is authorized to trade on Nasdaq BX.
- (ii) A member of a Disabled Exchange acting in the capacity of a temporary Participant of Nasdaq BX pursuant to paragraphs (b)(2)(i) or (b)(3) shall be subject to, and obligated to comply with, Nasdaq BX rules that are applicable to Nasdaq BX's own Participants. Additionally, (A) such temporary Participant shall be deemed to have satisfied, and Nasdaq BX will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Participant of Nasdaq BX, including all dues, fees and charges imposed generally upon Nasdaq BX Participants based on their status as such, (B) such temporary Participant shall have none of the rights of a Nasdaq BX Participant except the right to conduct business on Nasdaq BX to the extent described in this Rule, (C) the member organization associated with such temporary Participant, if any, shall be responsible for all obligations arising out of that temporary Participant's activities on or relating to Nasdaq BX, (D) the Clearing Participant of such temporary Participant shall guarantee and clear the transactions of such temporary Participant on the Nasdaq BX, and (E) such temporary Participant shall only be permitted (x) to act in those Nasdaq BX capacities that are authorized by Nasdaq BX and that are comparable to capacities in which the temporary Participant has been authorized to act on the Disabled Exchange, and (y) to trade in those option classes in which the temporary Participant is authorized to trade on the Disabled Exchange.
- (d) Participant Proceedings.

- (1) If Nasdaq BX initiates an enforcement proceeding with respect to the trading during a back-up period of the singly or multiply listed options of the Disabled Exchange by a temporary Participant of Nasdaq BX or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a Nasdaq BX Participant who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the back-up period, Nasdaq BX may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange's facility at Nasdaq BX will be conducted in accordance with Nasdaq BX

rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

(2) If the Back-up Exchange initiates an enforcement proceeding with respect to the trading during a back-up period of Nasdaq BX singly or multiply listed options by a temporary member of the Back-up Exchange or Nasdaq BX exclusively listed options by a Nasdaq BX Participant (other than a member of the Back-up Exchange who is a temporary Participant of Nasdaq BX), and such proceeding is in process upon the conclusion of the back-up period, the Back-up Exchange may transfer responsibility for such proceeding to Nasdaq BX following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of Nasdaq BX singly or multiply listed options on the Back-up Exchange or of Nasdaq BX exclusively listed options on the facility of Nasdaq BX at the Back-up Exchange will be conducted in accordance with the rules of the Back-up Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with Nasdaq BX rules.

(e) Participant Preparations. Nasdaq BX Participants are required to take appropriate actions as instructed by Nasdaq BX to accommodate Nasdaq BX's back-up trading arrangements with other exchanges and Nasdaq BX's own back-up trading arrangements.

#### Supplementary Material to Options 4, Section 10

**.01** This Rule reflects back-up trading arrangements that Nasdaq BX has entered into or may enter into with one or more other exchanges. To the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Nasdaq BX, but the Rule itself is not binding upon the other exchange.]

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