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

File No. * SR 2025 - * 006

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"/>
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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)

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 *).

A proposed rule to amend various Options 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 * Last Name *

Title *

E-mail *

Telephone * 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 (Title *)

By
(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: 2025.01.28
17:07:12 -05'00'

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 EDFS website.

Form 19b-4 Information *

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SR-BX-2025-006 19b4.docx

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-2025-006 Exhibit 1.docx

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

Add Remove View

SR-BX-2025-006 Exhibit 5.docx

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”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule to amend various options rules to: (1) amend the treatment of responses in the Price Improvement Auction (“PRISM”) in Options 3 Section 13 and clarify how multiple responses are treated; and (2) describe the application of Acceptable Trade Range at Options 3, Section 15(b)(1).

A notice of the proposed rule change for publication in the Federal Register is attached hereto 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend various Options 3, Options Trading Rules: Section 13, Price Improvement Auction (“PRISM”); and Section 15, Simple Order Risk Protections. The Exchange also proposes to reserve Options 3A. Each change will be described below.

Auction Responses

The Exchange proposes to amend the Price Improvement Auction (“PRISM”) at Options 3, Section 13(ii)(A)(8) to amend the current System behavior with respect to the handling of PAN responses. Today, a PAN response must be equal to or better than the displayed NBBO on both sides of the market at the time of receipt of the PAN response. While the current rule does not make this clear, this represents the Exchange’s current practice.

Specifically, the Exchange proposes to amend the System behavior to permit a PAN response to the PRISM auction to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the PRISM auction and on the opposite side of the market at the time the PAN Response is received. Utilizing the price of the market at the start of the PRISM auction, for the same side check, would prevent an order or quote from potentially manipulating the final auction price by changing the internal BBO/NBBO while not fully satisfying the PRISM Order, thus preventing PAN responses from being entered at a price that improves the stop price of the PRISM auction, but remains inferior to the price of such initial order or quote. In contrast, for the opposite side check, it is not necessary to use the price of the

market at the time of the start of the PRISM auction because potential manipulation cannot occur on the opposite side check as the NBBO cannot be updated on the same side by submitting interest into the PRISM auction. The proposed amendment is intended to prevent potential auction manipulation which can occur when an order/quote is entered at a price that improves the price of the PRISM Order.

The Exchange proposes to amend the current rule because, in certain cases, the current rule prevents other responses to that auction to be entered at a price that improves the price of the PRISM Order, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. By way of example, during a PRISM auction, once an order or quote is received on the opposite side of the PRISM Order which is marketable with the PRISM Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PRISM Order, since it has changed the internal BBO/NBBO, it now prevents PAN Responses which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the PRISM Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the PRISM auction, the Exchange believes that better priced responses would be permitted to trade with the PRISM Order. Today, those better priced responses would be rejected. The proposed amendments would allow the PRISM Order to potentially trade at improved prices.

Below are examples of this functionality change.

Example 1

Internal BBO – \$1.15 x \$1.30

NBBO – \$1.10 x \$1.35

PRISM Auction Order to sell is entered with Customer on agency side selling 100 contracts with a stop price of \$1.18.

Order 1 is entered to Buy 1 @ \$1.25 – accepted based on market at start of auction \$1.15 x \$1.30.

PAN Response 1 is entered to Buy 100 @ \$1.20 – With entry check modification, accepted based on market at start of auction \$1.15 x \$1.30.

Under current system entry checks, PAN Response 1 would be rejected because the System would look at the market of \$1.25 x \$1.30, and the PRISM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with Order 1 at \$1.25 and with a final auction price of \$1.18. The remainder of the PRISM Order would trade with the contra-side at \$1.18.

Under new system entry checks, the PRISM Auction would conclude and partially trade with Order 1 at \$1.25 and then trade the remainder of the PRISM Order at a price of \$1.20 based off of the acceptance of PAN Response 1.

Example 2

Internal BBO – \$23.90 x \$28.50

NBBO – \$23.90 x \$28.50 (Singly listed on BX)

PRISM Auction Order to sell is entered with Customer on agency selling 100 contracts with a PRISM Order price of \$26.20.

Quote is entered to buy 1 contract @ \$27.40 (updating NBBO to \$27.40 x \$28.50)

PAN Response 1 is entered to Buy 100 @ \$26.72 – With entry check modification, accepted based on market at start of auction \$23.90 x \$28.50.

Under current System entry checks, PAN Response 1 would be rejected because the System would look at the market of \$27.40 x \$28.50, and the PRISM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with quote @ \$27.40 and with contra at a final auction price of \$26.20.

Under new System entry checks, the PRISM Auction would conclude and partially trade with quote @ \$27.40 and with PAN response and contra (assuming the contra elected to automatically match the response) at a final auction price of \$26.72 based off of the acceptance of PAN Response 1.

The Exchange is not amending Options 3, Section 13(i)(C) because the same side

of the market entry check currently conforms to Phlx Options 3, Section 13(a)(3) which requires that on the same side of the market as the PIXL Order, the better of: (i) the Reference BBO price improved by at least \$0.01, (ii) the PIXL Order's limit price (if the order is a Limit Order), or (iii) equal to or better than the NBBO. In harmonizing its auction rules, the Exchange is conforming to Phlx PIXL entry checks. Currently, on Phlx, if the PIXL Order is for a Non-Public Customer, the PIXL Order must also be better than any quote on the same side of the market as the PIXL Order. On BX, Public Customers may start a PRISM Auction equal to a quote as these market participants would have priority over all other market participants if a Public Customer were to submit an order to the order book. In contrast, a broker dealer or any other person or entity that is not a Public Customer would not have this priority with respect to a Market Maker quote. The Exchange's current rule text at Options 3, Section 13(i)(C) is the same as Phlx Options 3, Section 13(a)(3).

Options 3, Section 13

The Exchange proposes to amend Options 3, Section 13(i)(A) and (B) to align its entry check with Phlx Options 3, Section 13, Price Improvement XL ("PIXL"), entry checks. Specifically, the Exchange proposes to amend its entry check at Options 3, Section 13(i)(A) where the PRISM Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer ("NBBO") or the difference between the internal best bid and the internal best offer is \$0.01; currently, the Crossing Transaction must be entered at a price that is: \$0.01 better than the NBBO and the internal BBO on the opposite side of the market from the PRISM Order and on the same side of the market as the PRISM Order, (a) equal to or better than the NBBO and

(b) better than any Limit Order or quote on the Limit Order book. At this time, the Exchange proposes to instead provide that where a PRISM Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is \$0.01, the Crossing Transaction must be entered at a price that is: on the same side of the market as the PRISM Order, (i) equal to or better than the NBBO and (ii) *better than any Limit Order on the Limit Order book. If the PRISM Order is for a Non-Public Customer, the PRISM Order must also be better than any quote on the same side of the market as the PRISM Order.* Today, Phlx Options 3, Section 13(a)(1)(B)(ii) has this identical entry check. With this proposed change, if the PRISM Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is on the same side of the market as the PRISM Order, equal to or better than the NBBO³ and better than any Limit Order on the Limit Order Book. The Exchange is removing the check against the quote for Public Customers, similar to Phlx. If the PRISM Order is for a Non-Public Customer, the PRISM Order must also be better than any quote on the same side of the market as the PRISM Order. The System will check if the PRISM Order is better than any quote on the same side of the market as the PRISM Order if the PRISM Order is for a Non-Public Customer.

Additionally, the Exchange proposes to amend BX Options 3, Section 13(i)(B). Currently, Options 3, Section 13(i)(B) provides if an PRISM Order is for the account of a

³ For example, if the market is 0.98 bid and 0.99 offer, a Public Customer Agency Order to buy for less than 50 contracts must be stopped at 0.98 cents in this scenario to be accepted into a PRISM Auction, provided there is no resting order or quote on the Limit Order book at 0.98 in which case the PRISM Order would be rejected.

Public Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is: (1) equal to or better than the internal BBO and NBBO on the opposite side of the market from the PRISM Order, and (2) on the same side of the market as the PRISM Order, (i) at least \$0.01 better than any Limit Order or quote on the Limit Order book, and (ii) equal to or better than the NBBO. At this time, the Exchange proposes to amend the same side prong of the entry check to require PRISM Order is for the account of a Public Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is: on the same side of the market as the PRISM Order, (i) at least \$0.01 better than any Limit Order on the Limit Order Book, and (ii) equal to or better than the NBBO which is identical to Phlx Options 3, Section 13(a)(2)(B)(ii). The eligibility requirements if the PRISM Order is for the account of a Public Customer and such order is for 50 option contracts or more should provide a meaningful opportunity for price improvement, and thereby benefit investors and others in a manner that is consistent with the Act.

The Exchange proposes to amend Options 3, Section 13(ii)(10) to add language regarding PAN responses in a PRISM Auction. Today, multiple PAN responses from the same Participant may be submitted during the Auction. Multiple PAN responses at a particular price point submitted by a Participant in response to an exposure period may not exceed, in the aggregate, the size of the PRISM Order. However, a Participant using

the same badge⁴/mnemonic⁵ may only submit a single PAN response per auction ID for a given auction. If an additional PAN response is submitted for the same auction ID from the same badge/mnemonic, then that PAN response will automatically replace the previous PAN response. The Exchange proposes to make clear in its rules that it would not allow Participants to submit multiple PAN responses using the same badge/mnemonic and would also not aggregate all of those PAN responses at the same price. The Exchange proposes to make clear that additional PAN responses from the same badge/mnemonic for the same auction ID will automatically replace the previous PAN responses. This foregoing handling of PAN responses is consistent with the current System handling of PAN responses.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add “quotes” in two places that were inadvertently missed and correct a typographical error with “Participants”. Today, the Acceptable Trade Range considers both quotes and orders. The Exchange inadvertently left out the word “quote” in two places. Further, in order to bring clarity to the rule change, the Exchange proposes to state, “if the orders/quotes would post at the outer limit of the Acceptable Trade Range” instead of “if posted at the outer limit of the Acceptable Trade Range.” This additional rule text brings additional clarity that this is an order entry check. The typographical correction changes “Participants” to the singular “Participant.” A similar change was

⁴ A “badge” means an account number, which may contain letters and/or numbers, assigned to BX Market Makers. A BX Market Maker account may be associated with multiple badges. See Options 1, Section 1(a)(6).

⁵ A “mnemonic” means an acronym comprised of letters and/or numbers assigned to Participants. A Participant account may be associated with multiple mnemonics. See Options 1, Section 1(a)(32).

made on The Nasdaq Stock Market, LLC related to Acceptable Trade Range previously.⁶

Finally, the Exchange proposes to reserve Options 3A. The Exchange is proposing rules in Options 3A on Nasdaq ISE, LLC and there will not be similar rules on BX.

Implementation

The Exchange proposes to specify an implementation date other than 30 days from the filing for the proposed amendments to PAN responses that amend the PRISM Auction in Options 3, Section 13(ii)(A)(8). The Exchange proposes to implement these changes on or before Q2 2026. Additionally, the Exchange proposes to amend the rule change related to the entry checks in Options 3, Section 13(i)(A) and (B) on or before the end of Q2 2026. The Exchange will specify the exact dates for each of the proposed changes in an Options Trader Alert at least 30 days prior to the operative date.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁸ in particular, in that it is designed to promote just and equitable principles of trade, 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.

Auction Responses

⁶ See Securities Exchange Release Act No. 97870 (July 10, 2023), 88 FR 45248 (July 14, 2023) (SR-NASDAQ-2023-018). In this rule change, a similar change was made to add the word “quote” where it was inadvertently omitted. The Acceptable Trade Range Rule in BX, which is similar to NOM, applies to quotes and orders.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

The Exchange's proposal to amend the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses is consistent with the Act because the proposed rule change is intended to protect investors and the public interest. By way of example, during a PRISM auction, once an order or quote is received on the opposite side of the PRISM Order which is marketable with the PRISM Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PRISM Order, since it has changed the internal BBO/NBBO, it now prevents PAN Responses which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the PRISM Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the PRISM auction, the Exchange believes that better priced responses would be permitted to trade with the PRISM Order. Today, those better priced responses would be rejected. This proposal would permit a response to these auctions to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the auction and on the opposite side of the market at the time the Response is received, thereby preventing potential auction manipulation which can occur when an order/quote is entered at a price that improves the price of the PRISM Order. This amendment would allow other responses to that auction to be entered at a price that improves the price of the PRISM Order, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. Utilizing the price of the market at the start of the PRISM auction, for the same side check, would prevent an order or quote from potentially manipulating the final auction price by

changing the internal BBO/NBBO while not fully satisfying the PRISM Order, thus preventing PAN responses from being entered at a price that improves the stop price of the PRISM auction, but remains inferior to the price of such initial order or quote. The entry checks differ for the same and opposite sides of the market because manipulation may not occur on the opposite side of the response because only interest on the same side of the response will be eligible to trade with the auctioned order. The proposed amendments would allow orders to potentially trade at improved prices.

Options 3, Section 13

Amending BX's entry checks at Options 3, Section 13(i)(A) and (B) such that an Agency Order for a Public Customer, in addition to being equal to or better than the NBBO, must be better than any Limit Order on the same side of the market as the PRISM Order, and not a quote is consistent with the Act because this proposal will allow additional PRISM Auctions to commence for Public Customer Agency Orders since the entry check would not consider quotes. The Exchange will continue to consider all interest (quotes and orders) for Non-Public Customers as is the case today. This change will not impact the handling of orders and quotes and their respective priority on the Limit Order book. This proposed change is being made for orders of Public Customers that are less than 50 contracts and for orders that are more than 50 contracts. Public Customers will continue to be guaranteed at least the NBBO when commencing PRISM Orders and will continue to not trade-through the Exchange's order book. The Exchange believes that the proposal should continue to provide a Public Customer Agency Order a meaningful opportunity for price improvement, and thereby benefit investors and others

in a manner that is consistent with the Act. The proposal is identical to PIXL entry checks at Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B).

The Exchange's proposal to amend Options 3, Section 13(ii)(A)(8) to add language regarding PAN responses in a PRISM Auction is consistent with the Act. The proposal makes clear the current handling of PAN responses by not allowing Participants to submit multiple PAN responses using the same badge/mnemonic and would also not aggregate all of those PAN responses at the same price. Further, additional PAN responses from the same badge/mnemonic for the same auction ID will automatically replace the previous PAN responses. This foregoing handling of PAN responses protects investors and the public interest.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add "quotes" in two places that were inadvertently missed, amend the wording of rule text for clarity and correct a typographical error with "Participants" are non-substantive amendments.

Finally, the Exchange's proposal to reserve Options 3A is a non-substantive rule change.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

Auction Responses

The Exchange's proposal to the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses does not impose an undue burden on intra-market competition as this amendment will be applied uniformly to all orders entered into PRISM.

The Exchange's proposal to amend the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses does not impose an undue burden on inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 13

The Exchange's proposal to amend Options 3, Section 13(i)(A) and (B) to add language regarding PAN responses in a PRISM Auction does not impose an undue burden on intra-market competition because the Exchange would handle all PAN responses in a PRISM in a uniform manner.

The Exchange's proposal to amend Options 3, Section 13(i)(A) and (B) to add language regarding PAN responses in a PRISM Auction does not impose an undue burden on inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add "quotes" in two places that were inadvertently missed, amend the wording of rule text for clarity and correct a typographical error with "Participants" are non-substantive amendments.

Finally, the Exchange's proposal to reserve Options 3A is a non-substantive rule change.

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

The Exchange does not consent to an extension of the time period for Commission action.

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)⁹ of the Act and Rule 19b-4(f)(6) thereunder¹⁰ 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 interest. The Exchange's proposal to amend the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses does not significantly affect the protection of investors or the public interest because the proposal would permit a response to these auctions to be entered at a price that is equal to or better than the better

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 17 CFR 240.19b-4(f)(6).

of the internal BBO or the NBBO on the same side of the market at the start of the auction, thereby preventing potential auction manipulation which can occur when an order/quote is entered at a price that improves the PRISM Order. Further, this amendment would allow other responses to that auction to be entered at a price that improves the price of the order to be facilitated, Agency Order or Crossing Transaction, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. The proposed amendments would allow a PRISM Order to potentially trade at improved prices. Amending BX's entry checks at Options 3, Section 13(i)(A) and (B) such that an Agency Order for a Public Customer, in addition to being equal to or better than the NBBO, must be better than any Limit Order on the same side of the market as the PRISM Order, and not a quote does not significantly affect the protection of investors or the public interest because this proposal will allow additional PRISM Auctions to commence for Public Customer Agency Orders since the entry check would not consider quotes but will continue to trade-through the Exchange's order book. The Exchange will continue to consider all interest (quotes and orders) for Non-Public Customers as is the case today. The proposal is identical to PIXL entry checks at Phlx Options 3, Section 13(a)(1)(B)(ii). The Exchange's proposal to amend Options 3, Section 13(ii)(A) and (a)(2)(B). The Exchange's proposal to amend Options 3, Section 13 to add language regarding PAN responses in a PRISM Auction does not significantly affect the protection of investors or the public interest because the Exchange would not allow Participants to submit multiple PAN responses using the same badge/mnemonic and would also not aggregate all of those PAN responses at the same price. Further, additional PAN responses from the same badge/mnemonic for the same auction ID will automatically

replace the previous PAN responses. The Exchange's proposal to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add "quotes" in two places that were inadvertently missed and correct a typographical error with "Participants" are non-substantive amendments. Finally, the Exchange's proposal to reserve Options 3A is a non-substantive rule change.

The Exchange's proposal to the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses does not impose any significant burden on competition as this amendment will be applied uniformly to all orders entered into PRISM. The Exchange's proposal to amend Options 3, Section 13(i)(A) and (B) to add language regarding PAN responses in a PRISM Auction does not impose any significant burden on competition because the Exchange would handle all PAN responses in a PRISM in a uniform manner. The Exchange's proposal to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add "quotes" in two places that were inadvertently missed, amend the wording of rule text for clarity and correct a typographical error with "Participants" are non-substantive amendments.

Furthermore, Rule 19b-4(f)(6)(iii)¹¹ 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

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

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

The Exchange proposal to amend the PRISM entry checks in Options 3, Section 13(i)(A) and (B) is identical to Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B).

The Exchange proposal to amend Options 3, Section 15(b)(1)(A), related to the Acceptable Trade Range, is identical to behavior at BX Options 3, Section 15(b)(1)(A).

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

Not applicable.

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

Not applicable.

11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-BX-2025-006)

January __, 2025

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Various Options Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 28, 2025, 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 various options rules to: (1) amend the treatment of responses in the Price Improvement Auction (“PRISM”) in Options 3 Section 13 and clarify how multiple responses are treated; and (2) describe the application of Acceptable Trade Range at Options 3, Section 15(b)(1).

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/bx/rulefilings>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend various Options 3, Options Trading Rules: Section 13, Price Improvement Auction ("PRISM"); and Section 15, Simple Order Risk Protections. The Exchange also proposes to reserve Options 3A. Each change will be described below.

Auction Responses

The Exchange proposes to amend the Price Improvement Auction ("PRISM") at Options 3, Section 13(ii)(A)(8) to amend the current System behavior with respect to the handling of PAN responses. Today, a PAN response must be equal to or better than the displayed NBBO on both sides of the market at the time of receipt of the PAN response. While the current rule does not make this clear, this represents the Exchange's current practice.

Specifically, the Exchange proposes to amend the System behavior to permit a PAN response to the PRISM auction to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the PRISM auction and on the opposite side of the market at the time the PAN Response

is received. Utilizing the price of the market at the start of the PRISM auction, for the same side check, would prevent an order or quote from potentially manipulating the final auction price by changing the internal BBO/NBBO while not fully satisfying the PRISM Order, thus preventing PAN responses from being entered at a price that improves the stop price of the PRISM auction, but remains inferior to the price of such initial order or quote. In contrast, for the opposite side check, it is not necessary to use the price of the market at the time of the start of the PRISM auction because potential manipulation cannot occur on the opposite side check as the NBBO cannot be updated on the same side by submitting interest into the PRISM auction. The proposed amendment is intended to prevent potential auction manipulation which can occur when an order/quote is entered at a price that improves the price of the PRISM Order.

The Exchange proposes to amend the current rule because, in certain cases, the current rule prevents other responses to that auction to be entered at a price that improves the price of the PRISM Order, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. By way of example, during a PRISM auction, once an order or quote is received on the opposite side of the PRISM Order which is marketable with the PRISM Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PRISM Order, since it has changed the internal BBO/NBBO, it now prevents PAN Responses which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the PRISM Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the PRISM auction, the Exchange

believes that better priced responses would be permitted to trade with the PRISM Order. Today, those better priced responses would be rejected. The proposed amendments would allow the PRISM Order to potentially trade at improved prices.

Below are examples of this functionality change.

Example 1

Internal BBO – \$1.15 x \$1.30

NBBO – \$1.10 x \$1.35

PRISM Auction Order to sell is entered with Customer on agency side selling 100 contracts with a stop price of \$1.18.

Order 1 is entered to Buy 1 @ \$1.25 – accepted based on market at start of auction \$1.15 x \$1.30.

PAN Response 1 is entered to Buy 100 @ \$1.20 – With entry check modification, accepted based on market at start of auction \$1.15 x \$1.30.

Under current system entry checks, PAN Response 1 would be rejected because the System would look at the market of \$1.25 x \$1.30, and the PRISM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with Order 1 at \$1.25 and with a final auction price of \$1.18. The remainder of the PRISM Order would trade with the contra-side at \$1.18.

Under new system entry checks, the PRISM Auction would conclude and partially trade with Order 1 at \$1.25 and then trade the remainder of the PRISM Order at a price of \$1.20 based off of the acceptance of PAN Response 1.

Example 2

Internal BBO – \$23.90 x \$28.50

NBBO – \$23.90 x \$28.50 (Singly listed on BX)

PRISM Auction Order to sell is entered with Customer on agency selling 100 contracts with a PRISM Order price of \$26.20.

Quote is entered to buy 1 contract @ \$27.40 (updating NBBO to \$27.40 x \$28.50)

PAN Response 1 is entered to Buy 100 @ \$26.72 – With entry check modification, accepted based on market at start of auction \$23.90 x \$28.50.

Under current System entry checks, PAN Response 1 would be rejected because the System would look at the market of \$27.40 x \$28.50, and the PRISM Auction would conclude after the timer has run the full 100 milliseconds and partially trade with quote @ \$27.40 and with contra at a final auction price of \$26.20.

Under new System entry checks, the PRISM Auction would conclude and partially trade with quote @ \$27.40 and with PAN response and contra (assuming the contra elected to automatically match the response) at a final auction price of \$26.72 based off of the acceptance of PAN Response 1.

The Exchange is not amending Options 3, Section 13(i)(C) because the same side of the market entry check currently conforms to Phlx Options 3, Section 13(a)(3) which requires that on the same side of the market as the PIXL Order, the better of: (i) the Reference BBO price improved by at least \$0.01, (ii) the PIXL Order's limit price (if the order is a Limit Order), or (iii) equal to or better than the NBBO. In harmonizing its auction rules, the Exchange is conforming to Phlx PIXL entry checks. Currently, on Phlx, if the PIXL Order is for a Non-Public Customer, the PIXL Order must also be better than any quote on the same side of the market as the PIXL Order. On BX, Public Customers may start a PRISM Auction equal to a quote as these market participants would have priority over all other market participants if a Public Customer were to submit an order to the order book. In contrast, a broker dealer or any other person or entity that is not a Public Customer would not have this priority with respect to a Market Maker quote. The Exchange's current rule text at Options 3, Section 13(i)(C) is the same as Phlx Options 3, Section 13(a)(3).

Options 3, Section 13

The Exchange proposes to amend Options 3, Section 13(i)(A) and (B) to align its entry check with Phlx Options 3, Section 13, Price Improvement XL ("PIXL"), entry checks. Specifically, the Exchange proposes to amend its entry check at Options 3,

Section 13(i)(A) where the PRISM Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer (“NBBO”) or the difference between the internal best bid and the internal best offer is \$0.01; currently, the Crossing Transaction must be entered at a price that is: \$0.01 better than the NBBO and the internal BBO on the opposite side of the market from the PRISM Order and on the same side of the market as the PRISM Order, (a) equal to or better than the NBBO and (b) better than any Limit Order or quote on the Limit Order book. At this time, the Exchange proposes to instead provide that where a PRISM Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is \$0.01, the Crossing Transaction must be entered at a price that is: on the same side of the market as the PRISM Order, (i) equal to or better than the NBBO and (ii) *better than any Limit Order on the Limit Order book. If the PRISM Order is for a Non-Public Customer, the PRISM Order must also be better than any quote on the same side of the market as the PRISM Order.* Today, Phlx Options 3, Section 13(a)(1)(B)(ii) has this identical entry check. With this proposed change, if the PRISM Order is for less than 50 option contracts, and if the difference between the NBBO or the difference between the internal best bid and the internal best offer is \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is on the same side of the market as the PRISM Order, equal to or better than the NBBO³ and better than any Limit Order on the Limit Order Book. The Exchange is removing the check against the quote for Public Customers, similar to Phlx. If the PRISM Order is for a Non-Public

³ For example, if the market is 0.98 bid and 0.99 offer, a Public Customer Agency Order to buy for less than 50 contracts must be stopped at 0.98 cents in this scenario to be accepted into a PRISM Auction, provided there is no resting order or quote on the Limit Order book at 0.98 in which case the PRISM Order would be rejected.

Customer, the PRISM Order must also be better than any quote on the same side of the market as the PRISM Order. The System will check if the PRISM Order is better than any quote on the same side of the market as the PRISM Order if the PRISM Order is for a Non-Public Customer.

Additionally, the Exchange proposes to amend BX Options 3, Section 13(i)(B). Currently, Options 3, Section 13(i)(B) provides if an PRISM Order is for the account of a Public Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is: (1) equal to or better than the internal BBO and NBBO on the opposite side of the market from the PRISM Order, and (2) on the same side of the market as the PRISM Order, (i) at least \$0.01 better than any Limit Order or quote on the Limit Order book, and (ii) equal to or better than the NBBO. At this time, the Exchange proposes to amend the same side prong of the entry check to require PRISM Order is for the account of a Public Customer, and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal BBO is greater than \$0.01, a Crossing Transaction must be entered only at a price that is: on the same side of the market as the PRISM Order, (i) at least \$0.01 better than any Limit Order on the Limit Order Book, and (ii) equal to or better than the NBBO which is identical to Phlx Options 3, Section 13(a)(2)(B)(ii). The eligibility requirements if the PRISM Order is for the account of a Public Customer and such order is for 50 option contracts or more should provide a meaningful opportunity for price improvement, and thereby benefit investors and others in a manner that is consistent with the Act.

The Exchange proposes to amend Options 3, Section 13(ii)(10) to add language regarding PAN responses in a PRISM Auction. Today, multiple PAN responses from the same Participant may be submitted during the Auction. Multiple PAN responses at a particular price point submitted by a Participant in response to an exposure period may not exceed, in the aggregate, the size of the PRISM Order. However, a Participant using the same badge⁴/mnemonic⁵ may only submit a single PAN response per auction ID for a given auction. If an additional PAN response is submitted for the same auction ID from the same badge/mnemonic, then that PAN response will automatically replace the previous PAN response. The Exchange proposes to make clear in its rules that it would not allow Participants to submit multiple PAN responses using the same badge/mnemonic and would also not aggregate all of those PAN responses at the same price. The Exchange proposes to make clear that additional PAN responses from the same badge/mnemonic for the same auction ID will automatically replace the previous PAN responses. This foregoing handling of PAN responses is consistent with the current System handling of PAN responses.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add “quotes” in two places that were inadvertently missed and correct a typographical error with “Participants”. Today, the Acceptable Trade Range considers both quotes and orders. The Exchange inadvertently left out the word “quote” in two

⁴ A “badge” means an account number, which may contain letters and/or numbers, assigned to BX Market Makers. A BX Market Maker account may be associated with multiple badges. See Options 1, Section 1(a)(6).

⁵ A “mnemonic” means an acronym comprised of letters and/or numbers assigned to Participants. A Participant account may be associated with multiple mnemonics. See Options 1, Section 1(a)(32).

places. Further, in order to bring clarity to the rule change, the Exchange proposes to state, “if the orders/quotes would post at the outer limit of the Acceptable Trade Range” instead of “if posted at the outer limit of the Acceptable Trade Range.” This additional rule text brings additional clarity that this is an order entry check. The typographical correction changes “Participants” to the singular “Participant.” A similar change was made on The Nasdaq Stock Market, LLC related to Acceptable Trade Range previously.⁶

Finally, the Exchange proposes to reserve Options 3A. The Exchange is proposing rules in Options 3A on Nasdaq ISE, LLC and there will not be similar rules on BX.

Implementation

The Exchange proposes to specify an implementation date other than 30 days from the filing for the proposed amendments to PAN responses that amend the PRISM Auction in Options 3, Section 13(ii)(A)(8). The Exchange proposes to implement these changes on or before Q2 2026. Additionally, the Exchange proposes to amend the rule change related to the entry checks in Options 3, Section 13(i)(A) and (B) on or before the end of Q2 2026. The Exchange will specify the exact dates for each of the proposed changes in an Options Trader Alert at least 30 days prior to the operative date.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section

⁶ See Securities Exchange Release Act No. 97870 (July 10, 2023), 88 FR 45248 (July 14, 2023) (SR-NASDAQ-2023-018). In this rule change, a similar change was made to add the word “quote” where it was inadvertently omitted. The Acceptable Trade Range Rule in BX, which is similar to NOM, applies to quotes and orders.

6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁸ in particular, in that it is designed to promote just and equitable principles of trade, 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.

Auction Responses

The Exchange's proposal to amend the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses is consistent with the Act because the proposed rule change is intended to protect investors and the public interest. By way of example, during a PRISM auction, once an order or quote is received on the opposite side of the PRISM Order which is marketable with the PRISM Order, it changes the internal BBO and potentially the NBBO. If such initial order or quote does not comprise enough size to fully satisfy the PRISM Order, since it has changed the internal BBO/NBBO, it now prevents PAN Responses which improve the stop price of the auction from being entered at a price that is inferior to the initial order or quote, despite such initial order or quote's inability to satisfy the full volume of the PRISM Order at an improved price. By utilizing the better of the internal BBO or the NBBO at the start of the PRISM auction, the Exchange believes that better priced responses would be permitted to trade with the PRISM Order. Today, those better priced responses would be rejected. This proposal would permit a response to these auctions to be entered at a price that is equal to or better than the better of the internal BBO or the NBBO on the same side of the market at the start of the auction and on the opposite side of the market at the

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

time the Response is received, thereby preventing potential auction manipulation which can occur when an order/quote is entered at a price that improves the price of the PRISM Order. This amendment would allow other responses to that auction to be entered at a price that improves the price of the PRISM Order, but is inferior to such other quote/order responses which improved upon the internal BBO or NBBO. Utilizing the price of the market at the start of the PRISM auction, for the same side check, would prevent an order or quote from potentially manipulating the final auction price by changing the internal BBO/NBBO while not fully satisfying the PRISM Order, thus preventing PAN responses from being entered at a price that improves the stop price of the PRISM auction, but remains inferior to the price of such initial order or quote. The entry checks differ for the same and opposite sides of the market because manipulation may not occur on the opposite side of the response because only interest on the same side of the response will be eligible to trade with the auctioned order. The proposed amendments would allow orders to potentially trade at improved prices.

Options 3, Section 13

Amending BX's entry checks at Options 3, Section 13(i)(A) and (B) such that an Agency Order for a Public Customer, in addition to being equal to or better than the NBBO, must be better than any Limit Order on the same side of the market as the PRISM Order, and not a quote is consistent with the Act because this proposal will allow additional PRISM Auctions to commence for Public Customer Agency Orders since the entry check would not consider quotes. The Exchange will continue to consider all interest (quotes and orders) for Non-Public Customers as is the case today. This change will not impact the handling of orders and quotes and their respective priority on the

Limit Order book. This proposed change is being made for orders of Public Customers that are less than 50 contracts and for orders that are more than 50 contracts. Public Customers will continue to be guaranteed at least the NBBO when commencing PRISM Orders and will continue to not trade-through the Exchange's order book. The Exchange believes that the proposal should continue to provide a Public Customer Agency Order a meaningful opportunity for price improvement, and thereby benefit investors and others in a manner that is consistent with the Act. The proposal is identical to PIXL entry checks at Phlx Options 3, Section 13(a)(1)(B) and (a)(2)(B).

The Exchange's proposal to amend Options 3, Section 13(ii)(A)(8) to add language regarding PAN responses in a PRISM Auction is consistent with the Act. The proposal makes clear the current handling of PAN responses by not allowing Participants to submit multiple PAN responses using the same badge/mnemonic and would also not aggregate all of those PAN responses at the same price. Further, additional PAN responses from the same badge/mnemonic for the same auction ID will automatically replace the previous PAN responses. This foregoing handling of PAN responses protects investors and the public interest.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add "quotes" in two places that were inadvertently missed, amend the wording of rule text for clarity and correct a typographical error with "Participants" are non-substantive amendments.

Finally, the Exchange's proposal to reserve Options 3A is a non-substantive rule change.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

Auction Responses

The Exchange's proposal to the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses does not impose an undue burden on intra-market competition as this amendment will be applied uniformly to all orders entered into PRISM.

The Exchange's proposal to amend the PRISM Auction at Options 3, Section 13(ii)(A)(8) with respect to the handling of PAN responses does not impose an undue burden on inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 13

The Exchange's proposal to amend Options 3, Section 13(i)(A) and (B) to add language regarding PAN responses in a PRISM Auction does not impose an undue burden on intra-market competition because the Exchange would handle all PAN responses in a PRISM in a uniform manner.

The Exchange's proposal to amend Options 3, Section 13(i)(A) and (B) to add language regarding PAN responses in a PRISM Auction does not impose an undue burden on inter-market competition because other options exchanges may adopt a similar rule.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15(b)(1)(A), Acceptable Trade Range, to add "quotes" in two places that were inadvertently missed, amend the wording of rule text for clarity and correct a typographical error with "Participants" are non-substantive amendments.

Finally, the Exchange's proposal to reserve Options 3A is a non-substantive rule change.

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 Act⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁰

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

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 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. Please include file number SR-BX-2025-006 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-2025-006. 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-2025-006 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.¹¹

Sherry R. Haywood,

Assistant Secretary.

¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq BX, Inc. Rules

* * * * *

Options Rules

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Options 3 Options Trading Rules

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Section 13. Price Improvement Auction (“PRISM”)

A Participant may electronically submit for execution an order it represents as agent on behalf of a Public Customer, broker dealer, or any other entity (“PRISM Order”) against principal interest or against any other order (except as provided in sub-paragraph (i)(F) below) it represents as agent (an “Initiating Order”) provided it submits the PRISM Order for electronic execution into the PRISM Auction (“Auction”) pursuant to this Rule.

(i) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PRISM. A Participant (the “Initiating Participant”) may initiate an Auction provided all of the following are met:

(A) If the PRISM Order is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer (“NBBO”) or the internal BBO is \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is:

(1) \$0.01 better than the NBBO or the internal BBO on the **opposite side** of the market from the PRISM Order, and

(2) on the **same side** of the market as the PRISM Order,

(a) equal to or better than the NBBO, and

(b) better than any Limit Order [or quote]on the Limit Order book. If the PRISM Order is for a Non-Public Customer, the PRISM Order must also be better than any quote on the same side of the market as the PRISM Order.

(B) If the PRISM Order is for the account of a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO or the internal BBO is greater than \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is:

(1) equal to or better than the internal BBO and NBBO on the **opposite side** of the market from the PRISM Order, and

(2) on the **same side** of the market as the PRISM Order,

(a) at least \$0.01 better than any Limit Order [or quote]on the Limit Order book, and

(b) equal to or better than the NBBO.

* * * * *

(ii) Auction Process. Only one Auction may be conducted at a time in any given series. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(A) Auction Period and PRISM Auction Notification (“PAN”).

* * * * *

(8) A PAN response must be equal to or better than the better of the internal BBO and displayed NBBO: (1) on the same side of the market at the [time of receipt]start of the PRISM Auction[PAN response]; and (2) on the opposite side of the market at the time the PAN response is received. PAN responses may be modified or cancelled during the Auction. [A PAN response submitted with a price that is outside the NBBO will be rejected.]

(9) PAN responses on the same side of the market as the PRISM Order are considered invalid and will be rejected.

(10) Multiple PAN responses from the same Participant may be submitted during the Auction. Multiple orders at a particular price point submitted by a Participant in response to a PAN may not exceed, in the aggregate, the size of the PRISM Order. However, a Participant using the same badge/mnemonic may only submit a single PAN response per auction ID for a given auction. If an additional PAN response is submitted for the same auction ID from the same badge/mnemonic, then that PAN response will automatically replace the previous PAN response.

* * * * *

Section 15. Risk Protections

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(b) The following are order and quote risk protections on BX:

(1) **Acceptable Trade Range.** After the Opening Process, the system will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote will be allowed to execute. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e., the reference price - (x) for sell orders/quotes and the reference price + (x) for buy orders/quotes). Upon receipt of a new order/quotes, the reference price is the better of the NBB or internal best bid for sell orders/quotes and the better of the NBO or internal best offer for buy orders/quotes or the last price at which the order/quote is posted whichever is higher for a

buy order/quote or lower for a sell order/quote. The Acceptable Trade Range will not be available for All-or-None Orders or Minimum Quantity Orders.

(A) If an order/quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the order/quote or an updated NBB for buy orders/quotes or the NBO for sell orders/quotes (whichever is higher for a buy order/quote or lower for a sell order/quotes) then becomes the reference price for calculating a new Acceptable Trade Range. If the order/quote remains unexecuted after the Posting Period, a new Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Threshold Price, unless a Participant[s] has requested that their orders or quotes be returned if the orders/quotes would post[ed] at the outer limit of the Acceptable Trade Range (in which case, the orders/quotes will be returned). This process will repeat until either (i) the order/quote is executed, cancelled, or posted at its limit price or (ii) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

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Options 3A Reserved

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