

Required fields are shown with yellow backgrounds and asterisks.

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

File No. \* SR 2023 - \* 032

Amendment No. (req. for Amendments \*)

Filing by NASDAQ BX, Inc.

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

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

Related to Monthly Options Series

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

Date 11/29/2023


(Title \*)

By John Zecca

EVP and Chief Legal Officer

(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: 2023.11.29  
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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 EDFS website.

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

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SR-BX-2023-032 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 \***

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SR-BX-2023-032 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 \***

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

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

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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-2023-032 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 (“SEC” or “Commission”) a proposal to amend the Rules at Options 4A (Options Index Rules) to adopt Monthly Options Series.

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 (the “Board”). 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 Exchange proposes to amend Options 4A (Options Index Rules) to

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

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

accommodate the listing of option series that would expire at the close of business on the last business day of a calendar month (“Monthly Options Series”).<sup>3</sup> Of note, Nasdaq ISE, LLC (“ISE”) will separately file a rule change to adopt a Monthly Options Series for ETFs. BX’s Options 4 rules, which govern the ability to transact options on ETFs, incorporate by reference ISE’s Options 4 rules. This rule change proposes to amend BX’s index options rules to adopt a Monthly Options Series program. Pursuant to proposed Options 4A, Section 12(h)(2)(i), the Exchange may list Monthly Options Series for up to five currently listed option classes that are either index options or options on ETFs.<sup>4</sup> In addition, the Exchange may also list Monthly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.<sup>5</sup> The Exchange may list 12 expirations for Monthly Options Series. Monthly Options Series need not be for consecutive months; however, the expiration date of a nonconsecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively.<sup>6</sup> Other expirations in the same class are not counted as part of the

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<sup>3</sup> The Exchange proposes to define a “Monthly Options Series” in Options 4A, Section 2(l) to mean, for the purposes of Options 4A, a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar month. The Exchange proposes to re-letter the subsequent definitions in Options 4A, Section 2.

<sup>4</sup> As provided in proposed Options 4A, Section 12(h)(2)(i), the Exchange may list Monthly Options Series for up to five currently listed option classes that are either index options or options on ETFs; the five Monthly Options Series include both index options and options on ETFs.

<sup>5</sup> See Securities Exchange Act Release No. 98915 (November 13, 2023), 88 FR 80356 (November 17, 2023) (SR-Cboe-2023-049) (Order Approving a Proposed Rule Change To Adopt Monthly Options Series) (“Cboe Monthly Approval Order”).

<sup>6</sup> The Exchange notes this provision considers consecutive monthly listings. In other words, as other expirations (such as Quarterly Options Series) are not counted as part of the maximum, those expirations would not be considered when considering when the last expiration date would be if

maximum numbers of Monthly Options Series expirations for a class.<sup>7</sup> Monthly Options Series will be P.M.-settled.<sup>8</sup>

The strike price of each Monthly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index or price of the underlying security at about the time that a Monthly Options Series is opened for trading on the Exchange. The Exchange will list strike prices for Monthly Options Series that are reasonably related to the current price of the underlying security or current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on the Exchange. The term “reasonably related to the current price of the underlying security or index value of the underlying index” means that the exercise price is within 30% of the current underlying security price or index value.<sup>9</sup> Additional Monthly Options Series of the same class may be open for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet

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the maximum number were listed consecutively. For example, if it is January 2024 and the Exchange lists Quarterly Options Series in class ABC with expirations in March, June, September, December, and the following March, the Exchange could also list Monthly Options Series in class ABC with expirations in January, February, April, May, July, August, October, and November 2024 and January and February of 2025. This is because, if Quarterly Options Series, for example, were counted, the Exchange would otherwise never be able to list the maximum number of Monthly Options Series. This is consistent with the listing provisions for Quarterly Options Series, which permit calendar quarter expirations. The need to list series with the same expiration in the current calendar year and the following calendar year (whether Monthly or Quarterly expiration) is to allow market participants to execute one-year strategies pursuant to which they may roll their exposures in the longer-dated options (e.g. January 2025) prior to the expiration of the nearer-dated option (e.g. January 2024).

<sup>7</sup> See proposed Options 4A, Section 12(h)(2)(ii).

<sup>8</sup> See proposed Options 4A, Section 12(h)(2)(iii).

<sup>9</sup> See proposed Options 4A, Section 12(h)(2)(iv). The Exchange notes this proposed provision is consistent with the initial series provision for the Quarterly Options Series program in Options 4A, Section 12(g).

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 will be within 30% above or below the closing price of the underlying index or security on the preceding day. The Exchange may also open additional strike prices of Monthly Options Series that are more than 30% above or below the current price of the underlying security, 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 will not be considered when determining customer interest under this provision. The opening of the new Monthly Options Series will not affect the series of options of the same class previously opened.<sup>10</sup> The interval between strike prices on Monthly Options Series will 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.<sup>11</sup>

By definition, Monthly Options Series can never expire in the same week as a standard expiration series (which expire on the third Friday of a month) in the same class expires. The same, however, is not the case with regards to Short Term Option Series<sup>12</sup> or Quarterly Options Series. Therefore, to avoid any confusion in the marketplace, the Exchange proposes to amend Options 4A, Section 12(h)(2)(ii) to provide the Exchange will not list a Short Term Option Series in a class on a date on which a Monthly Options

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<sup>10</sup> See proposed Options 4A, Section 12(h)(2)(v).

<sup>11</sup> See proposed Options 4A, Section 12(h)(2)(vi) (permissible strike prices for index options).

<sup>12</sup> The proposed rule change clarifies in Options 4A, Section 12(a)(3) that index options have expiration months and weeks, which expirations may occur in consecutive weeks as specified in Options 3, Section 4A(h). This is merely a clarification, as Options 3, Section 4A(h) currently permits weekly expirations.

Series or Quarterly Options Series expires.<sup>13</sup> Similarly, proposed Options 4A, Section 12(b)(5)(b) provide that no Monthly Options Series may expire on a date that coincides with an expiration date of a Quarterly Options Series in the same index. In other words, the Exchange will not list a Short Term Option Series on an index if a Monthly Options Series on that index were to expire on the same date, nor will the Exchange list a Monthly Options Series on an index if a Quarterly Options Series on that index were to expire on the same date to prevent the listing of series with concurrent expirations.<sup>14</sup>

With respect to Monthly Options Series added pursuant to proposed Options 4A, Section 12(h)(2)(i) through (vi), the Exchange will, on a monthly basis, review series that are outside a range of five strikes above and five strikes below the current price of the underlying index or security, and delist 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 pursuant to Options 4A, Section 12(h)(2)(vii)(A). Notwithstanding this delisting policy, customer requests to add strikes and/or maintain strikes in Monthly Options Series in series eligible for delisting will be granted. In connection with this delisting

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<sup>13</sup> The Exchange also proposes to make non-substantive changes to Options 4A, Section 12(h)(1) and Options 4A, Section 12(h)(1)(ii) to reference standard options series and change current references to “monthly options series” to “standard expiration options series” (i.e., series that expire on the third Friday of a month), to eliminate potential confusion. The current references to “monthly options series” are intended to refer to those series that expire on the third Friday of a month, which are generally referred to in the industry as standard expirations.

<sup>14</sup> The Exchange notes this would not prevent the Exchange from listing a P.M.-settled Monthly Options Series on an index with the same expiration date as an A.M.-settled Short Term Option Series on the same index, both of which may expire on a Friday. In other words, the Exchange may list a P.M.-settled Monthly Options Series on an index concurrent with an A.M.-settled Short Term Option Series on that index and both of which expire on a Friday. The Exchange believes this concurrent listing would provide investors with yet another hedging mechanism and is reasonable given these series would not be identical (unlike if they were both P.M.-settled).

policy, if the Exchange identifies series for delisting, the Exchange will notify other options exchanges with similar delisting policies regarding eligible series for delisting and will 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 Monthly Options Series.<sup>15</sup>

The Exchange believes that Monthly Options Series will provide investors with another flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that underlie option contracts. The Exchange believes limiting Monthly Options Series to five classes will ensure the addition of these new series will have a negligible impact on the Exchange's and the Options Price Reporting Authority's ("OPRA's") quoting capacity. The Exchange represents it has the necessary systems capacity to support new options series that will result from the introduction of Monthly Options Series.

The Exchange notes that Options 4A, Section 6, Position Limits for Broad-Based Index Options, and Options 4A, Section 7, Position Limits for Industry and Micro-Narrow Based Index Options, will apply to Monthly Options Series. In Options 4A, Section 6(c) and Options 4A, Section 7(c), Monthly Options Series will be aggregated with positions in options contracts on the same underlying security or index.<sup>16</sup> This is consistent with how position (and exercise) limits are currently imposed on series with other expirations (Short Term Option Series and Quarterly Options Series). To that end, the Exchange proposes to make this clear by adding a sentence to Options 4A, Sections

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<sup>15</sup> See Options 4A, Section 12(h)(2)(vii)(C).

<sup>16</sup> Pursuant to Options 4A, Section 10, exercise limits for index option contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Options 4A, Section 6 or Section 7.



6(c) and 7(c) that provides that “Positions in Short Term Options Series, Monthly Options Series and Quarterly Options Series shall be aggregated with positions in options contracts of the same index.”<sup>17</sup> Therefore, positions in options within class of index, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. The Exchange believes this will address potential manipulative schemes and adverse market impacts surrounding the use of options.

The Exchange also represents its current surveillance programs will apply to Monthly Options Series and will properly monitor trading in the proposed Monthly Options Series. The Exchange currently lists Quarterly Options Series in certain ETF classes pursuant to Options 4, Section 5, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), and has not experienced any market disruptions nor issues with capacity. The Exchange’s surveillance programs currently in place to support and properly monitor trading in these Quarterly Options Series, as well as Short Term Option Series and standard expiration series, will apply to the proposed Monthly Options Series. The Exchange believes its surveillances continue to be designed to deter and detect violations of its Rules, including position and exercise limits and possible manipulative behavior, and these surveillances will apply to Monthly Options Series that the Exchange determines to list for trading. Ultimately, the Exchange does not believe the proposed rule change raises any unique regulatory concerns because existing safeguards — such as position and exercise limits (and the aggregation of options overlying the same index) and reporting requirements — would continue to apply.

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<sup>17</sup> This additional rule text will further clarify the current rule text for the existing Short Term Option Series and Quarterly Options Series programs in Options 4A, Section 12.

b. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>18</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>19</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>20</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the introduction of Monthly Options Series will remove impediments to and perfect the mechanism of a free and open market and a national market system by expanding hedging tools available to market participants. The Exchange believes the proposed monthly expirations will allow market participants to transact in the index options listed pursuant to the proposed rule change based on their timing as needed and allow them to tailor their investment and hedging needs more

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

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

<sup>20</sup> Id.

effectively. Further, the Exchange believes the availability of Monthly Options Series would protect investors and the public interest by providing investors with more flexibility to closely tailor their investment and hedging decisions in these options, thus allowing them to better manage their risk exposure.

The Exchange believes the Quarterly Options Series Program has been successful to date and the proposed Monthly Options Series program simply expands the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur at months' ends in the same way the Quarterly Options Series Program has expanded the landscape of hedging for quarter-end news. Monthly Options Series will also complement Short Term Option Series, which allow investors to hedge risk against events that occur throughout a month. The Exchange believes the availability of additional expirations should create greater trading and hedging opportunities for investors, as well as provide investors with the ability to tailor their investment objectives more effectively.

The Exchange notes the proposed terms of Monthly Options Series, including the limitation to five index option classes, are substantively the same as the current terms of Quarterly Options Series for ETF classes.<sup>21</sup> Quarterly Options Series expire on the last business day of a calendar quarter, which is the last business day of every third month. The proposed Monthly Options Series would fill the gaps between Quarterly Options Series expirations by permitting series to expire on the last business day of every month, rather than every third month. The proposed Monthly Options Series may be listed in accordance with the same terms as Quarterly Options Series, including permissible

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<sup>21</sup> See Options 4, Section 5. As noted herein, ISE will file a rule change to amend Options 4, Section 5 and BX's Options 4 rules are incorporated by reference to ISE's Options 4 rules.

strikes. As is the case with Quarterly Options Series, no Short Term Option Series may expire on the same day as a Monthly Options Series. Similarly, as proposed, no Monthly Options Series may expire on the same day as a Quarterly Options Series. The Exchange believes preventing listing series with concurrent expirations in a class will eliminate potential investors confusion and thus protect investors and the public interest. Given that the Exchange currently lists Quarterly Options Series in certain ETF classes pursuant to Options 4, Section 5, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), the Exchange currently lists are essentially Monthly Options Series that can expire at the end of only certain calendar months, the Exchange believes it is reasonable to list Monthly Options Series in accordance with the same terms, as it will promote just and equitable principles of trade. The Exchange believes limiting Monthly Options Series to five classes will ensure the addition of these new series will have a negligible impact on the Exchange's and OPRA's quoting capacity. The Exchange represents it has the necessary systems capacity to support new options series that will result from the introduction of Monthly Options Series.

The Exchange further believes the proposed rule change regarding the treatment of Monthly Options Series with respect to determining compliance with position and exercise limits is designed to prevent fraudulent and manipulative acts and practices and promote just and equitable principles of trade. Monthly Options Series will be aggregated with options overlying the same index for purposes of compliance with position (and exercise) limits, which is consistent with how position (and exercise) limits are currently imposed on series with other expirations (Short Term Option Series, and

Quarterly Options Series).<sup>22</sup> Therefore, options positions within index option classes for which Monthly Options Series are listed, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. The Exchange believes this will address potential manipulative schemes and adverse market impacts surrounding the use of options. The Exchange also represents its current surveillance programs will apply to Monthly Options Series and will properly monitor trading in the proposed Monthly Options Series. The Exchange currently trades Quarterly Options Series in certain index classes, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), and has not experienced any market disruptions nor issues with capacity. The Exchange's surveillance programs currently in place to support and properly monitor trading in these Quarterly Options Series, as well as Short Term Option Series and standard expiration series, will apply to the proposed Monthly Options Series. The Exchange believes its surveillances continue to be designed to deter and detect violations of its Rules, including position and exercise limits and possible manipulative behavior, and these surveillances will apply to Monthly Options Series that the Exchange determines to list for trading. Ultimately, the Exchange does not believe the proposed rule change raises any unique regulatory concerns because existing safeguards — such as position and exercise limits (and the aggregation of options overlying the same index) and reporting requirements — would continue to apply.

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<sup>22</sup> See Cboe Monthly Approval Order; see also Options 4A, Section 6 regarding position limits for broad-based index options) and Options 4A, Section 7, Position Limits for Industry and Micro-Narrow Based Index Options. Pursuant to Options 4A, Section 10, exercise limits for index option contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Options 4A, Section 6 or Section 7.

#### 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 believe the proposed rule change to list Monthly Options Series will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as any Monthly Options Series the Exchange lists for trading will be available in the same manner for all market participants who wish to trade such options. The Exchange notes the proposed terms of Monthly Options Series, including the limitation to list up to five options classes that are either index options or options on ETFs, are substantively the same as the current terms of Quarterly Options Series.<sup>23</sup> Quarterly Options Series expire on the last business day of a calendar quarter, which is the last business day of every third month, making the concept of Monthly Options Series in a limited number of index options not novel. The proposed Monthly Options Series will fill the gaps between Quarterly Options Series expirations by permitting series to expire on the last business day of every month, rather than every third month. The proposed Monthly Options Series may be listed in accordance with the same terms as Quarterly Options Series, including permissible strikes.<sup>24</sup> Monthly Options Series will trade on the Exchange in the same manner as other options in the same class.

The Exchange does not believe the proposed rule change to list Monthly Options Series will impose any burden on intermarket competition that is not necessary or

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<sup>23</sup> See proposed Options 4A, Section 12(h)(2)(i).

<sup>24</sup> See supra note 5.

appropriate in furtherance of the purposes of the Act, as nothing prevents other options exchanges from proposing similar rules.<sup>25</sup> As discussed above, the proposed rule change would permit listing Monthly Options Series in up to five options classes that are either index options or options on ETFs, as well as any other classes that other exchanges may list under similar programs. To the extent that the availability of Monthly Options Series makes the Exchange a more attractive marketplace to market participants at other exchanges, market participants are free to elect to become market participants on the Exchange.

The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition. Similar to Short Term Option Series and Quarterly Options Series, the Exchange believes the introduction of Monthly Options Series will not impose an undue burden on competition. The Exchange believes that it will, among other things, expand hedging tools available to market participants. The Exchange believes Monthly Options Series will allow market participants to purchase options based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

The Exchange does not believe the proposed rule change regarding aggregation of positions for purposes of determining compliance with position (and exercise) limits will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it will apply in the same manner to all market participants. The Exchange proposes to apply position (and exercise) limits to Monthly Options Series in the same manner it applies position limits to series with other

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<sup>25</sup> See Cboe Monthly Approval Order.

expirations (Short Term Option Series and Quarterly Options Series). Therefore, positions in options in a class of index options, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. Additionally, the Exchange does not believe this proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it will address potential manipulative schemes and adverse market impacts surrounding the use of options.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>26</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>27</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposal does not significantly affect the protection of investors or the public

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

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



interest because it will expand hedging tools available to market participants. The Exchange believes the proposed monthly expirations will allow market participants to transact in the index options listed pursuant to the proposed rule change based on their timing as needed and allow them to tailor their investment and hedging needs more effectively. Further, the Exchange believes the availability of Monthly Options Series will provide investors with more flexibility to closely tailor their investment and hedging decisions in these options, thus allowing them to better manage their risk exposure. The Exchange believes the Quarterly Options Series Program has been successful to date and the proposed Monthly Options Series program simply expands the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur at months' ends in the same way the Quarterly Options Series Program has expanded the landscape of hedging for quarter-end news. Monthly Options Series will also complement Short Term Option Series, which allow investors to hedge risk against events that occur throughout a month. The Exchange believes the availability of additional expirations should create greater trading and hedging opportunities for investors, as well as provide investors with the ability to tailor their investment objectives more effectively.

The Exchange further believes the proposed rule change will not significantly affect the protection of investors or the public interest, because the proposed rule change regarding the treatment of Monthly Options Series with respect to determining compliance with position and exercise limits is designed to prevent fraudulent and manipulative acts and practices, which ultimately benefits investors. Monthly Options Series will be aggregated with options overlying the same index for purposes of

compliance with position (and exercise) limits, which is consistent with how position (and exercise) limits are currently imposed on series with other expirations (Short Term Option Series and Quarterly Options Series).<sup>28</sup> Therefore, options positions within index option classes for which Monthly Options Series are listed, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. The Exchange believes this will address potential manipulative schemes and adverse market impacts surrounding the use of options. The Exchange also represents its current surveillance programs will apply to Monthly Options Series and will properly monitor trading in the proposed Monthly Options Series. The Exchange currently trades Quarterly Options Series in certain index classes, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), and has not experienced any market disruptions nor issues with capacity. The Exchange's surveillance programs currently in place to support and properly monitor trading in these Quarterly Options Series, as well as Short Term Option Series and standard expiration series, will apply to the proposed Monthly Options Series. The Exchange believes its surveillances continue to be designed to deter and detect violations of its Rules, including position and exercise limits and possible manipulative behavior, and these surveillances will apply to Monthly Options Series that the Exchange determines to list for trading. Ultimately, the Exchange does not believe the proposed rule change raises any unique regulatory concerns because existing safeguards — such as position and exercise limits (and the aggregation of options overlying the same index) and reporting requirements —

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<sup>28</sup> See Cboe Monthly Approval Order; see also Options 4A, Section 6 regarding position limits for broad-based index options). Pursuant to Options 4A, Section 10, exercise limits for index option contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Options 4A, Section 6 or Section 7.

would continue to apply.

The Exchange also does not believe that the proposed rule change will impose any significant burden on competition, as any Monthly Options Series the Exchange lists for trading will be available in the same manner for all market participants who wish to trade such options. The Exchange notes the proposed terms of Monthly Options Series, including the permissible strikes<sup>29</sup> and the limitation to list of up to five options classes that are either index option or options on ETFs, are substantively the same as the current terms of Quarterly Options Series.<sup>30</sup> The proposed Monthly Options Series will fill the gaps between Quarterly Options Series expirations by permitting series to expire on the last business day of every month, rather than every third month. Monthly Options Series will trade on the Exchange in the same manner as other options in the same class. Further, other options exchanges may adopt similar Monthly Options Programs, as they have done with respect to the Quarterly Options Program and the Short Term Option Series Program; at least one other options exchange had adopted a substantively identical Monthly Options Series Program.<sup>31</sup> As discussed above, the proposed rule change would permit listing of Monthly Options Series in up to five options classes that are either index options or options on ETFs, as well as any other classes that other exchanges may list under similar programs. To the extent that the availability of Monthly Options Series makes the Exchange a more attractive marketplace to market participants at other exchanges, market participants are free to elect to become market participants on the

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<sup>29</sup> See supra note 5.

<sup>30</sup> See proposed Options 4A, Section 12(h)(2)(i).

<sup>31</sup> See Cboe Monthly Approval Order.

Exchange. Similar to Short Term Option Series and Quarterly Options Series, the Exchange believes the introduction of Monthly Options Series will not impose an undue burden on competition. The Exchange believes that it will, among other things, expand hedging tools available to market participants. The Exchange believes Monthly Options Series will allow market participants to purchase options based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

The Exchange does not believe the proposed rule change regarding aggregation of positions for purposes of determining compliance with position (and exercise) limits will impose any significant burden on competition, because it will apply in the same manner to all market participants. The Exchange proposes to apply position (and exercise) limits to Monthly Options Series in the same manner it applies position limits to series with other expirations (Short Term Option Series and Quarterly Options Series). Therefore, positions in options in a class of index options, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. The intent of this proposed rule change is to address potential manipulative schemes and adverse market impacts surrounding the use of options.

The proposed rule change is not novel. The proposed Monthly Options Series program is identical to Cboe's recently approved Monthly Options Series program. Additionally, the Exchange notes the proposed terms of Monthly Options Series, including permissible strikes<sup>32</sup> and the limitation to list up to five options classes that are either index options or options on ETFs classes, are substantively the same as the current

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<sup>32</sup> See supra note 5.

terms of Quarterly Options Series.<sup>33</sup> The proposed Monthly Options Series would fill the gaps between Quarterly Options Series expirations by permitting series to expire on the last business day of every month, rather than every third month.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>34</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that BX may adopt an identical rule change as Cboe's approved rule.<sup>35</sup> Allowing BX to adopt the identical rule as Cboe without the need for the operative delay advances competition as BX, similar to

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<sup>33</sup> See proposed Options 4A, Section 12(h)(2)(i).

<sup>34</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>35</sup> See Cboe Monthly Approval Order.

Cboe, would be able to list Monthly Options Series. Finally, the Exchange believes that allowing BX to compete with Cboe in listing Monthly Options Series will benefit investors by promoting competition in Monthly Options Series.

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

The proposed rule change is substantively identical to a Cboe Monthly Options Program.<sup>36</sup>

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

Not applicable.

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

Not applicable.

11. Exhibits

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

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<sup>36</sup>

Id.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-BX-2023-032)

November \_\_, 2023

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Regarding Monthly Options Series

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 November 29, 2023, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Rules at Options 4A (Options Index Rules) to adopt Monthly Options Series.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/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 Exchange proposes to amend Options 4A (Options Index Rules) to accommodate the listing of option series that would expire at the close of business on the last business day of a calendar month ("Monthly Options Series").<sup>3</sup> Of note, Nasdaq ISE, LLC ("ISE") will separately file a rule change to adopt a Monthly Options Series for ETFs. BX's Options 4 rules, which govern the ability to transact options on ETFs, incorporate by reference ISE's Options 4 rules. This rule change proposes to amend BX's index options rules to adopt a Monthly Options Series program. Pursuant to proposed Options 4A, Section 12(h)(2)(i), the Exchange may list Monthly Options Series for up to five currently listed option classes that are either index options or options on ETFs.<sup>4</sup> In addition, the Exchange may also list Monthly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.<sup>5</sup> The Exchange may list 12 expirations for Monthly Options

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<sup>3</sup> The Exchange proposes to define a "Monthly Options Series" in Options 4A, Section 2(l) to mean, for the purposes of Options 4A, a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar month. The Exchange proposes to re-letter the subsequent definitions in Options 4A, Section 2.

<sup>4</sup> As provided in proposed Options 4A, Section 12(h)(2)(i), the Exchange may list Monthly Options Series for up to five currently listed option classes that are either index options or options on ETFs; the five Monthly Options Series include both index options and options on ETFs.

<sup>5</sup> See Securities Exchange Act Release No. 98915 (November 13, 2023), 88 FR 80356 (November 17, 2023) (SR-Cboe-2023-049) (Order Approving a Proposed Rule Change To Adopt Monthly Options Series) ("Cboe Monthly Approval Order").



Series. Monthly Options Series need not be for consecutive months; however, the expiration date of a nonconsecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively.<sup>6</sup> Other expirations in the same class are not counted as part of the maximum numbers of Monthly Options Series expirations for a class.<sup>7</sup> Monthly Options Series will be P.M.-settled.<sup>8</sup>

The strike price of each Monthly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index or price of the underlying security at about the time that a Monthly Options Series is opened for trading on the Exchange. The Exchange will list strike prices for Monthly Options Series that are reasonably related to the current price of the underlying security or current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on the Exchange. The term “reasonably related to the current price of the underlying security or index value of the underlying index” means that the

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<sup>6</sup> The Exchange notes this provision considers consecutive monthly listings. In other words, as other expirations (such as Quarterly Options Series) are not counted as part of the maximum, those expirations would not be considered when considering when the last expiration date would be if the maximum number were listed consecutively. For example, if it is January 2024 and the Exchange lists Quarterly Options Series in class ABC with expirations in March, June, September, December, and the following March, the Exchange could also list Monthly Options Series in class ABC with expirations in January, February, April, May, July, August, October, and November 2024 and January and February of 2025. This is because, if Quarterly Options Series, for example, were counted, the Exchange would otherwise never be able to list the maximum number of Monthly Options Series. This is consistent with the listing provisions for Quarterly Options Series, which permit calendar quarter expirations. The need to list series with the same expiration in the current calendar year and the following calendar year (whether Monthly or Quarterly expiration) is to allow market participants to execute one-year strategies pursuant to which they may roll their exposures in the longer-dated options (e.g. January 2025) prior to the expiration of the nearer-dated option (e.g. January 2024).

<sup>7</sup> See proposed Options 4A, Section 12(h)(2)(ii).

<sup>8</sup> See proposed Options 4A, Section 12(h)(2)(iii).

exercise price is within 30% of the current underlying security price or index value.<sup>9</sup>

Additional Monthly Options Series of the same class may be open 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 will be within 30% above or below the closing price of the underlying index or security on the preceding day. The Exchange may also open additional strike prices of Monthly Options Series that are more than 30% above or below the current price of the underlying security, 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 will not be considered when determining customer interest under this provision. The opening of the new Monthly Options Series will not affect the series of options of the same class previously opened.<sup>10</sup> The interval between strike prices on Monthly Options Series will 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.<sup>11</sup>

By definition, Monthly Options Series can never expire in the same week as a standard expiration series (which expire on the third Friday of a month) in the same class

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<sup>9</sup> See proposed Options 4A, Section 12(h)(2)(iv). The Exchange notes this proposed provision is consistent with the initial series provision for the Quarterly Options Series program in Options 4A, Section 12(g).

<sup>10</sup> See proposed Options 4A, Section 12(h)(2)(v).

<sup>11</sup> See proposed Options 4A, Section 12(h)(2)(vi) (permissible strike prices for index options).

expires. The same, however, is not the case with regards to Short Term Option Series<sup>12</sup> or Quarterly Options Series. Therefore, to avoid any confusion in the marketplace, the Exchange proposes to amend Options 4A, Section 12(h)(2)(ii) to provide the Exchange will not list a Short Term Option Series in a class on a date on which a Monthly Options Series or Quarterly Options Series expires.<sup>13</sup> Similarly, proposed Options 4A, Section 12(b)(5)(b) provide that no Monthly Options Series may expire on a date that coincides with an expiration date of a Quarterly Options Series in the same index. In other words, the Exchange will not list a Short Term Option Series on an index if a Monthly Options Series on that index were to expire on the same date, nor will the Exchange list a Monthly Options Series on an index if a Quarterly Options Series on that index were to expire on the same date to prevent the listing of series with concurrent expirations.<sup>14</sup>

With respect to Monthly Options Series added pursuant to proposed Options 4A, Section 12(h)(2)(i) through (vi), the Exchange will, on a monthly basis, review series that are outside a range of five strikes above and five strikes below the current price of the underlying index or security, and delist series with no open interest in both the put and

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<sup>12</sup> The proposed rule change clarifies in Options 4A, Section 12(a)(3) that index options have expiration months and weeks, which expirations may occur in consecutive weeks as specified in Options 3, Section 4A(h). This is merely a clarification, as Options 3, Section 4A(h) currently permits weekly expirations.

<sup>13</sup> The Exchange also proposes to make non-substantive changes to Options 4A, Section 12(h)(1) and Options 4A, Section 12(h)(1)(ii) to reference standard options series and change current references to “monthly options series” to “standard expiration options series” (i.e., series that expire on the third Friday of a month), to eliminate potential confusion. The current references to “monthly options series” are intended to refer to those series that expire on the third Friday of a month, which are generally referred to in the industry as standard expirations.

<sup>14</sup> The Exchange notes this would not prevent the Exchange from listing a P.M.-settled Monthly Options Series on an index with the same expiration date as an A.M.-settled Short Term Option Series on the same index, both of which may expire on a Friday. In other words, the Exchange may list a P.M.-settled Monthly Options Series on an index concurrent with an A.M.-settled Short Term Option Series on that index and both of which expire on a Friday. The Exchange believes this concurrent listing would provide investors with yet another hedging mechanism and is reasonable given these series would not be identical (unlike if they were both P.M.-settled).

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 pursuant to Options 4A, Section 12(h)(2)(vii)(A). Notwithstanding this delisting policy, customer requests to add strikes and/or maintain strikes in Monthly Options Series in series eligible for delisting will be granted. In connection with this delisting policy, if the Exchange identifies series for delisting, the Exchange will notify other options exchanges with similar delisting policies regarding eligible series for delisting and will 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 Monthly Options Series.<sup>15</sup>

The Exchange believes that Monthly Options Series will provide investors with another flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that underlie option contracts. The Exchange believes limiting Monthly Options Series to five classes will ensure the addition of these new series will have a negligible impact on the Exchange's and the Options Price Reporting Authority's ("OPRA's") quoting capacity. The Exchange represents it has the necessary systems capacity to support new options series that will result from the introduction of Monthly Options Series.

The Exchange notes that Options 4A, Section 6, Position Limits for Broad-Based Index Options, and Options 4A, Section 7, Position Limits for Industry and Micro-Narrow Based Index Options, will apply to Monthly Options Series. In Options 4A, Section 6(c) and Options 4A, Section 7(c), Monthly Options Series will be aggregated

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<sup>15</sup> See Options 4A, Section 12(h)(2)(vii)(C).

with positions in options contracts on the same underlying security or index.<sup>16</sup> This is consistent with how position (and exercise) limits are currently imposed on series with other expirations (Short Term Option Series and Quarterly Options Series). To that end, the Exchange proposes to make this clear by adding a sentence to Options 4A, Sections 6(c) and 7(c) that provides that “Positions in Short Term Options Series, Monthly Options Series and Quarterly Options Series shall be aggregated with positions in options contracts of the same index.”<sup>17</sup> Therefore, positions in options within class of index, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. The Exchange believes this will address potential manipulative schemes and adverse market impacts surrounding the use of options.

The Exchange also represents its current surveillance programs will apply to Monthly Options Series and will properly monitor trading in the proposed Monthly Options Series. The Exchange currently lists Quarterly Options Series in certain ETF classes pursuant to Options 4, Section 5, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), and has not experienced any market disruptions nor issues with capacity. The Exchange’s surveillance programs currently in place to support and properly monitor trading in these Quarterly Options Series, as well as Short Term Option Series and standard expiration series, will apply to the proposed Monthly Options Series. The Exchange believes its surveillances continue to be designed to deter and detect violations of its Rules, including position and exercise

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<sup>16</sup> Pursuant to Options 4A, Section 10, exercise limits for index option contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Options 4A, Section 6 or Section 7.

<sup>17</sup> This additional rule text will further clarify the current rule text for the existing Short Term Option Series and Quarterly Options Series programs in Options 4A, Section 12.

limits and possible manipulative behavior, and these surveillances will apply to Monthly Options Series that the Exchange determines to list for trading. Ultimately, the Exchange does not believe the proposed rule change raises any unique regulatory concerns because existing safeguards — such as position and exercise limits (and the aggregation of options overlying the same index) and reporting requirements — would continue to apply.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>18</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>19</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>20</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the introduction of Monthly Options Series

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

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

<sup>20</sup> Id.

will remove impediments to and perfect the mechanism of a free and open market and a national market system by expanding hedging tools available to market participants. The Exchange believes the proposed monthly expirations will allow market participants to transact in the index options listed pursuant to the proposed rule change based on their timing as needed and allow them to tailor their investment and hedging needs more effectively. Further, the Exchange believes the availability of Monthly Options Series would protect investors and the public interest by providing investors with more flexibility to closely tailor their investment and hedging decisions in these options, thus allowing them to better manage their risk exposure.

The Exchange believes the Quarterly Options Series Program has been successful to date and the proposed Monthly Options Series program simply expands the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur at months' ends in the same way the Quarterly Options Series Program has expanded the landscape of hedging for quarter-end news. Monthly Options Series will also complement Short Term Option Series, which allow investors to hedge risk against events that occur throughout a month. The Exchange believes the availability of additional expirations should create greater trading and hedging opportunities for investors, as well as provide investors with the ability to tailor their investment objectives more effectively.

The Exchange notes the proposed terms of Monthly Options Series, including the limitation to five index option classes, are substantively the same as the current terms of Quarterly Options Series for ETF classes.<sup>21</sup> Quarterly Options Series expire on the last

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<sup>21</sup> See Options 4, Section 5. As noted herein, ISE will file a rule change to amend Options 4, Section 5 and BX's Options 4 rules are incorporated by reference to ISE's Options 4 rules.

business day of a calendar quarter, which is the last business day of every third month. The proposed Monthly Options Series would fill the gaps between Quarterly Options Series expirations by permitting series to expire on the last business day of every month, rather than every third month. The proposed Monthly Options Series may be listed in accordance with the same terms as Quarterly Options Series, including permissible strikes. As is the case with Quarterly Options Series, no Short Term Option Series may expire on the same day as a Monthly Options Series. Similarly, as proposed, no Monthly Options Series may expire on the same day as a Quarterly Options Series. The Exchange believes preventing listing series with concurrent expirations in a class will eliminate potential investors confusion and thus protect investors and the public interest. Given that the Exchange currently lists Quarterly Options Series in certain ETF classes pursuant to Options 4, Section 5, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), the Exchange currently lists are essentially Monthly Options Series that can expire at the end of only certain calendar months, the Exchange believes it is reasonable to list Monthly Options Series in accordance with the same terms, as it will promote just and equitable principles of trade. The Exchange believes limiting Monthly Options Series to five classes will ensure the addition of these new series will have a negligible impact on the Exchange's and OPRA's quoting capacity. The Exchange represents it has the necessary systems capacity to support new options series that will result from the introduction of Monthly Options Series.

The Exchange further believes the proposed rule change regarding the treatment of Monthly Options Series with respect to determining compliance with position and exercise limits is designed to prevent fraudulent and manipulative acts and practices and



promote just and equitable principles of trade. Monthly Options Series will be aggregated with options overlying the same index for purposes of compliance with position (and exercise) limits, which is consistent with how position (and exercise) limits are currently imposed on series with other expirations (Short Term Option Series, and Quarterly Options Series).<sup>22</sup> Therefore, options positions within index option classes for which Monthly Options Series are listed, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. The Exchange believes this will address potential manipulative schemes and adverse market impacts surrounding the use of options. The Exchange also represents its current surveillance programs will apply to Monthly Options Series and will properly monitor trading in the proposed Monthly Options Series. The Exchange currently trades Quarterly Options Series in certain index classes, which expire at the close of business at the end of four calendar months (i.e., the end of each calendar quarter), and has not experienced any market disruptions nor issues with capacity. The Exchange's surveillance programs currently in place to support and properly monitor trading in these Quarterly Options Series, as well as Short Term Option Series and standard expiration series, will apply to the proposed Monthly Options Series. The Exchange believes its surveillances continue to be designed to deter and detect violations of its Rules, including position and exercise limits and possible manipulative behavior, and these surveillances will apply to Monthly Options Series that the Exchange determines to list for trading. Ultimately, the Exchange does not believe the proposed rule change raises any unique regulatory concerns because existing safeguards — such as

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<sup>22</sup> See Cboe Monthly Approval Order; see also Options 4A, Section 6 regarding position limits for broad-based index options) and Options 4A, Section 7, Position Limits for Industry and Micro-Narrow Based Index Options. Pursuant to Options 4A, Section 10, exercise limits for index option contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Options 4A, Section 6 or Section 7.

position and exercise limits (and the aggregation of options overlying the same index) and reporting requirements — would continue to apply.

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 believe the proposed rule change to list Monthly Options Series will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as any Monthly Options Series the Exchange lists for trading will be available in the same manner for all market participants who wish to trade such options. The Exchange notes the proposed terms of Monthly Options Series, including the limitation to list up to five options classes that are either index options or options on ETFs, are substantively the same as the current terms of Quarterly Options Series.<sup>23</sup> Quarterly Options Series expire on the last business day of a calendar quarter, which is the last business day of every third month, making the concept of Monthly Options Series in a limited number of index options not novel. The proposed Monthly Options Series will fill the gaps between Quarterly Options Series expirations by permitting series to expire on the last business day of every month, rather than every third month. The proposed Monthly Options Series may be listed in accordance with the same terms as Quarterly Options Series, including permissible strikes.<sup>24</sup> Monthly Options Series will trade on the Exchange in the same manner as other options in the same class.

The Exchange does not believe the proposed rule change to list Monthly Options

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<sup>23</sup> See proposed Options 4A, Section 12(h)(2)(i).

<sup>24</sup> See supra note 5.

Series will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as nothing prevents other options exchanges from proposing similar rules.<sup>25</sup> As discussed above, the proposed rule change would permit listing Monthly Options Series in up to five options classes that are either index options or options on ETFs, as well as any other classes that other exchanges may list under similar programs. To the extent that the availability of Monthly Options Series makes the Exchange a more attractive marketplace to market participants at other exchanges, market participants are free to elect to become market participants on the Exchange.

The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition. Similar to Short Term Option Series and Quarterly Options Series, the Exchange believes the introduction of Monthly Options Series will not impose an undue burden on competition. The Exchange believes that it will, among other things, expand hedging tools available to market participants. The Exchange believes Monthly Options Series will allow market participants to purchase options based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

The Exchange does not believe the proposed rule change regarding aggregation of positions for purposes of determining compliance with position (and exercise) limits will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it will apply in the same manner to all market participants. The Exchange proposes to apply position (and exercise) limits to Monthly Options Series in the same manner it applies position limits to series with other

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<sup>25</sup> See Cboe Monthly Approval Order.

expirations (Short Term Option Series and Quarterly Options Series). Therefore, positions in options in a class of index options, regardless of their expirations, would continue to be subject to existing position (and exercise) limits. Additionally, the Exchange does not believe this proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it will address potential manipulative schemes and adverse market impacts surrounding the use of options.

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

No written comments were either solicited or received.

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

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

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the

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

<sup>27</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-BX-2023-032 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-2023-032. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-BX-2023-032 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>28</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>28</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

*New text is underlined; deleted text is in brackets.*

**Nasdaq BX, Inc. Rules**

\* \* \* \* \*

**Options 4A Options Index Rules**

\* \* \* \* \*

**Section 2. Definitions**

\* \* \* \* \*

(k) The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(l) The term "Monthly Options Series" means, for the purposes of Options 4A, a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar month.

([l]m) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current index value times the index multiplier.

([m]n) The term "Quarterly Option Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

([n]o) The term "reporting authority" with respect to a particular index means the institution or reporting service designated by BX as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on BX Options shall be specified in Options 4A at Supplementary Material to Section 2.

([o]p) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

([p]q) The term "underlying security" or "underlying securities" with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

\* \* \* \* \*

## Section 6. Position Limits for Broad-Based Index Options

\* \* \* \* \*

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract. Positions in Short Term Options Series, Monthly Options Series and Quarterly Options Series shall be aggregated with positions in options contracts of the same index.

## Section 7. Position Limits for Industry and Micro-Narrow Based Index Options

\* \* \* \* \*

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one (1) full-value contract. Positions in Short Term Options Series, Monthly Options Series and Quarterly Options Series shall be aggregated with positions in options contracts of the same index.

\* \* \* \* \*

## Section 12. Terms of Index Options Contracts

(a) General.

\* \* \* \* \*

(3) Expiration Months and Weeks. Index options contracts may expire at three (3)[-]month intervals [or ]in consecutive months, or in consecutive weeks (as specified by class below). BX Options may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out (except as specified below).

\* \* \* \* \*

(h)

(1) **Short Term Option Series Program.** After an index 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 on the Friday of the following business week that is a business day and are not Fridays in which standard expiration options series, Monthly Options Series, or Quarterly Options Series expire ("Short Term Option Expiration Date"). 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 the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:



\* \* \* \* \*

(ii) Expiration. No Short Term Option Series on an index option class may expire in the same week during which any [monthly]standard expiration option series on the same index class expire or, in the case of Monthly Options Series or Quarterly Options Series, on an expiration that coincides with an expiration of Monthly Options Series or Quarterly Option Series on the same index class.

\* \* \* \* \*

**(2) Monthly 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 month (“Monthly Options Series”).

**(i) Classes.** The Exchange may list Monthly Options Series for up to five currently listed option classes that are either index options or options on ETFs. In addition, the Exchange may also list Monthly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

**(ii) Expiration.** The Exchange may list 12 expirations for Monthly Options Series. Monthly Options Series expirations need not be for consecutive months; however, the expiration date of a nonconsecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. No Monthly Options Series may expire on a date that coincides with an expiration date of a Quarterly Options Series in the same index or ETF class. Other expirations in the same class are not counted as part of the maximum numbers of Monthly Options Series expirations for a class.

**(iii) Settlement.** Monthly Options Series will be P.M.-settled.

**(iv) Initial Series.** The strike price of each Monthly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index or price of the underlying security at about the time that a Monthly Options Series is opened for trading on the Exchange. The Exchange will list strike prices for Monthly Options Series that are reasonably related to the current price of the underlying security or current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on the Exchange. The term “reasonably related to the current price of the underlying security or index value of the underlying index” means that the exercise price is within 30% of the current underlying security price or index value.

**(v) Additional Series.** Additional Monthly Options Series of the same class may be open 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 will be within 30% above or below the closing price of the underlying index or security on the preceding day. The Exchange may also open additional strike prices of Monthly Options Series that are more than 30% above or below the current price of the underlying index or security, 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 will not be considered when determining customer interest under this provision. The opening of the new Monthly Options Series will not affect the series of options in the same class previously opened.

(vi) **Strike Interval.** The interval between strike prices on Monthly Options Series will 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.

(vii) **Delisting Policy.**

(A) With respect to Monthly Options Series added pursuant to subparagraphs (a) through (f) above, the Exchange will, on a monthly basis, review series that are outside a range of five strikes above and five strikes below the current price of the underlying index or security, and delist 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.

(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Monthly Options Series in series eligible for delisting will be granted.

(C) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange will notify other options exchanges with similar delisting policies regarding eligible series for delisting and will 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 Monthly Options Series.

\* \* \* \* \*