

*Electronic Comments*

- Use the Commission's internet comment form (<http://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-Phlx-2021-28 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-Phlx-2021-28. 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2021-28 and should be submitted on or before June 7, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

[FR Doc. 2021-10276 Filed 5-14-21; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-91838; File No. SR-BX-2021-020]

**Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend BX Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections**

May 11, 2021.

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 April 29, 2021, Nasdaq BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend BX Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it 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 the Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

The Exchange proposes to amend BX's Rules at Options 3, Section 15, Risk Protections, to describe Size Limitation and note its application to Opening Only Orders and Immediate-or-Cancel Orders within Options 3, Section 7(b)(1) and (2), respectively. Also, technical changes are proposed within Options 3, Section 7(e)(1)(B) which describes the Specialized Quote Feed or "SQF".<sup>3</sup> Each change is described below.

**Options 3, Section 15**

The Exchange proposes to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) to describe within its rules a current limitation that exists today as to number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.<sup>4</sup> Today, Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") describe this limitation within those rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange also proposes to amend Options 3, Section 7(b)(1) which describes an Opening Only or "OPG" order. Today, an OPG order can only be executed in the Opening Process pursuant to Options 3, Section 8. The rule currently states that this order type is not subject to any protections listed

<sup>3</sup> SQF is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) Options symbol directory messages (e.g., underlying instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively. See Options 3, Section 7(e)(1)(B).

<sup>4</sup> The Exchange will propose a similar rule change to Nasdaq Phlx LLC and The Nasdaq Stock Market LLC.

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

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

<sup>7</sup> 17 CFR 200.30-3(a)(12).

in Options 3, Section 15 describing risk protections. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange proposes to note within Options 3, Section 7(b)(1) that OPG orders are subject to Size Limitation. OPG orders are entered during the Opening Process utilizing “Financial Information eXchange” or “FIX”.<sup>5</sup>

Similarly, the Exchange proposes to amend Options 3, Section 7(b)(2) which describes an Immediate-or-Cancel Order or “IOC” order. Today, the Exchange describes an IOC order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.<sup>6</sup> Options 3, Section 7(b)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a Market Maker or a Lead Market Maker<sup>7</sup> through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2) respectively. With the proposed addition of the Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who may not have their own risk settings, unlike BX Options Market Makers.

BX Options Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is

vital for BX Options Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. BX Options Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange, BX Options Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a BX Options Market Maker’s erroneous order from being entered. The Exchange believes that BX Options Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing BX Options Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.<sup>8</sup> Thus, the Exchange opted to not offer Order Price Protection, Market Order Spread Protection, and Size Limitation for IOC orders entered through SQF because BX Options Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk.

#### Other Non-Substantive Amendments

The Exchange proposes to amend the description of a Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word “request” and also add an “,” after an *e.g.*, to conform the punctuation in the paragraph.

The Exchange also proposes to remove the final sentence of Options 3, Section 7(e)(1)(B) that states, “Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively.” This sentence is duplicative of information contained within Options 3, Section 7(b)(2)(B), which the Exchange is amending in this proposal. The Exchange proposes to remove the final sentence of Options 3, Section 7(e)(1)(B)

as the information is contained elsewhere.

#### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

#### Options 3, Section 15

The Exchange’s proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) is consistent with the Act. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. Orders or quotes that exceed the maximum number of contracts are rejected. This System limitation is the same on all Nasdaq affiliated exchanges.<sup>11</sup> Today, ISE, GEMX and MRX describe this limitation within those rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange’s proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders is consistent with the Act as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

The Exchange’s proposal to amend Options 3, Section 7 with respect to IOC orders is consistent with the Act. Today, the Exchange describes an IOC Order as a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.<sup>12</sup> BX Options 3, Section 7(b)(2)(B) provides that IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a BX Options Market Maker through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2) respectively. With the proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through

<sup>5</sup> FIX is an interface that allows Participants and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) Execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(e)(1)(A).

<sup>6</sup> See BX Options 3, Section 7(b)(2). The Exchange also notes that IOC orders entered with a TIF of IOC are not eligible for routing.

<sup>7</sup> The Exchange proposes to utilize the word “BX Options Market Maker” to collectively refer to Lead Market Makers and Market Makers throughout the remainder of this rule change.

<sup>8</sup> BX Options Market Makers have intra-day quoting obligations as specified in Options 2, Section 5.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> See *supra* note 4.

<sup>12</sup> See BX Options 3, Section 7(b)(2).

SQF. The Exchange notes these exceptions within this rule to make clear that this information is available to market participants within the description of an IOC.

The Exchange notes that while only orders are entered into FIX, SQF is a quote protocol which also permits BX Options Market Makers to enter IOC orders that do not rest on the order book. The Exchange has not elected to utilize Size Limitation on SQF orders as it did for FIX because BX Options Market Makers only utilize SQF to enter IOC orders and BX Options Market Makers are professional traders with their own risk settings. FIX, on the other hand, is utilized by all market participants who unlike BX Options Market Makers may not have their own risk settings. BX Options Market Makers utilize IOC orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these IOC orders to offload risk, is vital for BX Options Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. BX Options Market Makers handle a large amount of risk when quoting and in addition to the risk protections required by the Exchange. BX Options Market Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a BX Options Market Maker's erroneous order from being entered. The Exchange believes that BX Options Market Makers, unlike other market participants, have the ability to manage their risk when submitting IOC orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants.

The Exchange believes that allowing BX Options Market Makers to submit IOC orders through their preferred protocol increases their efficiency in submitting such orders and thereby allows them to maintain quality markets to the benefit of all market participants that trade on the Exchange. Further, unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.<sup>13</sup> The Exchange believes not offering Size Limitation for IOC orders entered through SQF is consistent with the Act because BX Options Market Makers have more sophisticated infrastructures than other

market participants and are able to manage their risk.

#### Other Non-Substantive Amendments

The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an *e.g.*, to conform the punctuation in the paragraph is consistent with the Act. These amendments are non-substantive.

The Exchange's proposal to remove the final sentence of Options 3, Section 7(e)(1)(B) that states, "Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively" is consistent with the Act. This sentence is duplicative of information contained within Options 3, Section 7(b)(2)(B), which the Exchange is amending in this proposal. The Exchange proposes to remove the final sentence of Options 3, Section 7(e)(1)(B) as the information is contained elsewhere.

#### *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.

#### Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) does not impose an undue burden on competition. The proposed amendment is intended to describe a current limitation that exists today as to the number of contracts an incoming order or quote may specify. This System limitation is the same on all Nasdaq affiliated exchanges.<sup>14</sup> Today, ISE, GEMX and MRX describe this limitation within its rules at Options 3, Section 15(a)(2)(B). BX proposes to similarly describe this limitation in its rules.

The Exchange's proposal to amend Options 3, Section 7(b)(1) to make clear that Size Limitation applies to OPG orders does not impose an undue burden on competition as this rule text will clarify the existing language and make clear that Size Limitation is applicable to this order type. OPG orders are entered during the Opening Process utilizing FIX.

The Exchange's proposal to amend Options 3, Section 7 with respect to IOC orders does not impose an undue burden on competition. With the

proposed addition of Size Limitation to proposed new Options 3, Section 15(b)(2), the Exchange also proposes to note that the Size Limitation does not apply to IOC orders entered through SQF. Unlike other market participants, BX Options Market Makers provide liquidity to the market place and have obligations.<sup>15</sup>

#### Other Non-Substantive Amendments

The Exchange's proposal to amend the description of Specialized Quote Feed within Options 3, Section 7(e)(1)(B) to make plural the word "request" and also add an ".,," after an *e.g.*, to conform the punctuation in the paragraph does not impose an undue burden on competition. These amendments are non-substantive.

The Exchange's proposal to remove the final sentence of Options 3, Section 7(e)(1)(B) that states, "Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a)(1) and (a)(2), respectively" does not impose an undue burden on competition. This sentence is duplicative of information contained within Options 3, Section 7(b)(2)(B), which the Exchange is amending in this proposal. The Exchange proposes to remove the final sentence of Options 3, Section 7(e)(1)(B) as the information is contained elsewhere.

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

No written comments were solicited or received with respect to the proposed rule change.

### **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>16</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>17</sup>

<sup>15</sup> See *supra* note 8.

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>17</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.

<sup>13</sup> See *supra* note 8.

<sup>14</sup> See *supra* note 4.

The Exchange has requested that the Commission waive the 30-day operative delay. The Commission notes that other exchanges have substantively similar rules regarding size limitation for certain incoming orders or quotes.<sup>18</sup> In addition, the non-substantive amendments will correct typographical errors and remove duplicative text, which will bring greater clarity to BX's rules. Thus, the Commission believes waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission therefore waives the 30-day operative delay and designates this proposal operative upon filing.<sup>19</sup>

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

#### IV. Solicitation of Comments

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

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2021-020 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to: Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-BX-2021-020. 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule

change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BX-2021-020 and should be submitted on or before June 1, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-91841; File No. SR-NASDAQ-2021-030]

#### **Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Nasdaq Options Market LLC Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections**

May 11, 2021.

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 April 28, 2021, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit

comments on the proposed rule change from interested persons.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend The Nasdaq Options Market LLC ("NOM") Rules at Options 3, Section 7, Types of Orders and Order and Quote Protocols, and Options 3, Section 15, Risk Protections.

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 received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

##### *1. Purpose*

The Exchange proposes to amend NOM's Rules at Options 3, Section 15, Risk Protections, to describe Size Limitation. The Exchange also proposes to amend Options 3, Section 7, Types of Orders and Order and Quote Protocols, to: (1) Remove the One-Cancels-the-Other Order; (2) indicate the risk protections that are applicable to On the Open Orders and Immediate or Cancel orders; and (3) remove references to an outdated OTTO protocol; and (4) make technical corrections. The Exchange also proposes to update a rule citation within General 1, Section 1, Definitions, and add and reserve certain sections within the Equity Rules. Each change is described below.

##### *Options 3, Section 15*

The Exchange proposes to amend Options 3, Section 15, Risk Protections, to add a new section (b)(2) to describe within its rules a current limitation that exists today as to the number of contracts an incoming order or quote may specify. Specifically, the maximum number of contracts, which shall not be

<sup>18</sup> See ISE, GEMX and MRX rules at Options 3, Section 15(a)(2)(B).

<sup>19</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

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

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