

Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Definitions

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(a) With respect to these BX Options Rules, the following terms shall have the meanings specified in this Section 1. A term defined elsewhere in the Rules of the Exchange shall have the same meaning with respect to this Chapter I, unless otherwise defined below.

- (1) The term "aggregate exercise price" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.
- (2) The term "American-style option" means an options contract that, subject to the provisions of Options 5, Section 101 of these BX Options Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.
- (3) The term "associated person" or "person associated with a Participant" means any partner, officer, director, or branch manager of an Options Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Participant or any employee of a Participant.
- (4) The term "bid" means a limit order to buy one or more options contracts.
- (5) The term "Board" means the Board of Directors of Nasdaq BX, Inc.
- (6) The term "BX" means Nasdaq BX, Inc.
- (7) The term "BX Options" means the BX Options Market, an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.
- (8) The term "BX Options Book" means the electronic book of orders maintained by the BX Options Trading System.
- (9) The term "BX Options Market Maker" or "Options Market Maker" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VII of these Rules.
- (10) The terms "BX Options Order Entry Firm" or "Order Entry Firm" or "OEF" mean those Options Participants representing as agent Customer Orders on BX Options and those non-Market Maker Participants conducting proprietary trading.
- (11) The term "BX Options Rules" or "Rules of BX Options" means the Rules of the BX Options Market.
- (12) The term "BX Options Transaction" means a transaction involving an options contract that is effected on or through BX Options or its facilities or systems.
- (13) The term "BX Regulation" means the department of BX that supervises and administers the regulatory functions of BX, including the administration of any regulatory services agreements with another self-regulatory organization to which BX is a party and including MarketWatch and Surveillance.
- (14) The term "BX Rules" means the Rules of Nasdaq BX, Inc.

- (15) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.
- (16) The term "class of options" means all options contracts of the same type and style covering the same underlying security.
- (17) The term "Clearing Corporation" means The Options Clearing Corporation.
- (18) The term "Clearing Participant" means a Participant that is self-clearing or a Participant that clears BX Options Transactions for other Participants of BX Options.
- (19) The term "closing purchase transaction" means a BX Options Transaction that reduces or eliminates a short position in an options contract.
- (20) The term "closing writing transaction" means a BX Options Transaction that reduces or eliminates a long position in an options contract.
- (21) The term "covered short position" means (i) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.
- (22) The term "Customer" means a Public Customer or a broker-dealer.
- (23) The term "Customer Order" means an agency order for the account of a Public Customer, as defined herein or a broker-dealer.
- (24) The term "discretion" means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.
- (25) The term "European-style option" means an options contract that, subject to the provisions of Options 5, Section 101 of these Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on the business day of expiration, or, in the case of option contracts expiring on a day that is not a business day, the last business day prior to its expiration date.
- (26) The term "Exchange" means Nasdaq BX, Inc.
- (27) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended, or Rules thereunder.
- (28) The term "exercise price" means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.
- (29) The terms "he," "him" or "his" shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

- (30) The term "index option" means an options contract that is an option on a broad-based, narrow-based or micro narrow-based index of equity securities prices.
- (31) The term "individual equity option" means an options contract which is an option on an equity security.
- (32) The term "long position" means a person's interest as the holder of one or more options contracts.
- (33) The term "MarketWatch" means a unit within BX Regulation that is responsible for the real-time surveillance and regulation of the trading of options on BX Options.
- (34) The term "NBBO" means the national best bid or offer as calculated by BX Options based on market information received by BX Options from OPRA.
- (35) The term "offer" means a limit order to sell one or more options contracts.
- (36) The term "opening purchase transaction" means a BX Options Transaction that creates or increases a long position in an options contract.
- (37) The term "opening writing transaction" means a BX Options Transaction that creates or increases a short position in an options contract.
- (38) The term "options contract" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.
- (39) The term "options market close" or "market close" means the time specified by BX Options for the cessation of trading in contracts on BX Options for options on that market day.
- (40) The term "options market open" or "market open" means the time specified by BX Options for the commencement of trading in contracts on BX Options for options on that market day.
- (41) The term "Options Participant" or "Participant" means a firm, or organization that is registered with the Exchange pursuant to Chapter II of these Rules for purposes of participating in options trading on BX Options as a "BX Options Order Entry Firm" or "BX Options Market Maker."
- (42) The term "Options Principal" means a person engaged in the management and supervision of the Options Participant's business pertaining to options contracts that has responsibility for the overall oversight of the Options Participant's options related activities on the Exchange.
- (43) The term "Options Participation Agreement" means the agreement to be executed by Options Participants to qualify to participate on BX Options.
- (44) The term "OPRA" means the Options Price Reporting Authority.
- (45) The term "order" means a firm commitment to buy or sell options contracts as defined in Section 1(d) of Chapter VI.
- (46) The term "outstanding" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.
- (47) The term "pre-opening" means the period prior to the market open on BX Options, beginning at a time specified by BX Options, during which Participants may log on to the Trading System and submit, amend and withdraw orders, but no trading can occur.

(48) The term "primary market" means, in the case of securities listed on Nasdaq, the market that is identified as the listing market pursuant to Section X(d) of the approved national market system plan governing the trading of Nasdaq-listed securities, and, in the case of securities listed on another national securities exchange, the market that is identified as the listing market pursuant to Section XI of the Consolidated Tape Association Plan (which does not include securities listed on the BX Venture Market).

(49) The term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. All Professional orders shall be appropriately marked by Participants.

- (i) Calculation of Professional Orders. With respect to computing the number of orders in listed options per day on average during a calendar month for its own beneficial account(s), the following shall apply:
 - (a) Each order is counted toward the number of orders, regardless of the options exchange to which the order was routed in determining Professional orders.
 - (b) A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of "single-strike algorithms" which track the NBBO. A cancel message is not an order.
 - (c) An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the resulting subordinate order and results in multiple sides/series shall be counted as a new order per side and series. An order that cancels and replaces the subordinate order on the same side and series will count as one order. For purposes of counting Public Customer orders, if one Public Customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order will count as one order.

(50) The term "Public Customer" means a person that is not a broker or dealer in securities.

(51) The term "Public Customer Order" means an order for the account of a Public Customer.

(52) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

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

(54) The term "quote" or "quotation" means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.

(55) The term "Responsible Person" shall mean a United States-based officer, director or management-level employee of an Options Participant, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Participant.

(56) The term "Rules of the Clearing Corporation" or "Rules of the OCC" means the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

- (57) The term "SEC" or "Commission" means the United States Securities and Exchange Commission.
- (58) The term "series of options" means all options contracts of the same class of options having the same exercise price and expiration date.
- (59) The term "short position" means a person's interest as the writer of one or more options contracts.
- (60) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.
- (61) The term "SRO" means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.
- (62) The term "Trading System" or "System" means the automated trading system used by BX Options for the trading of options contracts.
- (63) The term "type of option" means the classification of an options contract as either a put or a call.
- (64) The term "uncovered" means a short position in an options contract that is not covered.
- (65) The term "underlying security" means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.
- (66) The term "closing index value" in respect of a particular index means the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise (P.M.-settled), unless the settlement value of the index is based on the opening price of each component issue on the primary market (A.M.- settled).
- (67) The term "foreign currency" means the standard unit of the official medium of exchange of a sovereign government or the Euro including the United States Government (e.g., the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, the Swedish krona, or the United States dollar).
- (68) The term "in-the-money" shall mean the following: for call options, all strike prices at or below the offer in the underlying security on the primary listing market; for put options, all strike prices at or above the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Chapter VII, Section 6.
- (69) The term "out-of-the-money" shall mean the following: for call options, all strike prices above the offer in the underlying security on the primary listing market; for put options, all strike prices below the bid in the underlying security on the primary listing market. This definition shall only apply for purposes of Market Maker quoting obligations in Chapter VII, Section 6. This definition shall only apply for purposes of Market Maker quoting obligations in Chapter VII, Section 6.

(70) An “account number” shall mean a number assigned to a Participant. Participants may have more than one account number.

(71) A “badge” shall mean 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.

(72) A “mnemonic” shall mean an acronym comprised of letters and/or numbers assigned to Participants. A Participant account may be associated with multiple mnemonics.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Oct. 11, 2013 (SR-BX-2013-055), operative Nov. 10, 2013; amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended June 17, 2016 (SR-BX-2016-035); amended August 25, 2016 (SR-BX-2016-047); amended Oct. 18, 2017 (SR-BX-2017-045); amended Feb. 8, 2018 (SR-BX-2018-008); amended July 23, 2018 (SR-BX-2018-035); amended Oct. 18, 2018 (SR-BX-2018-050); amended Nov. 14, 2018 (SR-BX-2018-056); amended Dec. 4, 2018 (SR-BX-2018-061), operative Jan. 4, 2019.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Applicability

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- (a) These are the BX Rules applicable to the trading of options contracts issued by The Options Clearing Corporation through BX Options, BX's options trading facility, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading on BX Options.
- (b) Except to the extent that specific BX Options Rules govern or unless the context otherwise requires, the provisions of the BX Rules shall be applicable to Options Participants and to the trading of option contracts on BX Options and, for purposes of their application with respect to Options Participants and options trading, shall be interpreted in light of the nature of options trading and the BX Options market, and the fact that options on BX Options shall be traded electronically through the Trading System. To the extent that the provisions of the BX Options Rules are inconsistent with any other provisions of the BX Rules, the BX Options Rules shall control.
- (c) For the purposes of cross-referencing, interpreting and applying BX Rules to the BX Options Rules: 1) a reference to "members" of BX shall be functionally equivalent to "Participants" in BX Options, whether BX Options Market Makers, Order Entry Firms or both.
- (d) For marketing and other purposes, the BX Options Market may be referred to as the "BX Options Market" or "BX Options."
- (e) These Rules generally require Options Participants conducting business with the public to comply with applicable requirements of the United States federal securities laws and regulations promulgated thereunder by the Securities and Exchange Commission. To the extent that certain aspects of the federal securities laws and regulations promulgated thereunder do not apply to non-U.S. firms conducting business with non-U.S. customers, these Rules shall be interpreted accordingly, so long as such interpretation is consistent with the maintenance of a fair and orderly options market. In such case, however, such non-U.S. Options Participants must comply with all reasonably comparable laws and regulations of their home countries or of the home countries of their customers, as applicable.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Regulation of BX and its Members

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BX and the Financial Industry Regulatory Authority ("FINRA") are parties to the Regulatory Services Agreement dated as of August 29, 2008, as amended ("Regulatory Contract"). Pursuant thereto, FINRA has agreed to perform certain functions described in these Rules on behalf of BX. BX Options Rules that refer to BX Regulation, BX Regulation staff, BX Options staff, and BX Options departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of BX pursuant to the Regulatory Contract.

Notwithstanding the fact that BX has entered into the Regulatory Contract with FINRA Regulation to perform some of BX's functions, BX shall retain ultimate legal responsibility for, and control of, such functions.

In addition, BX has incorporated by reference certain FINRA, Chicago Board Options Exchange ("CBOE"), and New York Stock Exchange ("NYSE") rules. BX members shall comply with these rules and interpretations as if such rules and interpretations were part of BX's rules.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Options Participation

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(a) These Rules establish a new category of BX member participation called "Options Participant." Only Options Participants may transact business on BX Options via the Trading System. Options Participants may trade options for their own proprietary accounts or, if authorized to do so under applicable law, and consistent with these BX Options Rules and with applicable law and SEC rules and regulations, may conduct business on behalf of Customers.

(b) A prospective Options Participant must:

- i. complete an Options Participant Application in the form prescribed by the Exchange;
- ii. provide such other information as required by the Exchange;
- iii. be an existing member or become a member of the Exchange, pursuant to the 1000 rules series, and continue to abide by the requirements of the 1000 Series with respect to participation in BX Options; and
- iv. enter into an Options Participant Agreement in the form specified by the Exchange, agree to abide by the same as it has been or shall be from time to time amended, and pledge to abide by the Rules of the Exchange as amended from time to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Rules of the Exchange; and
- v. be under the supervision and control of a Responsible Person.

(c) Upon completion of the application, the Exchange, or person(s) designated by the Exchange ("designee") shall consider whether to approve the application, unless there is just cause for delay. In its consideration process, the Exchange may conduct such investigation as it deems appropriate and may take such steps as it deems necessary to confirm the information provided by the applicant. Within 30 days after the Exchange or its designee has completed its consideration of an application, it shall provide written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefore.

(d) These BX Options Rules place no limit on the number of qualifying entities that may become Options Participants. However, based on system constraints or capacity restrictions, approval of qualifying applications for Options Participants may, in limited circumstances, be temporarily deferred. To the extent that the Board places limitations on otherwise qualified applicants to act as Options Participants, such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(e) Options Participant status cannot be leased or transferred except in the event of a change in control or corporate reorganization involving an Options Participant. In such a case, Options Participant status may be transferred to a qualified affiliate or successor upon written notice to the Exchange or its designee.

(f) Every Options Participant shall file with BX Options and keep current an address where notices may be served, including current addresses of each Responsible Person, as specified in Paragraph (b)(v) of this Section 1.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Requirements for Options Participation

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- (a) Options Participants may be corporations, partnerships, limited liability companies or sole proprietorships organized under the laws of a jurisdiction of the United States, or such other jurisdictions as the Exchange may approve.
- (b) Options Participants must be Options Clearing Participants or establish a clearing arrangement with a Clearing Participant.
- (c) Options Participants must have demonstrated ability to adhere to all applicable Exchange, SEC, Clearing Corporation and Federal Reserve Board policies, rules and regulations related to the trading of options, including those concerning record-keeping, reporting, finance and trading procedures and be able to satisfactorily demonstrate reasonably adequate systems capability and capacity.
- (d) All associated persons of Options Participants who are not themselves Responsible Persons must be under the supervision of a U.S.-based Responsible Person.
- (e) Every Options Participant shall have as the principal purpose of being a Participant the conduct of a securities business. Such a purpose shall be deemed to exist if and so long as:
 - i. the Participant has qualified and acts in respect of its business on BX Options as either an OEF or a Options Market Maker, or both; and
 - ii. all transactions effected by the Participant are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted thereunder.
- (f) Every Options Participant shall at all times maintain membership in another registered options exchange that is not registered solely under Section 6(g) of the Securities Exchange Act of 1934, or in FINRA. Options Participants that transact business with customers shall at all times be members of FINRA.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Sept. 27, 2018 (SR-BX-2018-047), operative Oct. 1, 2018.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Persons Associated with Options Participants

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(a) Persons associated with Options Participants shall be bound by the Rules of the Exchange and the Rules of the Clearing Corporation.

(b) Each Options Participant shall file with the Exchange and keep current a list and descriptive identification of those persons associated with the Options Participant who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform application for Securities Industry Registration or Transfer (Form U- 4).

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Good Standing for Options Participants

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(a) To remain in good standing, all Options Participants must:

- i. continue to satisfy the qualification requirements specified by the Exchange, as amended from time to time by the Exchange;
- ii. comply with the Rules of the Exchange; and
- iii. pay on a timely basis such participation, transaction and other fees as the Exchange and/or BX Options shall prescribe.

(b) The good standing of an Options Participant may be suspended, terminated or otherwise withdrawn, as provided in the BX 9550 Rules, if any of the conditions of Section 2 or 3 of this Chapter II are not met or the Options Participant violates any of its agreements with the Exchange and/or BX Options or any of the provisions of the Exchange Rules.

(c) Unless an Options Participant is in good standing, the Participant shall have no rights or privileges of options participation except as otherwise provided by law or the Rules, shall not hold himself or itself out for any purpose as a Participant, and shall not deal with the Exchange and/or BX Options on any basis except as a non-Participant.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Adherence to Law

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No Options Participant shall engage in conduct in violation of the Exchange Act or Rules thereunder, the Rules of the Exchange or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Options Participant shall supervise persons associated with the Participant to assure compliance therewith.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Conduct and Compliance with the Rules

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(a) Each Options Participant shall be responsible for ensuring that all arrangements made and systems used in connection with business conducted on BX Options, and the transaction of such business itself, comply with the Options Participant's and associated persons' obligations under the Rules of the Exchange, the Rules of the Clearing Corporation and any other relevant laws, rules, interpretations and obligations. In accordance with the BX Options Rules and in connection with business conducted on BX Options, each Options Participant shall:

- i. have adequate arrangements to ensure that all staff involved in the conduct of business on BX Options are suitable, adequately trained and properly supervised;
- ii. be responsible for the acts and conduct of each associated person,
- iii. establish its trading arrangements such that each Participant is able to meet the requirements set out in Section 1 of this Chapter and that all other relevant obligations contained in the Rules are complied with;
- iv. implement suitable security measures such that only those individuals explicitly authorized by the Options Participant to trade may gain access to passwords and security keys;
- v. ensure that any trading access granted to individuals (whether employees of the Options Participant or otherwise), for example by way of order routing systems, is adequately controlled and supervised, including appropriate checks before any orders are submitted to the Trading System; and
- vi. ensure that accurate information is input into the System, including, but not limited to, the Options Participant's capacity.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Rumors

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No Options Participant or person associated with an Options Participant shall circulate, in any manner, rumors of a character which might affect market conditions in any security; provided, however, that this Section shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Nasdaq BX, Prevention of the Misuse of Material Nonpublic Information

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- (a) Every Options Participant shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of the Participant's business, to prevent the misuse of material nonpublic information by such Participant or persons associated with such Participant in violation of the federal securities laws or the Rules thereunder, and the Rules of the Exchange.
- (b) Misuse of material nonpublic information includes, but is not limited to:
- i. trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material nonpublic information concerning that corporation;
 - ii. trading in an underlying security or related options or other derivative securities, while in possession of material nonpublic information concerning imminent transactions in the underlying security or related securities; and
 - iii. disclosing to another person any material nonpublic information involving a corporation whose shares are publicly traded or disclosing an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material nonpublic information.
- (c) Each Options Participant shall establish, maintain and enforce the following policies and procedures as appropriate for the nature of each Participant's business:
- i. All associated persons must be advised in writing of the prohibition against the misuse of material nonpublic information.
 - ii. Signed attestations from the Participant and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least three (3) years, the first two (2) years in an easily accessible place.
 - iii. Records of all brokerage accounts maintained by the Participant and all associated persons must be acquired and maintained for at least three (3) years, the first two (2) years in an easily accessible place, and such brokerage accounts must be reviewed periodically by the Participant for the purpose of detecting the possible misuse of material nonpublic information.
 - iv. Any business dealings the Participant may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Participant receiving, in the ordinary course of business, material nonpublic information concerning any such corporation, must be identified and documented.
- (d) Participants that are required to file Form X-17A-5 under the Exchange Act or Rules thereunder, with the Exchange on an annual basis only, shall, contemporaneously with those submissions, file attestations signed by such Participants stating that the procedures mandated by this Section have been established, enforced and maintained.
- (e) Any Options Participant or associated person who becomes aware of any possible misuse of material nonpublic information must promptly notify BX Regulation.
- (f) It may be considered conduct inconsistent with just and equitable principles of trade for any Participant or person associated with a Participant who has knowledge of all material terms and conditions of:

- (i) an order and a solicited order,
- (ii) an order being facilitated or submitted to BX Options for price improvement, or
- (iii) orders being crossed;

the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until (a) the terms and conditions of the order and any changes in the terms and conditions of the order of which the Participant or person associated with the Participant has knowledge are disclosed, or (b) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received. The terms of an order are "disclosed" to BX Options Participants when the order is entered into the BX Options Book. For purposes of this Paragraph (f), an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising 10% or more of the component securities in the index or an order to buy or sell a futures contract on an economically equivalent index.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Oct. 30, 2015 (SR-BX-2015-064).

Sec. 5 Disciplinary Action by Other Organizations Every Options Participant shall promptly notify BX Regulation in writing of any disciplinary action, including the basis therefore, taken by any national securities exchange or registered securities association, clearing corporation, commodity futures market or government regulatory body against the Options Participant or its associated persons who are directly involved in derivatives trading, and shall similarly notify BX Regulation of any disciplinary action taken by the Options Participant itself against any of its associated persons who are directly involved in derivatives trading involving suspension, termination, the withholding of commissions or imposition of fines in excess of \$2,500, or any other significant limitation on activities.

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Other Restrictions on Participants

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Whenever the Exchange shall find that an Options Participant has failed to perform on its contracts or is insolvent or is in such financial or operational condition or is otherwise conducting business in such a manner that it cannot safely conduct business with Customers, creditors or the Exchange, the Exchange may summarily suspend the Options Participant in accordance with Chapter X (Summary Suspension) or may impose such conditions and restrictions upon the Options Participant as the Exchange considers reasonably necessary for the protection of the Exchange, BX Options, and the Customers of such Options Participant.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Position Limits

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(a) No Options Participant shall make, for any account in which it has an interest or for the account of any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly:

(i) exceed the applicable position limit fixed from time to time by the Chicago Board Options Exchange for any options contract traded on BX Options and the Chicago Board Options Exchange, notwithstanding the foregoing options contracts overlying SPDR® S&P 500® exchange-traded fund (“SPY ETF” or “SPY”) shall have a position limit of 1,800,000 contracts on the same side of the market;

(ii) exceed the position limit fixed by BX Options from time to time for any options contract traded on BX Options but not traded on the Chicago Board Options Exchange; or

(iii) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on BX Options, when the Options Participant is not a member of the other exchange on which the transaction was effected; or

(iv) exceed the applicable position limit fixed from time to time by PHLX with respect to U.S. Dollar-Settled Foreign Currency Options.

(b) Should an Options Participant have reason to believe that a position in any account in which it has an interest or for the account of any Customer of such Options Participant is in excess of the applicable limit, such Options Participant shall promptly take the action necessary to bring the position into compliance.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Jan. 16, 2013 (SR-BX-2013-006); amended Mar. 11, 2013 (SR-BX-2013-024); amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended May 8, 2014 (SR-BX-2014-025); amended July 1, 2015 (SR-BX-2015-039); amended June 10, 2016 (SR-BX-2016-030); amended June 29, 2017 (SR-BX-2017-030); amended June 12, 2018 (SR-BX-2018-022), operative July 13, 2018.

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, Exemptions from Position Limits

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An Options Participant may rely upon any available exemptions from applicable position limits granted from time to time by another Options Exchange for any options contract traded on BX Options provided that such Options Participant (1) provides BX Regulation with a copy of any written exemption issued by another Options Exchange or a written, description of any exemption issued by another Options Exchange other than in writing containing sufficient detail for BX Regulation to verify the validity of that exemption with the issuing Exchange, and (2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemptions with respect to its trading on BX Options.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, Exercise Limits

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(a) No Options Participant shall exercise, for any account in which it has an interest or for the account of any Customer, a long position in any options contract where such Options Participant or Customer, acting alone or in concert with others, directly or indirectly, has or will have:

(i) exceeded the applicable exercise limit fixed from time-to-time by the Chicago Board Options Exchange for any options contract traded on BX Options and the Chicago Board Options Exchange, notwithstanding the foregoing options contracts overlying SPDR® S&P 500® exchange-traded fund (“SPY ETF” or “SPY”) shall have an exercise limit of 1,800,000 contracts on the same side of the market;

(ii) exceeded the exercise limit fixed by BX Options from time to time for any options contract traded on BX Options but not traded on the Chicago Board Options Exchange;

(iii) exceeded the applicable exercise limit fixed from time to time by another exchange for an options contract not traded on BX Options, when the Options Participant is not a member of the other exchange on which the transaction was effected; or

(iv) exceeded the applicable exercise limit fixed from time-to-time by PHLX with respect to U.S. Dollar-Settled Foreign Currency Options.

(b) an Options Market Maker that has been granted an exemption to position limits pursuant to Section 8 of this Chapter III (Exemption to Position Limits), the number of contracts which can be exercised over a five (5) business day period shall equal the Market Maker's exempted position.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended June 11, 2014 (SR-BX-2014-033), operative July 11, 2014; amended June 12, 2018 (SR-BX-2018-022), operative July 13, 2018.

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Nasdaq BX Rules, Regulation, Sec. 10, Nasdaq BX, Reports Related to Position Limits

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Each Options Participant shall maintain and furnish to BX Regulation all reports required by the applicable rule of any Options Exchange of which it is a member with respect to reports related to position limits.

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Nasdaq BX Rules, Regulation, Sec. 11, Nasdaq BX, Liquidation Positions

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(a) Whenever BX Regulation shall find that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all options contracts or one or more classes or series traded on BX Options in excess of the applicable position limit established pursuant to Section 7 of this Chapter III (Position Limits), it may order all Options Participants carrying a position in options contracts of such classes or series for such person or persons to liquidate such positions as expeditiously as possible, consistent with the maintenance of a fair and orderly market.

(b) Whenever such an order is given, no Options Participant shall accept any order to purchase, sell or exercise any options contract for the account of the person or persons named in the order, unless and until BX Regulation expressly approves such person or persons for options transactions.

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Nasdaq BX Rules, Regulation, Sec. 12, Nasdaq BX, Other Restrictions on Options Transactions and Exercises

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- (a) BX may impose such restrictions on transactions or exercises in one or more series of options of any class traded on BX Options as BX Regulation in its judgment deems advisable in the interests of maintaining a fair and orderly market in options contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors.
- i. During the effectiveness of such restrictions, no Options Participant shall, for any account in which it has an interest or for the account of any Customer, engage in any transaction or exercise in contravention of such restrictions.
 - ii. Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, other than index options, which shall include such expiration date for an option contract that expires on a business day, no restriction on exercise under this Section may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the business day of their expiration or, in the case of an option contract expiring on a day that is not a business day, on the last business day before the expiration date.
 - iii. Exercises of American-style, cash-settled index options shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:
 - 1) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the Rules of the Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by BX Regulation, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension;
 - 2) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the business day of expiration, or in the case of an option contract expiring on a day that is not a business day, the last business day prior to their expiration;
 - 3) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 4:00 p.m. Eastern time. In the event of such a trading halt, exercises may occur through 4:20 p.m. Eastern time. In addition, if trading resumes following such a trading halt pursuant to the procedure described in Section 4 of Chapter V of these Rules, exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph (a)(iii)(3) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to paragraph (a) of this Rule; and
 - 4) BX Options may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.
- (b) Whenever the issuer of a security underlying a call option traded on BX Options is engaged or proposes to engage in a public underwritten distribution ("public distribution") of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that BX Options impose restrictions upon all opening writing transactions in such options at a "discount" where the resulting short position will be uncovered ("uncovered opening writing transactions").
- i. In addition to a request, the following conditions are necessary for the imposition of restrictions:

- 1) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;
 - 2) the underwriters agree to notify BX Regulation upon the termination of their stabilization activities; and
 - 3) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a "minus" or "zero minus" tick.
- ii. Upon receipt of such a request and determination that the conditions listed above are met, BX Regulation shall impose the requested restrictions as promptly as possible but no earlier than fifteen (15) minutes after Participants shall have been notified and shall terminate such restrictions upon request of the underwriters or when BX Regulation otherwise discovers that stabilizing transactions by the underwriters has been terminated.
- iii. For purposes of paragraph (b) of this Section 12, an uncovered opening writing transaction in a call option will be deemed to be effected at a "discount" when the premium in such transaction is either:
- 1) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters' stabilization bid for the underlying security exceeds the exercise price of such option; or
 - 2) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters' stabilization bid in the underlying security at the subscription price exceeds the exercise price of such option.

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Nasdaq BX Rules, Regulation, Sec. 13, Nasdaq BX, Mandatory Systems Testing

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- (a) Each Options Participant that BX designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Exchange's systems in the manner and frequency prescribed by the Exchange. BX will designate Options Participants as required to participate in a system test based on: (1) the category of the Participant (Market Maker and OEF); (2) the computer system(s) the Participant uses; and (3) the manner in which the Participant connects to the Exchange. BX will give Participants reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Participants' obligations in participating in the test.
- (b) Every Options Participant required by BX to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to the testing as the Exchange may prescribe. Participants shall maintain adequate documentation of tests required by this Section 13 and results of such testing for examination by the Exchange.
- (c) An Options Participant that is subject to this Section 13 and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to a summary suspension or other action taken pursuant to Chapter X of these Rules and/or a disciplinary action pursuant to the Rule 9000 Series of the Rules of the Exchange (Disciplining of Members).

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Nasdaq BX Rules, Regulation, Sec. 14, Nasdaq BX, Limit on Outstanding Uncovered Short Positions

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(a) Whenever it is determined from the reports of uncovered short positions submitted pursuant to Section 2 of Chapter IX of these Rules (Reports of Uncovered Short Positions), viewed in light of current market conditions in options and in underlying securities, that there are outstanding an excessive number of uncovered short positions in options contracts of a given class traded on BX Options or that an excessively high percentage of outstanding short positions in options contracts of a given class traded on BX Options are uncovered, BX Regulation may determine to prohibit Options Participants from any further opening writing transactions on any exchange in options contracts of that class unless the resulting short position will be covered, and BX Regulation may prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in options contracts or in underlying securities.

(b) BX Regulation may exempt transactions of Options Market Makers from restrictions imposed under this Rule. Such restrictions shall be rescinded upon a determination that they are no longer appropriate.

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Nasdaq BX Rules, Regulation, Sec. 15, Nasdaq BX, Significant Business Transactions of Options Clearing Participants

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Significant Business Transactions of Options Clearing Participants shall be governed by this Section 15 and not by BX Rule 1017. All other Significant Business Transactions of Options Participants shall be subject to BX Rule 1017.

(a) Except as provided in paragraph (c) below, a Participant that clears Options Market Maker trades is required to notify BX Regulation in writing fifteen (15) days prior to any of the following proposed significant business transactions ("SBT"):

- i. the combination, merger or consolidation between the Participant and another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products;
- ii. the transfer from another person, market maker, broker-dealer, or customer of securities or futures accounts that are significant in size or number to the business of the Participant;
- iii. the assumption or guarantee by the Participant of liabilities of another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products, in connection with a direct or indirect acquisition of all or substantially all of the person's assets; or
- iv. termination of the Participant's clearing business or any material part thereof.

(b) Notification of any of the following SBTs shall be made in writing to BX Regulation, not later than five (5) business days from the date on which the SBT becomes effective:

- i. the sale by the Clearing Participant of a significant part of its assets to another person;
- ii. a change in the identity of any general partner or a change in the beneficial ownership of ten percent (10%) or more of any class of the outstanding stock of any corporate general partner;
- iii. a change in the beneficial ownership of twenty percent (20%) or more of any class of the outstanding stock of the Participant or the issuance of any capital stock of the Participant; or
- iv. the acquisition by the Clearing Participant of assets of another person that would constitute a "business" that is "significant," as those terms are defined in Section 11-01 of Regulation S-X under the Exchange Act.

(c) A Clearing Participant is required to notify BX Regulation in writing thirty (30) days prior to a proposed SBT included in paragraph (a) of this Rule, and such SBT shall be subject to the prior approval of BX Regulation, if the Participant's Market Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:

- i. fifteen percent (15%) of cleared BX Options Market Maker contract volume for the most recent three (3) months;
- ii. an average of fifteen percent (15%) of the number of BX Options Market Makers as of each month and for the most recent three (3) months; or
- iii. twenty-five percent (25%) of BX Options Market Maker gross deductions (haircuts) defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant in relation to the

aggregate of such haircuts carried by all other Clearing Participants for any month end within the most recent three (3) months.

(d) An SBT that comes within paragraph (c) of this Section 15 may be disapproved or conditioned within the thirty (30) day period if BX Regulation determines that such SBT has the potential to threaten the financial or operational integrity of Market Maker transactions. In making this determination, BX Regulation may consider, among other relevant matters, the following:

- i. The effect of the proposed SBT on the capital size and structure of the resulting Clearing Participant(s), the potential for financial failure and the consequences of any such failure on the BX Options market as a whole, and the potential for increased or decreased operational efficiencies arising from the proposed transaction.
- ii. The effect of the proposed SBT upon overall concentration of Market Makers, including a comparison of the following measures before and after the proposed transaction:
 - 1) proportion of BX Options Market Maker contract volume cleared;
 - 2) proportion of BX Options Market Makers cleared; and
 - 3) proportion of Market Maker gross deductions (haircuts) as defined by Rule 15c3-1(a)(6) or (c)(2) (x) under the Exchange Act carried by the Clearing Participant(s) in relation to the aggregate of such deductions carried by other Participants that clear market maker transactions.
- iii. The regulatory history of the affected Participants, specifically as it may indicate a tendency to financial or operational weakness.

(e) Transactions that come within paragraph (c) of this Section 15 shall be reviewed according to the following procedures:

- i. A Participant must provide promptly, in writing, all information reasonably requested by BX Regulation. Any information disclosed by Participants pursuant to the requirements of this Section 15 shall be kept confidential by BX Regulation until such information is otherwise publicly disclosed and shall be used only for purposes of reviewing the proposal.
- ii. If BX Regulation determines, prior to the expiration of the thirty (30) day period, that a proposed SBT may be approved without conditions, BX Regulation shall promptly so advise the Participant.
- iii. All decisions to disapprove or condition a proposed SBT or to impose extraordinary requirements shall be in writing, shall include a statement setting forth the grounds for the decision, and the Participant shall be promptly notified of any such decisions by BX Regulation.
- iv. Notwithstanding any other provisions of the BX Options Rules, the Participant may appeal a decision to disapprove or condition a proposed SBT directly to the Board by filing an application for review with the Secretary of the Exchange within fifteen (15) days of the date of service of the decision. Appeal to the Board shall be the exclusive method of reviewing such a decision.
- v. An appeal to the Board of a decision to disapprove or condition a proposed SBT shall not operate as a stay of that decision during the pendency of the appeal.
- vi. BX Regulation shall file notice with the SEC in accordance with the provisions of Section 19(d)(1) of the Exchange Act of all final decisions to disapprove or condition a proposed SBT.

(f) BX Regulation may impose additional financial and/or operational requirements on a Participant that clears Market Maker trades at any time when it determines that the Participant's continuance in business without such requirements has the potential to threaten the financial or operational integrity of Market Maker transactions.

(g) The provisions of this Section 15 do not preclude summary action under Chapter X, Discipline and Summary Suspensions, of these Rules, or other BX Regulation action pursuant to the BX Options Rules.

(h) BX Regulation, upon approval by the Chief Regulatory Officer of BX, may exempt a Participant from the requirements of this Section 15, either generally or in respect of specific types of transactions, based on the limited proportion of Market Maker trades on BX Options that are cleared by the Participant or on the limited importance that the clearing of Market Maker trades bears to the total business of the Participant.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 16, Nasdaq BX, Disruptive Quoting and Trading Activity Prohibited

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(a) No Participant shall engage in or facilitate disruptive quoting and trading activity on the Exchange, as described in subsections (i) and (ii) of this Rule, including acting in concert with other persons to effect such activity.

(i) For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the following facts are present:

(a) Disruptive Quoting and Trading Activity Type 1:

- (i) a party enters multiple limit orders on one side of the market at various price levels (the "Displayed Orders"); and
- (ii) following the entry of the Displayed Orders, the level of supply and demand for the security changes; and
- (iii) the party enters one or more orders on the opposite side of the market of the Displayed Orders (the "Contra-Side Orders") that are subsequently executed; and
- (iv) following the execution of the Contra-Side Orders, the party cancels the Displayed Orders.

(b) Disruptive Quoting and Trading Activity Type 2:

- (i) a party narrows the spread for a security by placing an order inside the NBBO; and
- (ii) the party then submits an order on the opposite side of the market that executes against another market participant that joined the new inside market established by the order described in paragraph (b)(i).
- (iii) Applicability. For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the facts listed above are present. Unless otherwise indicated, the order of the events indicating the pattern does not modify the applicability of the Rule. Further, disruptive quoting and trading activity includes a pattern or practice in which of the quoting and trading activity is conducted on the Exchange as well as a pattern or practice in which some portion of the quoting or trading activity is conducted on the Exchange and the other portions of the quoting or trading activity is conducted on one or more other exchanges.

Adopted June 17, 2016 (SR-BX-2016-036), operative July 17, 2016.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Designation of Securities

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Securities traded on BX Options are options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month, exercise price and type (put or call).

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Rights and Obligations of Holders and Writers

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The rights and obligations of holders and writers are set forth in the Rules of the Clearing Corporation.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Criteria for Underlying Securities

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

- i. The security must be registered with the SEC and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and
- ii. the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

(b) In addition, BX Regulation shall from time to time establish standards to be considered in evaluating potential underlying securities for BX Options transactions. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the standards established by BX Regulation does not necessarily mean that it will be selected as an underlying security. BX Regulation may give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the foregoing, an underlying security will not be selected unless:

- i. There are a minimum of seven (7) million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.
- ii. There are a minimum of 2,000 holders of the underlying security.
- iii. The issuer is in compliance with any applicable requirements of the Exchange Act or Rules thereunder.
- iv. Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.
- v. Either:
 - 1) If the underlying security is a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous three consecutive business days preceding the date on which the Exchange submits a certificate to the Clearing Corporation for listing and trading, as measured by the closing price reported in the primary market in which the underlying security is traded; or
 - 2) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three (3) calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

(c) *Securities of Restructured Companies*

i. *Definitions.* The following definitions shall apply to the provisions of this paragraph (c):

- 1) "Restructuring Transaction" refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.

- 2) "Restructure Security" refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.
- 3) "Original Equity Security" refers to a company's equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.
- 4) "Relevant Percentage" refers to either: (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

ii. *"Share" and "Number of Shareholder" Standards.* In determining whether a Restructure Security satisfies the share standard set forth in this Section 3(b)(i) (the "Share Standard") or the number of holders standard set forth in this Section 3(b)(ii) (the "Number of Shareholders Standard"), BX Regulation may rely upon the facts and circumstances that it expects to exist on the option's intended listing date, rather than on the date on which BX Regulation selects for options trading the underlying Restructure Security.

- 1) BX Regulation may assume that: (i) both the "Share" and "Number of Shareholders" Standards are satisfied if, on the option's intended listing date, BX Regulation expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and (ii) either such Standard is satisfied if, on the option's intended listing day, BX Regulation expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Standard in question.
- 2) BX Regulation may not rely on any such assumption, however, if a reasonable BX Regulation investigation or that of another exchange demonstrates that either the Share Standard or Number of Shareholders Standard will not in fact be satisfied on an option's intended listing date.
- 3) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, BX Regulation may determine that either the Share Standard or the Number of Shareholders Standard is satisfied based upon BX Regulation's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.

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

iv. *"Market Price" Standard.* In determining whether a Restructure Security satisfies the market price history standard set forth in Section 3(b)(v) (the "Market Price Standard"), BX Regulation may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:

- 1) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (v) below; and
- 2) in the case of the application of the Market Price Standard to a Restructure Security that is distributed pursuant to a public offering or a rights distribution: (i) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five trading days immediately preceding the date of selection; and (ii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of

trading on the date of selection, the market price of the Restructure Security was at least \$7.50, or, if the Restructure Security is a "covered security," as defined in Section 3(b)(v)(1), the market price of the Restructure Security was at least \$3.00.

v. *The "Substantiality Test."* A Restructure Security satisfies the "Substantiality Test" if:

1) the Restructure Security has an aggregate market value of at least \$500 million; or

2) at least one of the following conditions is met:

(a) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;

(b) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or

(c) the revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

vi. A Restructure Security's aggregate market value may be determined from "when issued" prices, if available.

vii. In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, BX Regulation shall use the Restructure Security's closing price on its primary market on the last business day prior to the selection date or the Restructure Security's opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.

viii. In calculating comparative asset values and revenues, BX Regulation shall use either: (a) the issuer's latest annual financial statements or (b) the issuer's most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.

ix. Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, BX Regulation may not rely upon the trading volume or market price history of an Original Equity Security as Paragraph (c) of this Section 3 permits for any trading day unless it relies upon both of those measures for that trading day.

x. Once BX Regulation commences to rely upon a Restructure Security's trading volume and market price history for any trading day, BX Regulation may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.

xi. *"When Issued" Trading Prohibited.* BX Regulation shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.

(d) In considering underlying securities, BX Regulation shall ordinarily rely upon information made publicly available by the issuer and/or the markets in which the security is traded.

(e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.

(f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and standards set forth in this Section 3 and if, in the case of ADRs:

i. BX Regulation has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

ii. the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading; or

iii.

1) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where BX Regulation has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading,

2) the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and

3) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months preceding the date of selection of the ADR for options trading ("Daily Trading Volume Standard"); or

iv. the SEC otherwise authorizes the listing.

(g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ("International Funds") if they meet the criteria and standards set forth in this Section 3 and either:

i. BX Regulation has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or

ii. the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five (5) or more countries.

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

(i) Securities deemed appropriate for options trading shall include shares or other securities ("Fund Shares"), including but not limited to Partnership Units as defined in this Section 3, that are principally traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, and that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolios of securities (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities) ("Funds") and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the "Financial Instruments"), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (ii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency ("Commodity Pool ETFs") or (iii) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), or (iv) represent interests in the SPDR Gold Trust or are issued by the iShares COMEX Gold Trust or iShares Silver Trust or, ETFs Gold Trust ("SGOL"); provided that all of the following conditions are met:

- i. The Fund Shares are listed pursuant to generic listing standards for series of portfolio depository receipts and index fund shares based on international or global indexes, in which case a comprehensive surveillance agreement is not required; or
 - (1) any non-U.S. component stocks of the index or portfolio on which the Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;
 - (2) Stocks for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index; and
 - (3) stocks for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index.

ii. the Fund Shares either (1) meet the criteria and standards set forth in paragraphs (a) and (b) of this Section 3 above; or (2) the Fund Shares are available for creation or redemption each business day in cash or in kind from the investment company, commodity pool or other entity at a price related to net asset value, and the investment company, commodity pool or other entity is obligated to provide that Fund Shares may be created even if some or all of the securities and/or cash required to be deposited have not been received by the Fund, the unit investment trust or the management investment company, provided the authorized creation participant has undertaken to deliver the securities and/or cash as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Fund, all as described in the Fund's or unit trust's prospectus.

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

commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded.

iv. For Currency Trust Shares, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded.

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

i. the Trust Issued Receipts (1) meet the criteria and standards for underlying securities set forth in paragraph (b) to this Rule; or (2) must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and

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

(k) Notwithstanding the requirements set forth in Paragraphs (b)(i), (b)(ii), (b)(iv), and (b)(v) above, options may be listed for trading on BX Options if:

(i) the underlying security meets the guidelines for continued listing in Chapter IV, Section 4; and

(ii) options on such underlying security are listed and traded on at least one other national securities exchange.

BX shall employ the same procedures to qualify underlying securities pursuant to this subsection (k) as it employs in qualifying underlying securities pursuant to other subsections of this Section 3.

(l) Index-Linked Securities

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

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

(2) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing ("Commodity Reference Asset");

(3) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency

Trust Shares (as defined in this Section 3(i)), or a basket or index of any of the foregoing ("Currency Reference Asset");

(4) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing ("Fixed Income Reference Asset");

(5) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts ("Futures Reference Asset"); and

(6) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets ("Multifactor Reference Asset");

ii. For purposes of paragraph (l) of this Section 3, Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as "Reference Assets."

iii.

(1) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in subsection (b) of this Section 3; or

(2) the Index-Linked Securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

iv. BX Regulation will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

(m) "Partnership Unit" means a security (a) that is issued by a partnership that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities (as defined in Section 1(a)(4) of the Commodity Exchange Act) and/or securities; and (b) that is issued and redeemed daily in specified aggregate amounts at net asset value

(n) U.S. Dollar-Settled Foreign Currency Options. The British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency

intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors. The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended Aug. 17, 2015 (SR-BX-2015-053), operative Aug. 7, 2015; amended Jan. 16, 2018 (SR-BX-2018-004).

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Withdrawal of Approval of Underlying Securities

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(a) If put or call options contracts with respect to an underlying security are approved for listing and trading on BX Options, such approval shall continue in effect until such approval is affirmatively withdrawn by BX Regulation. Whenever BX Regulation determines that an underlying security previously approved for BX Options Transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, BX will not open for trading any additional series of options of the class covering that underlying security and shall prohibit any opening purchase transactions in series of options of that class previously opened to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with BX's current approval maintenance requirements, regarding number of publicly held shares of publicly held principal amount, number of shareholders, trading volume or market price BX may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of option contracts of the class covering that underlying security.

(b) An underlying security will not be deemed to meet BX Regulation's requirements for continued approval whenever any of the following occur:

- i. There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.
- ii. There are fewer than 1,600 holders of the underlying security.
- iii. The trading volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months.
- iv. Reserved.
- v. The underlying security ceases to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act.
- vi. If an underlying security is approved for options listing and trading under the provisions of Section 3 of this Chapter IV (Criteria for Underlying Securities), the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including "when-issued" trading, may be taken into account in determining whether the trading volume requirement of (iii) of this paragraph (b) is satisfied.

(c) Reserved.

(d) In considering whether any of the events specified in paragraph (b) of this Section 4 have occurred with respect to an underlying security, BX Regulation shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.

(e) If prior to the delisting of a class of options contracts covering an underlying security that has been found not to meet BX Regulation's requirements for continued approval, BX Regulation determines that the underlying security again meets BX Regulation's requirements, BX may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed by this Section 4.

(f) Whenever BX Regulation announces that approval of an underlying security has been withdrawn for any reason or that BX Regulation has been informed that the issuer of an underlying security has ceased to be

in compliance with SEC reporting requirements, each Participant shall, prior to effecting any transaction in options contracts with respect to such underlying security for a Customer, inform such Customer of such fact and of the fact that BX Regulation may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.

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

- i. The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which BX Regulation has in place effective surveillance sharing agreements for any consecutive three (3) month period is either: (1) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or (2) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares; or
- ii. BX Regulation then has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or
- iii. the SEC has otherwise authorized the listing thereof.

(h) Fund Shares approved for options trading pursuant to Section 3 of this Chapter IV will not be deemed to meet the requirements for continued approval, and BX shall not open for trading any additional series of option contracts of the class covering such Fund Shares if the security is delisted from trading as provided in subparagraph (b)(v) of this Section. In addition, BX Regulation shall consider the suspension of opening transactions in any series of options of the class covering Fund Shares in any of the following circumstances:

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

(i) Securities initially approved for options trading pursuant to paragraph (j) of Section 3 of this Chapter IV (such securities are defined and referred to in that paragraph as "Trust Issued Receipts") shall not be deemed to meet BX Regulation's requirements for continued approval, and BX shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national

securities association. In addition, BX Regulation shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

- i. in accordance with the terms of paragraph (b) of this Section 4 in the case of options covering Trust Issued Receipts when such options were approved pursuant to subparagraph (j)(i)(1) under Section 3 of this Chapter IV;
- ii. upon annual review, the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 consecutive days;
- iii. the Trust has fewer than 50,000 receipts issued and outstanding;
- iv. the market value of all receipts issued and outstanding is less than \$1,000,000; or
- v. such other event shall occur or condition exist that in the opinion of BX Regulation makes further dealing in such options on BX Options inadvisable.

(j) For Trust Issued Receipts approved for options trading pursuant to paragraph (j) of Section 3 of this Chapter IV that are also Holding Company Depository Receipts ("HOLDERS"), BX will not open additional series of options overlying HOLDERS (without prior Commission approval) if: (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDERS trust is less than 80% (as measured by their relative weightings in the HOLDERS trust); or (2) less than 80% of the total number of securities held in a HOLDERS trust underlie standardized equity options.

(k) Index Linked Securities

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

- i. The underlying Index-Linked Security fails to comply with the terms of paragraph (l) of Chapter IV, Section 3;
- ii. In accordance with the terms of paragraph (b) of this Section 4, in the case of options covering Index-Linked Securities when such options were approved pursuant to paragraph (l) of Chapter IV, Section 3, except that, in the case of options covering Index-Linked Securities approved pursuant to paragraph (l)(iii)(2) of Chapter IV, Section 3 that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are "NMS" stock as defined in Rule 600 of Regulation NMS;
- iii. In the case of any Index-Linked Security trading pursuant to paragraph (l) of Chapter IV, Section 3, the value of the Reference Asset is no longer calculated; or
- iv. Such other event shall occur or condition exist that in the opinion of BX Regulation make further dealing in such options on BX inadvisable.

(l) Inadequate Volume Delisting.

Absent exceptional circumstances, a security initially approved for options trading may be deemed by BX not to meet the requirements for continued approval, in which case BX will not open for trading any additional series of equity option contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

- i. The option has been trading on BX Options not less than six (6) months; and
- ii. BX Options average daily volume ("ADV") of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

If the option is singly listed only on BX Options, BX will cease to add new series and may delist the class of options when there is no remaining open interest;

Should BX determine to delist an equity option pursuant to this subsection (l), it will provide notification of the determination to delist such option not less than three (3) days prior to the scheduled delisting date.

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

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX,

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Series of Options Contracts Open for Trading

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- (a) After a particular class of options has been approved for listing and trading on BX Options by BX Regulation, BX from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on BX Options. Prior to the opening of trading in a given series, BX will fix the expiration month, year and exercise price of that series. For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04.
- (b) At the commencement of trading on BX Options of a particular class of options, BX Options will open a minimum of one (1) series of options in that class. The exercise price of the series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on BX Options.
- (c) Additional series of options of the same class may be opened for trading on BX Options when BX deems it necessary to maintain an orderly market, to meet Customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, BX, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.
- (d) The interval between strike prices of series of options on individual stocks will be:
- i. \$2.50 or greater where the strike price is \$25.00 or less;
 - ii. \$5.00 or greater where the strike price is greater than \$25.00; and
 - iii. \$10.00 or greater where the strike price is greater than \$200.00, except as provided in (d)(v).
 - iv. The interval between strike prices of series of options on Fund Shares approved for options trading pursuant to Section 3 (i) of this Chapter IV shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on BX Options, or at such intervals as may have been established on another options exchange prior to the initiation of trading on BX Options.
 - v. BX may list series in intervals of \$5 or greater where the strike price is more than \$200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$5 Strike Price Program under their respective rules.
 - vi. Notwithstanding any other provision regarding strike prices in this rule, non-Short Term Options that are on a class that has been selected to participate in the Short Term Option Series Program (referred to as a "Related non-Short Term Option series") shall be opened during the month prior to expiration in the same manner as permitted in Supplementary Material .07 to Chapter IV, Section 6 and in the same strike price intervals that are permitted in Supplementary Material .07 to Chapter IV, Section 6.

(e) BX will open at least one expiration month for each class of options open for trading on BX Options.

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

(g) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Supplementary Material .01 to this Section 6.

Supplementary Material to Section 6

.01 (a) The interval between strike prices of series of options on individual stocks may be \$2.50 or greater where the strike price is \$25 or less, provided however, that BX Options may not list \$2.50 intervals below \$50 (e.g. \$12.50, \$17.50) for any class included within the \$1 Strike Price Program, as detailed below in Supplementary Material .02.

(b) For series of options on Exchange-Traded Fund Shares that satisfy the criteria set forth in Chapter IV, Section 3(i) of these Rules, the interval of strike prices may be \$1 or greater where the strike price is \$200 or less or \$5 or greater where the strike price is over \$200.

(i) \$0.50 and \$1 Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the provisions of this Rule, the Exchange may open for trading series at \$0.50 or greater strike price intervals where the strike price is less than \$75 and \$1.00 or greater strike price intervals where the strike price is between \$75 and \$150 for options that are used to calculate a volatility index.

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

(d) For series of options on Index Linked Securities that satisfy the criteria set forth in Chapter IV, Section 3(l), the interval of strike prices may be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.

(e) For series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDERS) that satisfy the criteria set forth in Chapter IV, Section 3(j) of these Rules, the interval of strike prices may be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.

(f) Exceptions to the strike price intervals above are set forth in Supplementary Material to Section 6 below.

.02 \$1 Strike Price Interval Program: The interval between strike prices of series of options on individual stocks may be:

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

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

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

- (i) If the price of the underlying stock is equal to or less than \$20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is \$2, the Exchange would be permitted to list the following series: \$1, \$2, \$3, \$4, \$5, \$6 and \$7.
- (ii) If the price of the underlying stock is greater than \$20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to \$50.
- (iii) For the purpose of adding strikes under the \$1 Strike Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in .06(a) of Supplemental Material to Section 6.
- (iv) No additional series in \$1 strike price intervals may be listed if the underlying stock closes at or above \$50 in its primary market. Additional series in \$1 strike price intervals may not be added until the underlying stock closes again below \$50.
- (v) LEAPS. For stocks in the \$1 Strike Program, the Exchange may list one \$1 strike price interval between each standard \$5 strike interval, with the \$1 strike price interval being \$2 above the standard strike for each interval above the price of the underlying stock, and \$2 below the standard strike for each interval below the price of the underlying stock ("2 wings"). For example, if the price of the underlying stock is \$24.50, the Exchange may list the following standard strikes in \$5 intervals: \$15, \$20, \$25, \$30 and \$35. Between these standard \$5 strikes, the Exchange may list the following \$2 wings: \$18, \$27 and \$32. In addition, the Exchange may list the \$1 strike price interval which is \$2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price (\$24.50) is \$20, the Exchange may list a \$22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

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

A security shall remain in the \$1 Strike Program until otherwise designated by BX Options.

(c) The Exchange may list \$1 strike prices up to \$5 in any series having greater than nine (9) months until expiration (LEAPS(R)) in up to 200 option classes on individual stocks. The Exchange may not list \$1 strike price intervals within \$0.50 on an existing \$2.50 strike price in the same expiration, except that strike prices of \$2 and \$3 shall be permitted within \$0.50 of a \$2.50 strike price for classes also selected to participate in the \$0.50 Strike Program.

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

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

.03

(a) BX Options may select up to 60 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50. In addition to those options selected

by BX Options, the strike price interval may be \$2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program.

(b) In addition, on any option class that has been selected as part of the \$2.50 Strike Price Program pursuant to paragraph (a) above, the Exchange may list \$2.50 strike prices between \$50 and \$100, provided the \$2.50 strike prices between \$50 and \$100 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of \$2.50 Strike Price Program, and the underlying stock closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54, the Exchange may list the \$52.50 strike price, the \$57.50 strike price, and the \$62.50 strike price on the next business day.

(c) An option class shall remain in the \$2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

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

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

(b) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within \$5 from the closing price of the underlying on the preceding day.

(c) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Fund Shares") as defined in Chapter IV, Section 3(i) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(d) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(e) Reserved.

(f) Delisting Policy. With respect to Quarterly Options Series added pursuant to the above paragraphs, the Exchange will, on a monthly basis review series that are outside of a range of five (5) strikes above and five (5) strikes below the current price of the ETF, and delist series with no open interest in both the call and the put series having a (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration month.

Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series eligible for delisting shall be granted. In connection with the above

referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other option exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to help to ensure uniform delisting of multiply listed Quarterly Options Series in ETF options.

.05 The interval between strike prices of series of options on individual stocks may be \$0.50 or greater beginning at \$.50 where the strike price is \$5.50 or less, but only for options classes whose underlying security closed at or below \$5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of \$0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "\$0.50 Strike Program") as specifically designated by BX Options. BX Options may list \$0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$0.50 Strike Program under their respective rules. A stock shall remain in the \$0.50 Strike Program until otherwise designated by BX Options.

.06 Range Limitations for New Option Series: Range Limitations applicable to equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading are adopted by the Exchange to codify a quote mitigation strategy in the Options Listing Procedures Plan ("OLPP").

(a) Except as provided in subparagraphs (b) through (d) below, if the price of the underlying security is less than or equal to \$20, the Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three exercise prices per expiration month in an option class. Except as provided in Supplementary Material to Section 6 at .07(d), if the price of the underlying security is greater than \$20, the Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

(i) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;

(ii) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines to list a new series; and

(iii) for option series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. Eastern Time

(b) The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to:

(i) the listing of \$1 strike prices in option classes participating in the \$1 Strike Program.

(c) The Exchange may designate up to five option classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the option class is delisted by the Exchange, in which case the Exchange may designate another option class to replace the delisted class. If a designated option class is delisted by the Exchange but continues to trade on at least one options exchange, the option class shall be subject to the limitations on listing new series set forth in this Supplementary Material .06 unless designated by another exchange.

(d) If the Exchange has designated five option classes pursuant to subparagraph (c) above, and requests that one or more additional option classes be excepted from the limitations on listing new series set forth in subparagraph (a) above, the additional option class(es) may so be designated upon the unanimous consent of all exchanges that trade such option class(es). Additionally, the Exchange may increase the percentage

range for the listing of new series to more than 100% above and below the price of the underlying security for an option class, upon the unanimous consent of all exchanges that trade such option class(es).

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the unanimous consent, plus the next standard expiration month to be added, and also to any nonstandard expirations that occur prior to the next standard monthly expiration.

(e) The Exchange can list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

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

(a) The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

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

(c) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices of Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than \$20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

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

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

.08 Mini Options Contracts

(a) After an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the Exchange. Mini Option contracts may currently be listed on SPDR S&P 500 ("SPY"), Apple Inc. ("AAPL"), SPDR Gold Trust ("GLD"), Alphabet Inc. ("GOOGL") and Amazon.com Inc. ("AMZN").

(b) Strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1250, and the strike price will be set at 125.

(c) No additional series of Mini Options may be added if the underlying security is trading at \$90 or less. The underlying security must trade above \$90 for five consecutive days prior to listing Mini Options contracts in an additional expiration month.

(d) The minimum price variation for bids and offers for Mini Options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, Mini Options on the same underlying security may be quoted in the same minimum increments, e.g., \$0.01 for all quotations in series that are quoted at less than \$3 per contract and \$0.05 for all quotations in series that are quoted at \$3

per contract or greater, \$0.01 for all SPY option series, and Mini Options do not separately need to qualify for the Penny Pilot Program.

.09 U.S. Dollar-Settled Foreign Currency options. Within each class of approved U.S. Dollar- Settled Foreign Currency options, the Exchange may open for trading series of options expiring in consecutive calendar months (“consecutive month series”), as provided in subparagraph (A), and series of options expiring at three-month intervals (“cycle month series”), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. Dollar- Settled Foreign Currency Options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. Dollar-Settled Foreign Currency options, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. Dollar-Settled Foreign Currency option. An expiration cycle shall consist of four calendar months (“cycle months”) occurring at three-month intervals.

With respect to any particular class of U.S. Dollar-Settled Foreign Currency option, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series.

The Exchange may list, with respect to any U.S. Dollar-Settled Foreign Currency, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. Dollar-Settled Foreign Currency options, in addition to the strike prices listed by the Exchange pursuant to the Supplementary Material at .09 to this Section 6, the Exchange shall also list a single strike price of \$0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

The Exchange may initially list exercise strike prices for each expiration of U.S. Dollar-Settled Foreign Currency options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent (\$.50) intervals. Thus, if the Exchange Spot Price of the Euro were at \$100.00, the Exchange would list strikes in \$.50 intervals up to \$120.00 and down to \$80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. Dollar-Settled Foreign Currency options moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the

Exchange Spot Price of the Euro is at \$100.00, the strike prices the Exchange will list will be \$80.00 to \$120.00. If the Exchange Spot Price then moves to \$105.00, the Exchange may list additional strikes at the following prices: \$105.50 to \$126.00.

The exercise price of each series of U.S. Dollar-Settled Foreign Currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices.

- (i) Exchange Spot Price - The term "Exchange Spot Price" in respect of an option contract on a foreign currency means the cash market spot price, for the sale of one foreign currency for another, quoted by various foreign exchange participants for the sale of a single unit of such foreign currency for immediate delivery that is calculated from the foreign currency price quotation reported by the foreign currency price quotation dissemination system selected by the Exchange, to which an appropriate multiplier is applied. The multiplier(s) will be: 100 for the British pound, the Euro, the Swiss Franc, the Canadian dollar, the Australian dollar, the Brazilian real, and the New Zealand dollar; 1,000 for the Chinese yuan, the Danish krone, the Mexican peso, the Norwegian krone, the South African rand, and the Swedish krona; 10,000 for the Japanese yen and the Russian ruble; and 100,000 for the South Korean won.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Jan. 16, 2013 (SR-BX-2013-006); amended Mar. 15, 2013 (SR-BX-2013-028); amended July 26, 2013 (SR-BX-2013-045); amended Oct. 11, 2013 (SR-BX-2013-055), operative Nov. 10, 2013; amended Apr. 24, 2014 (SR-BX-2014-020); amended Apr. 25, 2014 (SR-BX-2014-023); amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended July 25, 2014 (SR-BX-2014-038), operative Aug. 24, 2014; amended Sep. 2, 2014 (SR-BX-2014-044); amended Jan. 21, 2015 (SR-BX-2015-006); amended Oct. 7, 2015 (SR-BX-2015-058); amended Aug. 25, 2016 (SR-BX-2016-047); amended July 21, 2017 (SR-BX-2017-034); amended Feb. 8, 2018 (SR-BX-2018-008).

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Adjustments

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

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, Long-Term Options Contracts

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(a) Notwithstanding conflicting language in Section 6 of this Chapter IV (Series of Options Contracts Open for Trading), BX may list long-term options contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six (6) expiration months for options on all other securities. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(b) After a new long-term options contract series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Nov. 7, 2018 (SR-BX-2018-055).

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

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U.S. Dollar-Settled Foreign Currency options are settled in U.S. dollars.

The closing settlement value for the U.S. Dollar-Settled Foreign Currency options on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

Adopted Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Access to and Conduct on BX Options

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(a) *Access to BX Options.* Unless otherwise provided in the Rules, no one but a Participant or a person associated with a Participant shall effect any BX Options Transactions.

(b) *BX Options Conduct.* Participants and persons employed by or associated with any Participant, while using the facilities of BX Options, shall not engage in conduct: (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; or (iii) inconsistent with the ordinary and efficient conduct of business. Activities that shall violate the provisions of this paragraph (b) include, but are not limited to, the following:

- i. failure of a Market Maker to provide quotations in accordance with Chapter VII, Section 6 of these Rules;
- ii. failure of a Market Maker to bid or offer within the ranges specified by Chapter VII, Section 5 of these Rules;
- iii. failure of a Participant to supervise a person employed by or associated with such Participant adequately to ensure that person's compliance with this paragraph (b).
- iv. failure to maintain adequate procedures and controls that permit the Options Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in this paragraph (b) and Chapter III, Section 2 of these Rules;
- v. failure to abide by a determination of BX Regulation;
- vi. effecting transactions that are manipulative as provided in Rule 2110, 2111, 2120 or any other rule of the Exchange;
- vii. refusal to provide information requested by BX Regulation; and
- viii. failure to abide by the provisions of the sections of this Chapter V related to limitations on orders.

(c) Subject to the Rules, BX Options will provide access to the Trading System to Options Participants in good standing that wish to conduct business on BX Options.

(d) Pursuant to the Rules and the arrangements referred to in this Chapter V, BX Regulation may:

- i. suspend an Options Participant's access to the Trading System following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
- ii. terminate an Options Participant's access to the Trading System by notice in writing.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, MarketWatch

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Personnel from MarketWatch, a unit of BX Regulation, shall monitor and surveil options trading on BX Options in order to ensure the maintenance of a fair and orderly market.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Trading Halts

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(a) Halts. BX Regulation may halt trading in any option contract in the interests of a fair and orderly market. The following are among the factors that shall be considered in determining whether the trading in an option contract should be halted:

- i. trading in the underlying security has been halted or suspended in the primary market.
- ii. the opening of such underlying security has been delayed because of unusual circumstances.
- iii. occurrence of an act of God or other event outside BX Options 's control;
- iv. a Trading System technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Options Participant trading applications, or the electrical power supply to the system itself or any related system; or;
- v. other unusual conditions or circumstances are present.
- vi. Trading Pauses. Trading on the Exchange in any option contract shall be halted whenever trading in the underlying security has been paused by the primary listing market.

(A) Trading in such options contracts may be resumed upon a determination by the Exchange that the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one exchange. If, however, trading has not been resumed on the primary listing market for the underlying security after ten minutes have passed since the underlying security was paused by the primary listing market, trading in such options contracts may be resumed by the Exchange if the underlying security has resumed trading on at least one exchange.

(B) During the halt, the Exchange will maintain existing orders on the book, accept orders, and process cancels, except that Market Maker interest entered pursuant to the obligations contained in Chapter VII, Section 5 is not maintained. Auction orders and responses are rejected during a halt.

(b) In the event BX Regulation determines to halt trading, all trading in the effected classes of options shall be halted. BX Options shall disseminate through its trading facilities and over OPRA a symbol with respect to classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.

(c) No Options Participant or person associated with a Participant shall effect a trade on BX Options in any options class in which trading has been halted under the provisions of this Section 3 during the time in which the halt remains in effect.

(d) This paragraph shall be in effect during a pilot period that expires at the close of business on October 18, 2019. Capitalized terms used in this paragraph shall have the same meaning as provided for in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"). During a Limit State and Straddle State in the Underlying NMS stock:

- (i) The System will not open an affected option.
- (ii) After the opening, the Exchange shall reject Market Orders, as defined in Chapter VI, Section 1, and shall notify Participants of the reason for such rejection.

- (iii) When evaluating whether a Market Maker has met the intra-day quoting obligations of Chapter VII, Section 6(d) in options overlying NMS stocks, the Exchange will not consider as part of the trading day the time that an NMS stock underlying an option was in a Limit State or Straddle State.
- (iv) For a pilot period that expires at the close of business on October 18, 2019, trades are not subject to an obvious error or catastrophic error review pursuant to Chapter V, Sections 6(c) or (d). Nothing in this provision shall prevent trades from review on Exchange motion pursuant to Chapter V, Section 6(c)(3), or subject to nullification or adjustment pursuant to Chapter V, Section 6(e) – (j).

(e) The Exchange shall halt trading in all options whenever the equities markets initiate a market-wide trading halt commonly known as a circuit breaker in response to extraordinary market conditions.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Feb. 28, 2013 (SR-BX-2013-021), operative Mar. 30, 2013; amended Apr. 5, 2013 (SR-BX-2013-022); amended Apr. 8, 2013 (SR-BX-2013-026); amended Apr. 7, 2014 (SR-BX-2014-017); amended Feb. 19, 2015 (SR-BX-2015-012); amended May 7, 2015 (SR-BX-2015-028); amended Oct. 20, 2015 (SR-BX-2015-062); amended July 2, 2018 (SR-BX-2018-029); amended July 13, 2018 (SR-BX-2018-033); amended Apr. 5, 2019 (SR-BX-2019-007).

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Resumption of Trading After a Halt

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Trading in an option that has been the subject of a halt under Section 3 of this Chapter V shall be resumed upon the determination by BX Regulation, that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading. Trading shall resume according to the process set forth in Chapter VI, Section 8 of these rules.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Unusual Market Conditions

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(a) BX Options staff may determine that the level of trading activities or the existence of unusual market conditions is such that BX Options is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on BX Options. Upon making such a determination, BX Regulation shall designate the market in such option to be "fast." When a market for an option is declared fast, BX Regulation will provide notice that BX Options quotations are not firm by appending an appropriate indicator to the BX Options quotations.

(b) If a market is declared fast, BX Regulation shall have the power to do one or more of the following with respect to the class or classes involved:

i. Suspend the minimum size requirement as permitted under Chapter VII, Section 6 (Market Maker Quotations) of these Rules.

ii. Take such other actions as are deemed in the interest of maintaining a fair and orderly market.

(c) BX Regulation will monitor the activity or conditions that caused a fast market to be declared, and shall review the condition of such market at least every thirty (30) minutes. Regular trading procedures shall be resumed when BX Options determines that the conditions supporting a fast market declaration no longer exist. BX Regulation will provide notice that its quotations are once again firm by removing the indicator from the BX Options quotations.

(d) If the conditions supporting a fast market declaration cannot be managed utilizing one or more of the procedures contained in this Section 6, then BX Regulation, shall instruct BX operations to halt trading in the class or classes so affected.

(e) BX Regulation shall instruct BX operations to halt trading in all options whenever a marketwide trading halt is initiated on the New York Stock Exchange (commonly known as a "circuit breaker") in response to extraordinary market conditions.

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Nullification and Adjustment of Options Transactions including Obvious Errors

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The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. Eastern Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any Participant to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) *Definitions.*

- (1) *Customer.* For purposes of this Rule, a Customer shall not include any broker-dealer or Professional.
- (2) *Erroneous Sell/Buy Transaction.* For purposes of this Rule, an “erroneous sell transaction” is one in which the price received by the person selling the option is erroneously low, and an “erroneous buy transaction” is one in which the price paid by the person purchasing the option is erroneously high.
- (3) *Official.* For purposes of this Rule, the term "Official" shall mean an Exchange staff member or contract employee designated as such by the Chief Regulatory Officer. A list of individual Officials shall be displayed on the Exchange website. The Chief Regulatory Officer shall maintain the list of Officials and update the website each time a name is added to, or deleted from, the list of Officials. In the event no Official is available to rule on a particular matter, the Chief Regulatory Officer or his/her designee shall rule on such matter.
- (4) *Size Adjustment Modifier.* For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

**Adjustment – Theoretical Price (TP)
Plus/Minus**

Number of Contracts per Execution

1-50	N/A
51-250	2 times adjustment amount
251-1000	2.5 times adjustment amount
1001 or more	3 times adjustment amount

- (b) *Theoretical Price.* Upon receipt of a request for review and prior to any review of a transaction execution price, the “Theoretical Price” for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in sub-paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to Exchange’s receipt of the order. The Exchange will rely on this paragraph (b) and Commentary .04 of this Rule when determining Theoretical Price.

- (1) *Transactions at the Open.* For a transaction occurring as part of the Opening Process (as defined in Chapter VI, Section 8) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask

differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

- (2) *No Valid Quotes.* The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:
- (A) all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a “crossed market”);
 - (B) quotes published by the Exchange that were submitted by either party to the transaction in question;
 - (C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange’s best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and
 - (D) quotes published by another options exchange against which the Exchange has declared self-help.
- (3) *Wide Quotes.* The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

Bid Price at Time of Trade	Minimum Amount
Below \$2.00	\$0.75
\$2.00 to \$5.00	\$1.25
Above \$5.00 to \$10.00	\$1.50
Above \$10.00 to \$20.00	\$2.50
Above \$20.00 to \$50.00	\$3.00
Above \$50.00 to \$100.00	\$4.50
Above \$100.00	\$6.00

(c) *Obvious Errors.*

- (1) *Definition.* For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2.00	\$0.25
\$2.00 to \$5.00	\$0.40
Above \$5.00 to \$10.00	\$0.50
Above \$10.00 to \$20.00	\$0.80
Above \$20.00 to \$50.00	\$1.00
Above \$50.00 to \$100.00	\$1.50
Above \$100.00	\$2.00

- (2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of an Obvious Error must notify the Exchange’s Official in the manner specified from time to time

by the Exchange in a notice distributed to Participants. Such notification must be received by the Exchange's Officials within the timeframes specified below:

- (A) *Customer Orders*. For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and
 - (B) *"Non-Customer" Orders*. For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.
 - (C) *Linkage Trades*. Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange ("linkage trades"). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non-Customer order).
- (3) *Acting on Own Motion*. The President or designee thereof, who is an officer of the Exchange (collectively "Exchange officer") may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Exchange officer that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Exchange officer shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Exchange officer act later than 8:30 a.m. Eastern Time on the next trading day following the date of the transaction in question. A party affected by a determination to nullify or adjust a transaction pursuant to this provision may appeal such determination in accordance with paragraph (k) below; however, a determination by an Exchange officer not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Exchange officer's own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.
- (4) *Adjust or Bust*. If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.
- (A) *Non-Customer Transactions*. Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

	Buy Transaction Adjustment	Sell Transaction Adjustment –
Theoretical Price (TP)	– TP Plus	TP Minus
Below \$3.00	\$0.15	\$0.15

At or above \$3.00

\$0.30

\$0.30

- (B) *Customer Transactions.* Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to subparagraph (C) below.
- (C) If any Participant submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that Participant has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in sub-paragraph (A) above to such transactions.

(d) *Catastrophic Errors.*

- (1) *Definition.* For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2.00	\$0.50
\$2.00 to \$5.00	\$1.00
Above \$5.00 to \$10.00	\$1.50
Above \$10.00 to \$20.00	\$2.00
Above \$20.00 to \$50.00	\$2.50
Above \$50.00 to \$100.00	\$3.00
Above \$100.00	\$4.00

- (2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify the Exchange's Officials in the manner specified from time to time by the Exchange on its website. Such notification must be received by the Exchange's Officials by 8:30 a.m. Eastern Time on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify the Exchange's Officials within 45 minutes after the close of trading that same day.
- (3) *Adjust or Bust.* If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this sub-paragraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

Theoretical Price (TP)	Buy Transaction Adjustment – TP Plus	Sell Transaction Adjustment – TP Minus
Below \$2.00	\$0.50	\$0.50
\$2.00 to \$5.00	\$1.00	\$1.00
\$5.00 to \$10.00	\$1.50	\$1.50
\$10.00 to \$20.00	\$2.00	\$2.00
\$20.00 to \$50.00	\$2.50	\$2.50
\$50.00 to \$100.00	\$3.00	\$3.00
Above \$100.00	\$4.00	\$4.00

(e) *Significant Market Events.*

- (1) *Definition.* For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and

any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

- (A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of \$30,000,000, where the Worst- Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:
 - (i) \$0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times
 - (ii) the contract multiplier for each traded contract; times
 - (iii) the number of contracts for each trade; times
 - (iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.
 - (B) Transactions involving 500,000 options contracts are potentially erroneous;
 - (C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of \$100,000,000 are potentially erroneous;
 - (D) 10,000 transactions are potentially erroneous.
- (2) *Coordination with Other Options Exchanges.* To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.
- (3) *Adjust or Bust.* If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

- (A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above.

Theoretical Price (TP)	Buy Transaction Adjustment – TP Plus	Sell Transaction Adjustment – TP Minus
Below \$3.00	\$0.15	\$0.15
At or above \$3.00	\$0.30	\$0.30

- (B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.
- (4) *Nullification of Transactions.* If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with

other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

- (5) *Final Rulings.* With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.
- (f) *Trading Halts.* The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Commentary .03 of this Rule.
- (g) *Erroneous Print in Underlying.* A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies the Exchange's Officials in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify the Exchange's Officials within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification.
- (h) *Erroneous Quote in Underlying.* A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in subparagraph (c)(4) this Rule, provided a party notifies the Exchange's Officials in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of sample quotations at regular 15-second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify the Exchange's Officials in accordance with sub-paragraph (c)(2) above.
- (i) Reserved.
- (j) *Linkage Trades.* If the Exchange routes an order pursuant to the Plan (as defined in Chapter XII, Section 1(17)) that results in a transaction on another options exchange (a "Linkage Trade") and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.
- (k) *Verifiable Disruption or Malfunction of Exchange Systems.* Parties to a trade may have a trade nullified or its price adjusted if it resulted from a verifiable disruption or malfunction of Exchange execution, dissemination, or communication systems that caused a quote/order to trade in excess of its disseminated size (e.g. a quote/order that is frozen, because of an Exchange system error, and repeatedly traded). Parties to a trade may have a trade nullified or its price adjusted if it resulted from a verifiable disruption or malfunction of an Exchange dissemination or communication system that prevented a member from updating or canceling a quote/order for which the member is responsible where there is Exchange documentation providing that the member sought to update or cancel the quote/order.
- (l) *Appeals.* A party to a transaction affected by a decision made under this section may appeal that decision to the Exchange Review Council. An appeal must be made in writing, and must be received by BX within thirty (30) minutes after the person making the appeal is given the notification of the

determination being appealed. The Exchange Review Council may review any decision appealed, including whether a complaint was timely, whether an Obvious Error or Catastrophic Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price.

- (1) A Exchange Review Council panel will be comprised minimally of representatives of one (1) member engaged in Market Making and two (2) industry representatives not engaged in Market Making. At no time should a review panel have more than 50% members engaged in Market Making.
- (2) The Exchange Review Council, pursuant to the standards set forth in this rule, shall affirm, modify, or reverse the determination.
- (3) The decision of the Exchange Review Council pursuant to an appeal, or a determination by a BX Official that is not appealed, shall be final and binding upon all parties and shall constitute final BX action on the matter in issue. Any determination by a BX Official or the Exchange Review Council shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.
- (4) The party initiating the appeal shall be assessed a \$500.00 fee if the Exchange Review Council upholds the decision of the BX Official. In addition, in instances where BX, on behalf of an Options Participant, requests a determination by another market center that a transaction is clearly erroneous, BX will pass any resulting charges through to the relevant Options Participant.

Commentary:...

.01 Reserved.

.02 For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

.03 Trading Halts. Trades on the Exchange will be nullified when:

- (A) The trade occurred during a trading halt in the affected option on the Exchange;
- (B) Respecting equity options (including options overlying ETFs), the trade occurred during a regulatory halt as declared by the primary market for the underlying security; or
- (C) Respecting index options, the trade occurred during a trading halt on the primary market in underlying securities representing more than 10 percent of the current index value for stock index options.

.04 Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

- (a) The Exchange will request Theoretical Price from the third party vendor defined in paragraph (d) below ("TP Provider") to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described below.
- (b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official shall contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange shall also promptly provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.

- (c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.
- (d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: CBOE Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the “TP Provider”), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Commentary .04. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider shall have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Feb. 26, 2013 (SR-BX-2013-020), operative Mar. 28, 2013; amended July 19, 2013 (SR-BX-2013-042), operative Aug. 18, 2013; amended Oct. 11, 2013 (SR-BX-2013-055), operative Nov. 10, 2013; amended Apr. 30, 2014 (SR-BX-2014-024), operative May 30, 2014; amended May 7, 2015 (SR-BX-2015-028); amended Aug. 13, 2015 (SR-BX-2015-052); amended Aug. 3, 2017 (SR-BX-2017-038), operative Oct. 18, 2017.

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Audit Trail

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(a) Order Identification. When entering orders on BX Options, each Options Participant shall submit order information in such form as may be prescribed by BX in order to allow BX Options to properly prioritize and match orders and report resulting transactions to the Clearing Corporation.

(b) An Options Participant must ensure that each options order received from a Customer for execution on BX Options is recorded and time-stamped immediately. The order record must be time-stamped again on execution and also at the time of any modification or cancellation of the order by the Customer. Order records relating to BX Options must contain the following information at a minimum:

- i. a unique order identification;
- ii. the underlying security;
- iii. opening/closing designation;
- iv. the identity of the Clearing Participant;
- v. Options Participant identification;
- vi. Participant Capacity;
- vii. identity of the individual/terminal completing the order ticket;
- viii. customer identification;
- ix. account identification;
- x. buy/sell;
- xi. contract volume;
- xii. contract month;
- xiii. exercise price;
- xiv. put/call;
- xv. price or price limit, price range or strategy price;
- xvi. special instructions (e.g ., GTC); and
- xvii. and such other information as may be required by BX Options.

(c) An Options Participant that employs an electronic system for order routing or order management which complies with BX Options requirements will be deemed to be complying with the requirements of this Section if the required information is recorded in electronic form rather than in written form.

(d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Section must be retained by Options Participants for a period of no less than three (3) years after the date of the transaction.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, Failure to Pay Premium

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(a) When the Clearing Corporation shall reject a BX Options Transaction because of the failure of the Clearing Participant acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Options Participant acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice thereof to the Clearing Participant or to enter into a closing writing transaction in respect of the same options contract that was the subject of the rejected BX Options Transaction for the account of the defaulting Clearing Participant.

(b) Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. EST on the business day following the day the BX Options Transaction was rejected by the Clearing Corporation.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, Limitation of Liability

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(a) Except as provided for in Rule 4626, BX Options and its affiliates shall not be liable for any losses, damages, or other claims arising out of the BX Options Trading System or its use. Any losses, damages, or other claims, related to a failure of the BX Options Trading System to deliver, display, transmit, execute, compare, submit for clearance and settlement, adjust, retain priority for, or otherwise correctly process an order, message, or other data entered into, or created by, the BX Options Trading System shall be absorbed by the member, or the member sponsoring the customer, that entered the order, message, or other data into the BX Options Trading System.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Definitions

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The following definitions apply to Chapter VI for the trading of options listed on BX Options.

(a) The term "System" shall mean the automated system for order execution and trade reporting owned and operated by BX as the BX Options market. The BX Options market comprises:

- (1) an order execution service that enables Participants to automatically execute transactions in System Securities; and provides Participants with sufficient monitoring and updating capability to participate in an automated execution environment;
- (2) a trade reporting service that submits "locked-in" trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment; and
- (3) the data feeds described in Section 19.

(b) The term "System Securities" shall mean all options that are currently trading on BX Options pursuant to Chapter IV above. All other options shall be "Non System Securities."

(c) The term "Participant" shall include Options Market Makers and Options Order Entry Firms that are registered to enter orders into the System.

(d) The term "Order" shall mean a single order submitted to the System by a Participant that is eligible to submit such orders.

(e) The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

- (1) Cancel-replacement order shall mean a single message for the immediate cancellation of a previously received order and the replacement of that order with a new order with new terms and conditions. If the previously placed order is already filled partially or in its entirety, the replacement order is automatically canceled or reduced by the number of contracts that were executed. The replacement order will not retain the priority of the cancelled order except when the replacement order reduces the size of the order and all other terms and conditions are retained.
- (2) Directed Order. The term "Directed Order" means an order to buy or sell which has been directed, provided it is properly marked as such, to a particular market maker ("Directed Market Maker"). Directed Orders are handled within the System pursuant to Chapter VI, Section 10. Directed Orders may be available only in certain options.
- (3) "Limit Orders" are orders to buy or sell an option at a specified price or better. A limit order is marketable when, for a limit order to buy, at the time it is entered into the System, the order is priced at the current inside offer or higher, or for a limit order to sell, at the time it is entered into the System, the order is priced at the inside bid or lower.
- (4) "Minimum Quantity Orders" are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders are treated as having a time-in-force designation of Immediate or Cancel. Minimum Quantity Orders received prior to the opening cross or after market close will be rejected.

(5) "Market Orders" are orders to buy or sell at the best price available at the time of execution. Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant.

(6) Reserved.

(7) "Intermarket Sweep Order" or "ISO" are limit orders that are designated as ISOs in the manner prescribed by BX and are executed within the System by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Chapter XII, Section 1. ISOs may have any time-in-force designation except WAIT, are handled within the System pursuant to Chapter VI, Section 10 and shall not be eligible for routing as set out in Chapter VI, Section 11. ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day.

Simultaneously with the routing of an ISO to the System, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any protected bid or offer (as defined in Chapter XII, Section 1) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an intermarket sweep order (as defined in Chapter XII, Section 1). These additional routed orders must be identified as ISOs.

(8) "One-cancels-the-other" shall mean an order entered by a Market Maker that consists of a buy order and a sell order treated as a unit; the full execution of one of the orders causes the other to be canceled.

(9) "All-or-none" shall mean a market or limit order which is to be executed in its entirety or not at all. All-or-None Orders are treated as having a time-in-force designation of Immediate or Cancel. All-or-None Orders received prior to the opening cross or after market close will be rejected.

(10) Reserved.

(11) The term "On the Open Order" shall mean an order with a designated time-in-force of "OPG". An On the Open Order will be executable only during the Opening Cross. If such order is not executed in its entirety during the Opening Cross, the order, or any unexecuted portion of such order, will be cancelled back to the entering participant.

(f) The term "Order Size" shall mean the number of contracts up to 999,999 associated with the Order.

(g) The term "Time in Force" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1) "On the Open Order" or "OPG" shall mean for orders so designated, that if after entry into the System, the order is not fully executed in its entirety during the Opening Cross, the order, or any unexecuted portion of such order, will be cancelled back to the entering participant.

(2) "Immediate Or Cancel" or "IOC" shall mean for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. IOC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close. IOC Orders entered between the time specified by the Exchange on its website and 9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the System shall determine whether such orders are marketable.

(3) "DAY" shall mean for orders so designated, that if after entry into the System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution until market close, unless canceled by the entering party, after which it shall be returned to the

entering party. DAY Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close.

(4) "Good Til Cancelled" or "GTC" shall mean for orders so designated, that if after entry into System, the order is not fully executed, the order (or unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close.

(5) "WAIT" shall mean for orders so designated, that upon entry into the System, the order is held for one second without processing for potential display and/or execution. After one second, the order is processed for potential display and/or execution in accordance with all order entry instructions as determined by the entering party.

(h) The term "System Book Feed" shall mean a data feed for System securities.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended July 24, 2012 (SR-BX-2012-057), operative Sept. 28, 2012; amended Oct. 28, 2014 (SR-BX-2014-055), operative Nov. 27, 2014; amended Jan. 23, 2015 (SR-BX-2014-049); amended Jan. 29, 2015 (SR-BX-2015-008); amended Feb. 9, 2015 (SR-BX-2015-010), operative Mar. 11, 2015; amended Oct. 6, 2015 (SR-BX-2015-057), operative Nov. 5, 2015; amended Oct. 30, 2015 (SR-BX-2015-064); amended Feb. 22, 2018 (SR-BX-2018-009).

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Days and Hours of Business

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(a) The System operates and shall be available to accept bids and offers and orders from the time prior to market open specified by the Exchange on its website to market close on each business day, unless modified by BX Options. Orders and bids and offers shall be open and available for execution as of 9:30 a.m. Eastern Time and shall close as of 4:00 p.m. Eastern Time except for option contracts on certain fund shares or broad-based indexes which will close as of 4:15 p.m. Eastern Time.

(b) Except for unusual conditions as may be determined by the Board, hours during which transactions in options on individual stocks may be made on BX Options shall correspond to the normal business days and hours for business set forth in the rules of the primary market trading the securities underlying BX Options. Notwithstanding the foregoing, transactions may be effected in options contracts on Fund Shares, as defined in Chapter 4, Section 3(i); and in options contracts on exchange-traded notes including Index-Linked Securities, as defined in Chapter IV, Section 3(l), on BX Options until 4:15 p.m.

(c) BX Options shall not be open for business on any holiday observed by BX.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Units of Trading

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The unit of trading in each series of options traded on BX Options shall be the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of BX with the Clearing Corporation.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Meaning of Premium Quotes and Orders

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- (a) *General.* Except as provided in paragraph (b), orders shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of "5" shall represent a bid of \$500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.
- (i) *Mini Options.* Bids and offers for an option contract overlying 10 shares shall be expressed in terms of dollars per 1/10th part of the total value of the contract. An offer of ".50" shall represent an offer of \$5.00 on an option contract having a unit of trading consisting of 10 shares.
- (b) *Special Cases.* Orders for an options contract for which BX Options has established an adjusted unit of trading in accordance with Section 4 of this Chapter VI shall be expressed in terms of dollars per 1/100 part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of "3" shall represent an offer of \$300 for an options contract having a unit of trading consisting of 100 shares of an underlying security plus ten (10) rights.
- (c) All options on foreign currencies where the underlying foreign currency is not the U.S. dollar shall have a minimum increment of \$.01.
- (d) In the case of options on foreign currencies, all bids or offers shall be expressed in terms of U.S. dollars per unit of the underlying foreign currency. E.g., a bid of "3.25" for a premium on a \$170 strike price option on the British pound shall represent a bid to pay \$325 per option contract.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Jan. 16, 2013 (SR-BX-2013-006); amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Minimum Increments

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(a) The Board may establish minimum quoting increments for options contracts traded on BX Options. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Section within the meaning of Section 19 of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply:

(1) If the options series is trading at less than \$3.00, five (5) cents;

(2) If the options series is trading at \$3.00 or higher, ten (10) cents; and

(3) For a pilot period scheduled to expire on June 30, 2019 or the date of permanent approval, if earlier, if the options series is trading pursuant to the Penny Pilot program one (1) cent if the options series is trading at less than \$3.00, five (5) cents if the options series is trading at \$3.00 or higher, unless for QQQs, SPY and IWM where the minimum quoting increment will be one cent for all series regardless of price. A list of such options shall be communicated to membership via an Options Trader Alert ("OTA") posted on the Exchange's web site.

The Exchange may replace any pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the pilot, based on trading activity in the previous six months. The replacement issues may be added to the pilot on the second trading day in the first month of each quarter.

(4) All Mini Options contracts shall have a minimum price variation as set forth in Chapter IV, Supplementary Material .08 to Section 6.

(b) The minimum trading increment for options contracts traded on BX Options will be one (1) cent for all series.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended June 28, 2012 (SR-BX-2012-046); amended Dec. 20, 2012 (SR-BX-2012-076); amended Mar. 15, 2013 (SR-BX-2013-028); amended June 11, 2013 (SR-BX-2013-039); amended Dec. 13, 2013 (SR-BX-2013-061); amended May 20, 2014 (SR-BX-2014-027); Nov. 21, 2014 (SR-BX-2014-057); June 19, 2015 (SR-BX-2015-037); amended June 8, 2016 (SR-BX-2016-021); amended Nov. 16, 2016 (SR-BX-2016-062); amended May 24, 2017 (SR-BX-2017-026); amended Dec. 11, 2017 (SR-BX-2017-056); amended June 25, 2018 (SR-BX-2018-027); amended December 21, 2018 (SR-BX-2018-067); amended Mar. 21, 2019 (SR-BX-2019-005).

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Acceptance of Quotes and Orders

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All bids or offers made and accepted on BX Options in accordance with the BX Options Rules shall constitute binding contracts, subject to applicable requirements of the Rules of the Exchange and the Rules of the Clearing Corporation.

(a) General - A System order is an order that is entered into the System for display and/or execution as appropriate. Such orders are executable against marketable contra-side orders in the System.

(1) All System Orders shall indicate whether they are a call or put and buy or sell and a price, if any. Systems Orders can be designated as Immediate or Cancel ("IOC"), Good-till-Cancelled ("GTC"), Day ("DAY") or WAIT. Any of the foregoing may also be designated as a Directed Order.

(2) A System order may also be designated as a Limit Order, a Minimum Quantity Order, a Market Order, or an All-or-None Order. Any of the foregoing may also be designated as a Directed Order.

(3) **Zero-Bid Option Series.** In the case where the bid price for any options contract is \$0.00, a market order accepted into the System to sell that series shall be considered a limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.

(b) Routing - All System orders entered by Participants directing or permitting routing to other market centers shall be routed for potential display and/or execution as set forth in Section 11 below.

(c) Reserved.

(d) BX Options Kill Switch is an optional tool that enables BX Participants to initiate a message(s) to the System to: (i) promptly remove quotes; and/or (ii) promptly cancel orders. Participants may submit a request to the System to remove/cancel quotes and/or orders based on certain identifier(s) on either a user or group level ("Identifier"). Permissible groups must reside within a single broker-dealer. The System will send an automated message to the BX Participant when a Kill Switch request has been processed by the Exchange's System.

(i) If quotes are cancelled by the BX Participant utilizing the Kill Switch, it will result in the removal of all quotes requested for the Identifier(s). The BX Participant will be unable to enter any additional quotes for the affected Identifier(s) until re-entry has been enabled pursuant to section (d)(iii).

(ii) If orders are cancelled by the BX Participant utilizing the Kill Switch, it will result in the cancellation of all orders requested for the Identifier(s). The BX Participant will be unable to enter additional orders for the affected Identifier(s) until re-entry has been enabled pursuant to section (d)(iii).

(iii) After quotes and/or orders are removed/cancelled by the BX Participant utilizing the Kill Switch, the BX Participant will be unable to enter additional quotes and/or orders for the affected Identifier(s) until the BX Participant has made a verbal request to the Exchange and Exchange staff has set a re-entry indicator to enable re-entry. Once enabled for re-entry, the System will send a Re-entry Notification Message to the BX Participant. The applicable Clearing Participant also will be notified of the re-entry into the System after quotes and/or orders are removed/cancelled as a result of the Kill Switch, provided the Clearing Participant has requested to receive such notification.

(e) Detection of Loss of Communication

(i) When the SQF Port detects the loss of communication with a BX Participant's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the BX Participant's affected Client Application and automatically cancel all of the BX Participant's open quotes. Quotes will be cancelled across all Client Applications that are associated with the same BX Options Market Maker ID and underlying issues.

- (A) A "Heartbeat" message is a communication which acts as a virtual pulse between the SQF or FIX Port and the Client Application. The Heartbeat message sent by the BX Participant and subsequently received by the Exchange allows the SQF or FIX Port to continually monitor its connection with the BX Participant.
- (B) SQF Port is the Exchange's System component through which BX Participants communicate their quotes from the Client Application.
- (C) FIX Port is the Exchange's System component through which BX Participants communicate their orders from the Client Application.
- (D) Client Application is the System component of the BX Participant through which the BX Participant communicates its quotes and orders to the Exchange.

(ii) When the FIX Port detects the loss of communication with a BX Participant's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the BX Participant's affected Client Application and, if the BX Participant has elected to have its orders cancelled pursuant to Chapter VI, Section 6(e)(iv), automatically cancel all open orders posted.

(iii) The default time period ("nn" seconds) for SQF Ports shall be fifteen (15) seconds. A BX Participant may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (i) above, to trigger the disconnect and must communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for SQF Ports prior to each session of connectivity to the Exchange. This feature is enabled for each BX Participant and may not be disabled.

- (A) If the BX Participant systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to fifteen seconds. The BX Participant may change the default setting systemically prior to each session of connectivity.
- (B) If a time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the BX Participant shall persist for each subsequent session of connectivity until the BX Participant either contacts Exchange operations and changes the setting or the BX Participant systemically selects another time period prior to the next session of connectivity.

(iv) The default period of "nn" seconds for FIX Ports shall be thirty (30) seconds for the disconnect and, if elected, the removal of orders. If the BX Participant elects to have its orders removed, in addition to the disconnect, the BX Participant may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (ii) above, to trigger the disconnect and removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one (1) second and thirty (30) seconds for FIX Ports prior to each session of connectivity to the Exchange. This feature may be disabled for the removal of orders, however the BX Participant will be disconnected.

- (A) If the BX Participant systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current session of connectivity and will then default back to thirty

seconds. The BX Participant may change the default setting systemically prior to each session of connectivity.

- (B) If the time period is communicated to the Exchange by calling Exchange operations, the number of “nn” seconds selected by the BX Participant shall persist for each subsequent session of connectivity until the BX Participant either contacts Exchange operations and changes the setting or the BX Participant systemically selects another time period prior to the next session of connectivity.

(v) The trigger for the SQF and FIX Ports is event and Client Application specific. The automatic cancellation of the BX Options Market Maker's quotes for SQF Ports and open orders for FIX Ports entered into the respective SQF or FIX Ports via a particular Client Application will neither impact nor determine the treatment of the quotes of other BX Options Market Makers entered into SQF Ports or orders of the same or other BX Participants entered into the FIX Ports via a separate and distinct Client Application.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Jan. 23, 2015 (SR-BX-2014-049); amended Oct. 8, 2015 (SR-BX-2015-050); amended Oct. 30, 2015 (SR-BX-2015-064); amended Nov. 20, 2015 (SR-BX-2015-074); amended Dec. 23, 2015 (SR-BX-2015-088); amended July 8, 2016 (SR-BX-2016-040); amended May 7, 2018 (SR-BX-2018-019); amended July 13, 2018 (SR-BX-2018-033).

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Entry and Display Orders

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(a) Entry of Orders—Participants can enter orders into the System, subject to the following requirements and conditions:

- (1) Participants shall be permitted to transmit to the System multiple orders at a single as well as multiple price levels. Each order shall indicate the amount of Reserve Size (if applicable).
- (2) The System shall time-stamp an order which shall determine the time ranking of the order for purposes of processing the order.
- (3) Orders can be entered into the System (or previously entered orders cancelled) from the time prior to market open specified by the Exchange on its website until market close.

(b) Display of Orders— The System will display orders submitted to the System as follows:

- (1) System Book Feed—displayed orders resident in the System available for execution will be displayed via the System Book Feed.
- (2) Best Priced Order Display - For each System Security, the aggregate size of all Orders at the best price to buy and sell resident in the System will be transmitted for display to the appropriate network processor.
- (3) Exceptions—The following exceptions shall apply to the display parameters set forth in paragraphs (1) and (2) above:

(A) Reserved.

(B) Reserved.

(C) Trade-Through Compliance and Locked or Crossed Markets- An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions and exceptions. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions.

If, at the time of entry, an order that the entering party has elected not to make eligible for routing would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Oct. 30, 2015 (SR-BX-2015-064).

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, BX Opening and Halt Cross

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(a) Definitions. For the purposes of this rule the term:

(1) "Imbalance" shall mean the number of contracts of Eligible Interest that may not be matched with other order contracts at a particular price at any given time.

(2) "Order Imbalance Indicator" shall mean a message disseminated by electronic means containing information about Eligible Interest and the price in penny increments at which such interest would execute at the time of dissemination. The Order Imbalance Indicator shall disseminate the following information:

(A) "Current Reference Price" shall mean an indication of what the opening cross price would be at a particular point in time.

(B) the number of contracts of Eligible Interest that are paired at the Current Reference Price;

(C) the size of any Imbalance; and

(D) the buy/sell direction of any Imbalance.

(3) "BX Opening Cross" shall mean the process for opening or resuming trading pursuant to this rule and shall include the process for determining the price at which Eligible Interest shall be executed at the open of trading for the day, or the open of trading for a halted option, and the process for executing that Eligible Interest.

(4) "Eligible Interest" shall mean any quotation or any order that may be entered into the system and designated with a time-in-force of IOC (immediate-or-cancel), DAY (day order), GTC (good-till-cancelled), and OPG (On the Open Order). However, orders received via FIX protocol prior to the BX Opening Cross designated with a time-in-force of IOC will be rejected and shall not be considered eligible interest. Orders received via SQF prior to the BX Opening Cross designated with a time-in-force of IOC will remain in-force through the opening and shall be cancelled immediately after the opening.

(5) "Market for the Underlying Security" shall mean either the primary listing market, the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), or the first market to open the underlying security, as determined by the Exchange on an issue-by-issue basis and announced to the membership on the Exchange's web site.

(6) "Valid Width National Best Bid or Offer" or "Valid Width NBBO" shall mean the combination of all away market quotes and any combination of BX Options-registered Market Maker orders and quotes received over the SQF Protocols within a specified bid/ask differential as established and published by the Exchange. The Valid Width NBBO will be configurable by underlying, and tables with valid width differentials will be posted by BX on its website. Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on BX Options are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation.

(7) "Away Best Bid or Offer" or "ABBO" shall mean the displayed National Best Bid or Offer not including the Exchange's Best Bid or Offer.

(b) Processing of BX Opening Cross. For the opening of trading of System securities, the Opening Cross shall occur at or after 9:30, if the dissemination of a regular market hours quote or trade (as determined by the Exchange) by the Market for the Underlying Security has occurred (or, in the case of index options,

the Exchange has received the opening price of the underlying index). Or, in the case of a trading halt, the Opening Cross shall occur when trading resumes pursuant to Chapter V, Section 4. Market hours trading shall commence or, in the case of a halted option, resume when the BX Opening Cross concludes.

In each case, the opening of trading or resumption of trading after a halt of System securities will be dependent on the following criteria, provided the ABBO is not crossed:

- (1) If there is a possible trade on BX, a Valid Width NBBO must be present.
- (2) If no trade is possible on BX, then BX will open dependent upon one of the following:
 - (A) A Valid Width NBBO is present;
 - (B) A certain number of other options exchanges (as determined by the Exchange) have disseminated a firm quote on OPRA; or
 - (C) A certain period of time (as determined by the Exchange) has elapsed.
- (3) BX shall disseminate by electronic means an Order Imbalance Indicator every 5 seconds beginning between 9:20 and 9:28, or a shorter dissemination interval as established by the Exchange, with the default being set at 9:25 a.m. The start of dissemination, and a dissemination interval, shall be posted by BX on its website.
- (4)
 - (A) The BX Opening Cross shall occur at the price that maximizes the number of contracts of Eligible Interest in BX Options to be executed at or within the ABBO and within a defined range, as established and published by the Exchange, of the Valid Width NBBO.
 - (B) If more than one price exists under subparagraph (A), and there are no contracts that would remain unexecuted in the cross, the BX Opening Cross shall occur at the midpoint price, rounded to the penny closest to the price of the last execution in that series (and in the absence of a previous execution price, the price will round up, if necessary) of (1) the National Best Bid or the last offer on BX Options against which contracts will be traded whichever is higher, and (2) the National Best Offer or the last bid on BX Options against which contracts will be traded whichever is lower.
 - (C) If more than one price exists under subparagraph (A), and contracts would remain unexecuted in the cross, then the opening price will be the highest/lowest price, in the case of a buy/sell imbalance, at which the maximum number of contracts can trade which is equal to or within a defined range, as established and published by the Exchange, of the Valid Width NBBO on the contra side of the imbalance that would not trade through the ABBO.

Regarding unexecuted contracts:

- (i) If unexecuted contracts remain with a limit price that is equal to the opening price, then the remaining unexecuted contracts will be posted at the opening price, displayed one minimum price variation (MPV) away if displaying at the opening price would lock or cross the ABBO, with the contra-side BX Options BBO reflected as firm;
- (ii) If unexecuted contracts remain with a limit price that is through the opening price, and there is a contra side ABBO at the opening price, then the remaining unexecuted contracts will be posted at the opening price, displayed one minimum price variation (MPV) away, with the contra side BX Options BBO reflected as firm and order handling of any remaining interest will be done in accordance with the routing and time-in-force instructions of such interest with the opening price representing the reference price set forth in Chapter VI, Section 10;
- (iii) If unexecuted contracts remain with a limit price that is through the opening price, and there is no contra side ABBO at the opening price, then the remaining

- contracts will be posted at the opening price, with the contra-side BX Options BBO reflected as non-firm; and
- (iv) Order handling of any residual unexecuted contracts will be done in accordance with Chapter VI, Section 10(7), with the opening price representing the reference price.
 - (5) If the BX Opening Cross price is selected and fewer than all contracts of Eligible Interest that are available in BX Options would be executed, all Eligible Interest shall be executed at the BX Opening Cross price in accordance with the execution algorithm assigned to the associated underlying option.
 - (6) All Eligible Interest executed in the BX Opening Cross shall be executed at the BX Opening Cross price, trade reported anonymously, and disseminated via a national market system plan. The BX Opening Cross price shall be the BX Official Opening Price for options that participate in the BX Opening Cross.
 - (7) If the conditions specified in (b) above have occurred, but there is an imbalance containing marketable routable interest, then one additional Order Imbalance Indicator will be disseminated, after which the cross will occur, executing the maximum number of contracts at the price provided for in subsection (b)(4) of this Section 8. Any remaining Imbalance will be canceled, posted, or routed as per the directions on the customer's order.

(c) Absence of Opening Cross. If an Opening Cross in a symbol is not initiated before the conclusion of the Opening Order Cancel Timer, a firm may elect to have orders returned by providing written notification to the Exchange. These orders include all non GTC orders received over the FIX protocol. The Opening Order Cancel Timer represents a period of time since the underlying market has opened, and shall be established and disseminated by BX on its website.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Feb. 9, 2015 (SR-BX-2015-010), operative Mar. 11, 2015.

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, Price Improvement Auction (“PRISM”)

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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. For purposes of this Rule, a Public Customer order does not include a Professional order.

- (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”) is \$0.01, the Initiating Participant must stop the entire PRISM Order at one minimum price improvement increment better than the NBBO on the opposite side of the market from the PRISM Order, and better than any limit order on the limit order book on the same side of the market as the PRISM Order.
 - (B) 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 is greater than \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is equal to or better than the NBBO on the opposite side of the market from the PRISM Order, provided that such price must be at least one minimum trading increment specified in Chapter VI, Section 5 (“Minimum Increment”) better than any limit order on the limit order book on the same side of the market as the PRISM Order.
 - (C) If the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, the Initiating Participant must stop the entire PRISM Order at a price that is the better of: (i) the BX BBO price improved by at least the Minimum Increment on the same side of the market as the PRISM Order, or (ii) the PRISM Order’s limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO.
 - (D) PRISM Orders that do not comply with the requirements of subparagraphs (A), (B), and (C) above are not eligible to initiate an Auction and will be immediately cancelled.
 - (E) PRISM Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected.
 - (F) PRISM Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be immediately cancelled.
 - (G) An Initiating Order may not be a solicited order for the account of any BX Options Market Maker assigned in the affected series.

If any of the above criteria are not met, the PRISM Order will be rejected. Pursuant to subparagraph (vi) below, the Exchange will allow a Public Customer PRISM Order to trade on either the bid or offer, if the NBBO is \$0.01 wide, provided (1) the execution price is equal to or within the NBBO, (2) there is no resting customer at the execution price, and (3) \$0.01 is the Minimum Price Variation (MPV) of the option. The Exchange will continue to reject a PRISM Order to buy (sell) if the NBBO is only \$0.01 wide and the Agency order is stopped on the bid (offer) if there is a resting order on the bid (offer).

(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”).

- (1) To initiate the Auction, the Initiating Participant must mark the PRISM Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PRISM Order (a “stop price”); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest (“auto-match”) in which case the PRISM Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a “No Worse Than” or “NWT” price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the BX BBO on the same side of the market as the PRISM Order represents a limit order on the book, the stop price must be at least one Minimum Increment or better than the booked limit order's limit price. Once the Initiating Participant has submitted a PRISM Order for processing pursuant to this subparagraph, such PRISM Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)-(c) above, the stop price or NWT price may be improved to the benefit of the PRISM Order during the Auction, but may not be cancelled. Under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution.

When starting an Auction, the Initiating Participant may submit the Initiating Order with a designation of “surrender” to the other PRISM Participants (“Surrender”) which will result in the Initiating Participant forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per Section 9(ii)(E)(2)(a) and Section 9(ii)(F)(2)(a). If Surrender is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PRISM Order at prices which are equal to or improve upon the stop price. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Participant than that which the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Rule. Surrender will not be applied if both the Initiating Order and PRISM Order are Public Customer orders. Surrender information will not be available to other market participants and may not be modified. (2) When the Exchange receives a PRISM Order for Auction

processing, a PAN detailing the side, size, and options series of the PRISM Order will be sent over the BX Depth feed and the Exchange's Specialized Quote Feed.

(3) The Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction period will be no less than one hundred milliseconds and no more than one second.

(4) Any person or entity may submit responses to the PAN, provided such response is properly marked specifying price, size and side of the market.

(5) PAN responses will not be visible to Auction participants, and will not be disseminated to OPRA.

(6) The minimum price increment for PAN responses and for an Initiating Participant's stop price and/or NWT price shall be the minimum price improvement increment established pursuant to subparagraph (i)(A) above.

(7) A PAN response size at any given price point may not exceed the size of the PRISM Order. A PAN response with a size greater than the size of the PRISM Order will be immediately cancelled.

(8) A PAN response must be equal to or better than the displayed NBBO at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response submitted with a price that is outside the NBBO will be immediately cancelled.

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

(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.

- (B) Conclusion of Auction. The PRISM Auction shall conclude at the earlier to occur of (1) through (3) below, with the PRISM Order executing pursuant to paragraph (C)(1) or (C)(2) below if it concludes pursuant to (2) or (3) of this paragraph.
- (1) The end of the Auction period;
 - (2) For a PRISM Auction any time the BX BBO crosses the PRISM Order stop price on the same side of the market as the PRISM Order;
 - (3) Any time there is a trading halt on the Exchange in the affected series.
- (C) If the situations described in sub-paragraphs (B)(2) or (3) above occur, the entire PRISM Order will be executed at: (1) in the case of the BX BBO crossing the PRISM Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the Order Book on the same side of the market as the PRISM Order, in which case the PRISM Order will be executed against that response, but at a price that is at least the Minimum Increment better than the price of such limit order at the time of the conclusion of the Auction; or (2) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PRISM Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.
- (D) An unrelated market or marketable limit order (against the BX BBO) on the opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. If contracts remain from

such unrelated order at the time the auction ends, they will be considered for participation in the order allocation process described in sub-paragraphs (E) and (F) below.

- (E) Order Allocation – Size Pro-Rata. At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as follows for underlying symbols which are designated as Size Pro-Rata, as described in Chapter VI, Section 10(1)(C)(2) with the following priority:
- (1) Public Customer orders shall have time priority at each price level. For purposes of this Rule, a Public Customer order does not include a Professional order.
 - (2) The Initiating Participant shall be allocated after Public Customer orders as follows:
 - (a) If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after Public Customer interest is satisfied being allocated to the Initiating Participant at the stop price. However, if only one other quote, order or PAN response matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated, pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below, among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.
 - (b) If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the stop price is the final price) after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below. Any remaining contracts shall be allocated to the Initiating Participant.
 - (c) If the Initiating Participant selected the “stop and NWT” option of the PRISM Auction, contracts shall be allocated as follows:
 - (i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below, at each price point;
 - (ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one

competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price), after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price), after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(E) (3) through (5) below. Any remaining contracts shall be allocated to the Initiating Participant.

- (3) BX Options Market Makers that were at a price that is equal to the NBBO on the opposite side of the market from the PRISM Order at the time of initiation of the PRISM Auction ("Priority Market Makers") shall have priority up to their quote size in the NBBO which was present when the PRISM Auction was initiated ("Initial NBBO") at each price level at or better than such Initial NBBO after Public Customers and the Initiating Participant have received allocations. Priority Market Maker quotes and PAN responses will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B). Priority Market Maker status is only valid for the duration of the particular PRISM auction.
 - (4) Non-Priority Market Makers and Priority Market Maker interest which exceeded their size in the Initial NBBO shall have priority at each price level at or better than the Initial NBBO after Public Customer, the Initiating Participant and Priority Market Makers have received allocations. Non-Priority Market Maker and Priority Market Maker interest which exceeded their size in the Initial NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).
 - (5) All other interest will be allocated, after Chapter VI, Section 9(ii)(E)(1) through (4) have been satisfied. Such interest will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).
- (F) Order Allocation – Price/Time. At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as indicated below for underlying symbols designated as Price/Time as described in Chapter VI, Section 10(1)(C)(1).
- (1) Public Customer orders shall have time priority at each price level. For purposes of this Rule, a Public Customer order does not include a Professional order.
 - (2) Initiating Participant shall be allocated after Public Customer orders as follows:
 - (a) If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after Public Customer interest is satisfied being allocated to the Initiating Participant at the stop price. However, if only one other quote, order or PAN response matches the stop price, then the Initiating

Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to Chapter VI, Section 9(ii)(F)(3) through (4) below, among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

- (b) If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the stop price is the final price), after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(F)(3) through (4) below. Any remaining contracts shall be allocated to the Initiating Participant.
- (c) If the Initiating Participant selected the “stop and NWT” option of the PRISM Auction, contracts shall be allocated as follows:
 - (i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to Chapter VI, Section 9(ii)(F)(3) through (4) below, at each price point;
 - (ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price), after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% (multiple competing quotes, orders or PAN responses) or 50% (one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price), after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(F)

(3) through (4) below. Any remaining contracts shall be allocated to the Initiating Participant.

- (3) Priority Market Makers that were at a price that is equal to the NBBO on the opposite side of the market from the PRISM Order at the time of initiation of PRISM Auction shall have priority up to their quote size in the Initial NBBO at each price level better than the Initial NBBO, after Public Customers and the Initiating Participant have received allocations. Priority Market Maker interest at prices better than the Initial NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B). Priority Market Maker interest at a price equal to or inferior to the Initial NBBO will not have priority over other participants and will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).
- (4) All other interest will be allocated, after Chapter VI, Section 9(ii)(F)(1) through (3) have been satisfied. Such interest will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).
- (G) A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Residual odd lots will be allocated in time priority among interest with the highest priority. Rounding of the Initiating Participant will be up or down to the nearest integer, all other rounding is down to the nearest integer. If rounding would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant only if the Initiating Participant did not otherwise receive an allocation.
- (H) If there are PAN responses that cross the then-existing NBBO (provided such NBBO is not crossed), such PAN responses will be executed, if possible, at their limit price(s).
- (I) If the price of the PRISM Auction is the same as that of an order on the limit order book on the same side of the market as the PRISM Order, the PRISM Order may only be executed at a price that is at least one minimum trading increment better than the resting order's limit price or, if such resting order's limit price is equal to or crosses the stop price, then the entire PRISM Order will trade at the stop price with all better priced interest being considered for execution at the stop price.
- (J) Any unexecuted PAN responses will be cancelled.
- (K) ISO Orders. If a PRISM Auction is initiated for an order designated as an ISO Order, all executions which are at a price inferior to the Initial NBBO shall be allocated pursuant to the Size Pro-Rata execution algorithm, as described in Chapter VI, Section 10(1)(C)(1)(a), or Price/Time execution algorithm, as described in Chapter VI, Section 10(1)(C)(2)(i), and the aforementioned priority in Chapter VI, Section 9(ii)(E) and (F) shall not apply, with the exception of allocating to the Initiating Participant which will be allocated in accordance with the priority as specified in Chapter VI, Section 9(ii)(E) and (F).
- (iii) The PRISM Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 if an Initiating Participant submits a PRISM Order (initiating an Auction) and also submits its own PAN response in the same Auction.
- (iv) A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceed, in the aggregate, the size of the PRISM Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110.
- (v) A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PRISM Auction to conclude before the end of the PRISM Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 to engage in a pattern of conduct where the Initiating Participant breaks up a PRISM Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Participant would

have otherwise received in accordance with the allocation procedures contained in subparagraph (ii)(E) and (ii)(F) above.

- (vi) In lieu of the procedures in paragraphs (i) - (ii) above, an Initiating Participant may enter a PRISM Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PRISM Auction, provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled. The execution price for such a PRISM Order must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the NBBO or trade at the same price as any resting Public Customer order.
 - (a) Chapter VII, Section 12 prevents a Participant from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Participant was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a Participant to establish a relationship with a Public Customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Chapter VII, Section 12 for a Participant to circumvent Chapter VII, Section 12 by providing an opportunity for (i) a Public Customer affiliated with the Participant, or (ii) a Public Customer with whom the Participant has an arrangement that allows the Participant to realize similar economic benefits from the transaction as the Participant would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PRISM Public Customer-to-Public Customer immediate crosses.
- (vii) There will be no minimum size requirement for orders to be eligible for the Auction.

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Nasdaq BX Rules, Regulation, Sec. 10, Nasdaq BX, Book Processing

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System orders shall be executed through the BX Book Process set forth below:

(1) Execution Algorithm - The Exchange will determine to apply, for each option, one of the following execution algorithms described in paragraphs (A) or (B). The Exchange will issue an Options Alert specifying which execution algorithm will govern which options any time it is modified.

(A) Price/Time - The System shall execute trading interest within the System in price/time priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. Within each price level, if there are two or more quotes or orders at the best price, trading interest will be executed in time priority.

(B) Size Pro-Rata - The System shall execute trading interest within the System in price priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. Within each price level, if there are two or more quotes or orders at the best price, trading interest will be executed based on the size of each Participant's quote or order as a percentage of the total size of all orders and quotes resting at that price. If the result is not a whole number, it will be rounded down to the nearest whole number. If there are residual contracts remaining after rounding, such contracts will be distributed one contract at a time to the remaining Participants in time priority.

(C) Priority Overlays

- (1) Priority Overlays Applicable to Price/Time Execution Algorithm: the Exchange may apply the following designated Participant priority overlays, when the Price/Time execution algorithm is in effect:
 - (a) Public Customer Priority: the highest bid and lowest offer shall have priority except that Public Customer orders shall have priority over non-Public Customer orders at the same price. If there are two or more Public Customer orders for the same options series at the same price, priority shall be afforded to such Public Customer orders in the sequence in which they are received by the System. For purposes of this Rule, a Public Customer order does not include a Professional Order. Public Customer Priority is always in effect when the Price/Time execution algorithm is in effect.
 - (b) Lead Market Maker ("LMM") Priority: An LMM may be assigned by the Exchange in each option class in accordance with Chapter VII, Section 13. LMM participant entitlements shall only be in effect when the Public Customer Priority Overlay is also in effect. After all Public Customer orders have been fully executed, upon receipt of an order, provided the LMM's bid/offer is at or improves on the Exchange's disseminated price, the LMM will be afforded a participation entitlement. The LMM shall not be entitled to receive a number of contracts that is greater than the displayed size

associated with such LMM. LMM participation entitlements will be considered after the opening process. The LMM participation entitlement is as follows:

- (1) A BX Options LMM shall receive the greater of:
 - (a) contracts the LMM would receive if the allocation was based on time priority pursuant to subparagraph (C)(1)(a) above with Public Customer priority;
 - (b) 50% of remaining interest if there is one or no other Market Maker at that price;
 - (c) 40% of remaining interest if there is two other Market Makers at that price;
 - (d) 30% of remaining interest if there are more than two other Market Makers at that price; or
 - (e) the Directed Market Maker (“DMM”) participation entitlement, if any, set forth in subsection (C)(1)(c) below (if the order is a Directed Order and the LMM is also the DMM).

If rounding would result in an allocation of less than one contract, a BX Options LMM shall receive one contract. Rounding will be up or down to the nearest integer.

Notwithstanding the foregoing, when a Directed Order is received and the DMM’s bid/offer is at or improves on the NBBO and the LMM is at the same price level and is not the DMM, the LMM participation entitlement set forth in this subsection (C)(1)(b)(1) will not apply with respect to such Directed Order.

- (2) Orders for 5 contracts or fewer shall be allocated to the LMM. The Exchange will review this provision quarterly and will maintain the small order size at a level that will not allow orders of 5 contracts or less executed by the LMM to account for more than 40% of the volume executed on the Exchange. This provision shall not apply if the order of 5 contracts or fewer is directed to a DMM who is quoting at or better than the NBBO.
- (c) DMM Priority: A market maker which receives a Directed Order is a DMM with respect to that Directed Order. DMM participant entitlements shall only be in effect when the Public Customer Priority Overlay is also in effect. After all Public Customer orders have been fully executed, upon receipt of a Directed Order, provided the DMM’s bid/offer is at or improves on the NBBO, the DMM will be afforded a participation entitlement. The DMM shall not be entitled to receive a number of contracts that is greater than the size at a given price point associated with such DMM. DMM participation entitlements will be considered after the opening process. Pursuant to the DMM participation entitlement, the DMM shall receive, with respect to a Directed Order, the greater of:
 - (1) contracts the DMM would receive if the allocation was based on time priority pursuant to subparagraph (C)(1)(a) above with Public Customer priority;
 - (2) 40% of remaining interest; or
 - (3) the LMM participation entitlement (if the DMM is also the LMM).

If there are multiple DMM quotes at the same price which are at or improve the NBBO when the Directed Order is received, the DMM participation entitlement shall apply only once to the DMM quote which has the highest time priority at the last price executed upon receipt of the Directed Order which is equal to or better than the NBBO. If

rounding would result in an allocation of less than one contract, the DMM shall receive one contract. Rounding will be up or down to the nearest integer.

- (d) If there are contracts remaining, after LMM or DMM participation entitlements have been applied, such contracts shall be executed based on the Price/Time execution algorithm.
 - (e) Only one participation entitlement, LMM or DMM, may be applied on a given order.
- (2) Priority Overlays Applicable to Size Pro-Rata Execution Algorithm: the Exchange may apply the following designated Participant priority overlays, when the Size Pro-Rata execution algorithm is in effect.
- (i) Public Customer Priority: the highest bid and lowest offer shall have priority except that Public Customer orders shall have priority over non-Public Customer orders at the same price. If there are two or more Public Customer orders for the same options series at the same price, priority shall be afforded to such Public Customer orders in the sequence in which they are received by the System. For purposes of this Rule, a Public Customer order does not include a Professional Order. Public Customer Priority is always in effect when Size Pro-Rata execution algorithm is in effect.
 - (ii) LMM Priority: An LMM may be assigned by the Exchange in each option class in accordance with Chapter VII, Section 13. After all Public Customer orders have been fully executed, upon receipt of an order, provided the LMM's bid/offer is at or improves on the Exchange's disseminated price, the LMM will be afforded a participation entitlement. The LMM shall not be entitled to receive a number of contracts that is greater than the displayed size associated with such LMM. LMM participation entitlements will be considered after the opening process. The LMM participation entitlement is as follows:
 - (1) A BX Options LMM shall receive the greater of:
 - (a) the LMM's Size Pro-Rata share under (1)(C)(2)(iv) below;
 - (b) 50% of remaining interest if there is one or no other Market Maker at that price;
 - (c) 40% of remaining interest if there are two other Market Makers at that price;
 - (d) 30% of remaining interest if there are more than two other Market Makers at that price; or
 - (e) the DMM participation entitlement, if any, set forth in subsection (C)(2)(iii) below (if the LMM is also the DMM).

If rounding would result in an allocation of less than one contract, a BX Options LMM shall receive one contract. Rounding will be up or down to the nearest integer.

Notwithstanding the foregoing, when a Directed Order is received and the DMM's bid/offer is at or improves on the NBBO and the LMM is at the same price level and is not the DMM, the LMM participation entitlement set forth in this subsection (C)(2)(ii)(1) will not apply with respect to such Directed Order.

- (2) Orders for 5 contracts or fewer shall be allocated to the LMM. The Exchange will review this provision quarterly and will maintain the small order size at a level that will not allow orders of 5 contracts or less executed by the LMM to account for more than 40% of the volume executed on the Exchange. This

provision shall not apply if the order of 5 contracts or fewer is directed to a DMM who is quoting at or better than the NBBO.

If there are contracts remaining, such contracts shall be executed based on the Size Pro-Rata execution algorithm.

- (iii) DMM Priority: A market maker which receives a Directed Order is a DMM with respect to that Directed Order. After all Public Customer orders have been fully executed, upon receipt of a Directed Order, provided the DMM's bid/offer is at or improves the NBBO, the DMM will be afforded a participation entitlement. The DMM shall not be entitled to receive a number of contracts that is greater than the displayed size at a given price point associated with such DMM. DMM participation entitlements will be considered after the opening process. Pursuant to the DMM participation entitlement, the DMM shall receive, with respect to a Directed Order, the greater of:
- (1) the DMM's Size Pro-Rata share under (1)(C)(2)(iv) below;
 - (2) 40% of remaining interest; or
 - (3) the LMM participation entitlement (if the DMM is also the LMM).

If there are multiple DMM quotes at the same price which are at or improve on the NBBO when the Directed Order is received, the DMM participation entitlement shall apply only to the DMM quote which has the highest time priority at the last price executed upon receipt of the Directed Order which is equal to or better than the NBBO; additional DMM quotes at such price will receive no further allocation of the Directed Order. If rounding would result in an allocation of less than one contract, the DMM shall receive one contract. Rounding will be up or down to the nearest integer.

- (iv) Market Maker Priority: After all Public Customer orders have been fully executed and LMM or DMM participation entitlements applied, if applicable, BX Options Market Makers shall have priority over all other Participant orders at the same price. If there are two or more BX Options Market Maker quotes and orders for the same options series at the same price, those shall be executed based on the Size Pro-Rata execution algorithm. If there are contracts remaining after all Market Maker interest has been fully executed, such contracts shall be executed based on the Size Pro-Rata execution algorithm.
- (v) Only one participation entitlement, LMM or DMM, may be applied on a given order.

(2) Decrementation - Upon execution, an order shall be reduced by an amount equal to the size of that execution.

(3) Price Improvement - any potential price improvement resulting from an execution in the System shall accrue to the party that is removing liquidity previously posted to the Book.

(4) BX-listed options that are the subject of a trading halt initiated pursuant to Chapter V, Section 3, shall open for trading at the time specified by BX pursuant to Chapter V, Section 4. When the System opens, orders shall be added to the book in time priority and executed as described above in Subsection (1).

(5) *Market Access.* In addition to the Exchange Rules regarding routing to away trading centers, Nasdaq Execution Services, LLC, as defined in Chapter VI, Section 11(e) has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by Nasdaq Execution Services to comply with Rule 15c3- 5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

Adopted June 26, 2012 (SR-BX-2012-030); amended Oct. 2, 2012 (SR-BX-2012-065), operative Nov. 1, 2012; amended Apr. 23, 2014 (SR-BX-2014-022), operative May 23, 2014; amended Aug. 20, 2014 (SR-BX-2014-035); amended Aug. 21, 2014 (SR-BX-2014-042); amended Jan. 23, 2015 (SR-BX-2014-049); amended Oct. 26, 2017 (SR-BX-2017-049); amended May 7, 2018 (SR-BX-2018-019).

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Nasdaq BX Rules, Regulation, Sec. 11, Nasdaq BX, Order Routing

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(a) For System securities, the order routing process shall be available to Participants from 9:30 a.m. Eastern Time until market close and shall route orders as described below. Participants can designate orders as either available for routing or not available for routing. All routing of orders shall comply with Chapter XII, Options Order Protection and Locked and Crossed Market Rules.

(1) The system provides a number of routing options pursuant to which orders are sent to other available market centers for potential execution, per the entering firm's instructions. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The system routing options are:

(A) SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. A SEEK order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SEEK order at the NBBO to allow market participants an opportunity to interact with the remainder of the SEEK order. During the Route Timer, the SEEK order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SEEK order that is equal to or better than the ABBO price, the SEEK order will trade against such new interest at the ABBO price. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(D). If contracts remain un-executed after routing, they are posted on the book. While on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not re-expose or route the order to the locking or crossing market center. SEEK orders will not be eligible for routing until the next time the option series is subject to a new opening or reopening. An order exposure alert may be sent if the order size is modified.

(B) SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. A SRCH order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(D). If contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will be re-exposed, provided it is not on the book at its limit price, and re-route. An order exposure alert may be sent if the order size is modified.

(C) DNR Order. A DNR order will never be routed outside of the Exchange regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Exchange book and be displayed at the better of a price one minimum price variation away from that ABBO or the established Exchange BBO. A DNR order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the Exchange BBO will be exposed at the NBBO to market participants. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation away from the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to market participants only if the re-priced order locks or crosses the ABBO and is not already displayed at its limit price. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price. An order exposure alert may be sent if the order size is modified.

(D) After an order is initially routed, pursuant to either the SEEK or SRCH routing option the order will post to the book and will be exposed and routed after a time period ("Route Timer") not to exceed one second as specified by the Exchange on its website provided that the order's limit price would lock or cross other market center(s). If, during the Route Timer, any new interest arrives opposite the order that is equal to or better than the ABBO price, the order will trade against such new interest at the ABBO price. Eligible unexecuted orders will be routed at the end of the Route Timer provided the order was not filled and the order's limit price would continue to lock or cross the ABBO. If an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and be exposed and route again pursuant to the process described above, if applicable, if the order's limit price would lock or cross another market center(s).

(b) Reserved.

(c) Priority of Routed Orders. Orders sent by the System to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. A routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System, unless any portion of the original order remains on the System, in which case the routed order shall retain its timestamp and its priority.

(d) Options Participants whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on BX Options.

(e) BX Options shall route orders in options via Nasdaq Execution Services, LLC ("NES"), a broker-dealer that is a member of an unaffiliated SRO which is the designated examining authority for the broker-dealer. NES serves as the Routing Facility of BX Options. The sole function of the Routing Facility will be to route orders in options listed and open for trading on BX Options to away markets either directly or through one or more third-party unaffiliated routing broker-dealers pursuant to BX Options rules on behalf of BX Options. The Exchange and NES may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority. The Routing Facility is subject to regulation as a facility of BX, including the requirement to file proposed rule changes under Section 19 of the Act.

Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing.

The Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (f) below, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

BX Options shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and its facilities (including the Routing Facility), and any other entity; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Exchange Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(f) Market Access. In addition to the Exchange Rules regarding routing to away trading centers, NES has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements under Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel the order if it has been routed.

(g) Cancellation of Orders and Error Account.

- (1) The Exchange or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, NES, or a routing destination. The Exchange or NES shall provide notice of the cancellation to affected members as soon as practicable.
- (2) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").
 - (A) For purposes of this Section 11(g), an error position shall not include any position that results from an order submitted by a member to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.
 - (B) Except as provided in Section 11(g)(2)(C), NES shall not (i) accept any positions in its error account from an account of a member, or (ii) permit any member to transfer any positions from the member's account to NES's error account.
 - (C) If a technical or systems issue results in the Exchange not having valid clearing instructions for a member to a trade, NES may assume that member's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.
- (3) In connection with a particular technical or systems issue, NES or the Exchange shall either (i) assign all resulting error positions to members in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below. Any

determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

- (A) NES or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the members affected by that technical or systems issue if NES or the Exchange:
 - (i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the members affected by that technical or systems issue;
 - (ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the members affected by that technical or systems issue; and
 - (iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (g)(1) above.
 - (B) If NES or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected members in accordance with subparagraph (A) above, or if NES or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (g)(1) above, then NES shall liquidate the error positions as soon as practicable. NES shall:
 - (i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and
 - (ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and NES/the Exchange associated with the liquidation of the error positions.
- (4) NES and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to members or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended November 29, 2012 (SR-BX-2012-073); amended Jan. 15, 2014 (SR-BX-2014-003), operative Feb. 14, 2014; amended Oct. 28, 2014 (SR-BX-2014-055), operative Nov. 27, 2014; amended July 10, 2015 (SR-BX-2015-041); amended Oct. 6, 2015 (SR-BX-2015-057), operative Nov. 5, 2015.

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Nasdaq BX Rules, Regulation, Sec. 12, Nasdaq BX, Anonymity

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- (a) The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.
- (b) BX shall reveal a Participant's identity in the following circumstances:
- (1) when a registered clearing agency ceases to act for a participant, or the Participant's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades;
 - (2) for regulatory purposes or to comply with an order of an arbitrator or court;
 - (3) if both Participants to the transaction consent;
 - (4) Unless otherwise instructed by a member, BX will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the member's Order has been decremented by another Order submitted by that same member.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 13, Nasdaq BX, Transaction Price Binding

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The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was reported to have been executed in error.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 14, Nasdaq BX, Clearing Participant Give Up

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An Options Participant must give up the name of the Clearing Participant through which the transaction will be cleared. If there is a subsequent change in identity of the Clearing Participant through whom a transaction will be cleared, the Options Participant must, as promptly as possible, report such change to BX Options.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 15, Nasdaq BX, Submission for Clearance

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(a) All options transactions effected on BX Options shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation. Every Clearing Participant shall be responsible for the clearance of BX Options Transactions of such Clearing Participant and of each Options Participant that gives up such Clearing Participant's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such Clearing Participant to such Options Participant, which authorization must be submitted to BX.

(b) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, BX Options shall furnish the Clearing Corporation a report of each Clearing Participant's matched trades.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 16, Nasdaq BX, Fees, Dues and Other Charges

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(a) The Board of Directors shall have the power (i) to establish, assess and levy such fees, dues and other charges (including, without limitation, any extraordinary assessments) upon Participants and any other persons using the facilities or services of the Exchange, and upon applicants for and persons being admitted, registered, qualified and/or initiated to any such status, in each case as the Board of Directors may from time to time establish by resolution or in the Rules of the Exchange (which shall be deemed to include any schedule of fees, dues, other charges and penalties as may be in effect from time to time), (ii) to establish rebates, credits and discounts with respect to any of the foregoing, (iii) to establish programs whereby the Exchange shares or permits any person to participate in any identified source of revenues (less any expenses or other charges as the Exchange shall determine) of the Exchange, (iv) to provide for the direct reimbursement to the Exchange of any cost, expense or category thereof, and (v) except insofar as otherwise specified or provided for in the By-Laws, to establish and assess penalties for failure to pay any fees, dues or charges owed to the Exchange, including, without limitation, termination of membership (which membership may be reissued) and forfeiture of all rights as a member. The Board of Directors may authorize any committee thereof or the Chair of the Board of Directors to exercise any powers of the Board of Directors with respect to the assessment of fees, dues, other charges and penalties authorized in accordance with this Section.

(b) Without limiting the generality of the provisions of the By-Laws, the Board of Directors may, from time to time, fix and impose charges upon Participants, measured by their respective net commissions on transactions effected on the Exchange. Such charges shall be payable at such times and shall be collected in such manner as may be determined by the Board of Directors.

(c) The obligation of Participants to abide by the provisions of these By-Laws and the Rules of the Exchange shall include, without limitation, the obligation to pay all applicable fees, dues and other charges imposed thereon by these By-Laws or the Rules of the Exchange.

(d) The Board of Directors or their designee may suspend or terminate, after due notice, any permit or rights of any Participant or employee thereof using facilities or services of the Exchange, or enjoying any of the privileges therein, who shall not pay dues, fees, other charges, other monies due and owed the Exchange, fines and/or other monetary sanctions in accordance with the Rules of the Exchange.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Apr. 17, 2015 (SR-BX-2015-023), operative May 17, 2015.

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Nasdaq BX Rules, Regulation, Sec. 17, Nasdaq BX, Message Traffic Mitigation

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For the purpose of message traffic mitigation, based on BX Options 's traffic with respect to target traffic levels and in accordance with BX Options 's overall objective of reducing both peak and overall traffic:

- (a) BX Options will periodically delist options with an average daily volume ("ADV") of less than 100 contracts. BX will, on a monthly basis, determine the ADV for each series listed on BX Options and delist the current series and not list the next series after expiration where the ADV is less than 100 contracts. For options series traded solely on BX Options, BX will delay delisting until there is no open interest in that options series.
- (b) BX Options will implement a process by which an outbound quote message that has not been sent, but is about to be sent, will not be sent if a more current quote message for the same series is available for sending. This replace on queue functionality will be applied to all options series listed on the BX Options Market in real time and will not delay the sending of any messages.
- (c) When the size associated with a bid or offer increases by an amount less than or equal to a percentage (never to exceed 20%) of the size associated with the previously disseminated bid or offer, BX Options will not disseminate the new bid or offer.
- (d) All message traffic mitigation mechanisms which are used on BX Options will be identical for the OPRA "top of the book" broadcast.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 18, Nasdaq BX, Risk Protections

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(a) The following are order risk protections on BX:

- (1) **Order Price Protection ("OPP").** OPP is a feature of the System that prevents certain day limit, good til cancelled, and immediate or cancel orders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to market orders or Intermarket Sweep Orders.
 - (A) OPP is operational each trading day after the opening until the close of trading, except during trading halts.
 - (B) OPP will reject incoming orders that exceed certain parameters according to the following algorithm:
 - (i) If the better of the NBBO or the internal market BBO (the "Reference BBO") on the contra-side of an incoming order is greater than \$1.00, orders with a limit more than 50% through such contra-side Reference BBO will be rejected by the System upon receipt.
 - (ii) If the Reference BBO on the contra-side of an incoming order is less than or equal to \$1.00, orders with a limit more than 100% through such contra-side Reference BBO will be rejected by the System upon receipt.
- (2) **Market Order Spread Protection.** System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO (the "Reference BBO") is wider than a preset threshold at the time the order is received by the System. Market Order Spread Protection shall not apply to the Opening Process or during a trading halt. The Exchange may establish different thresholds for one or more series or classes of options.

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

- (1) **Acceptable Trade Range.** The system will calculate an Acceptable Trade Range to limit the range of prices at which an order 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 and the reference price + (x) for buy orders). Upon receipt of a new order, the reference price is the NBB for sell orders and the NBO for buy orders or the last price at which the order is posted whichever is higher for a buy order or lower for a sell order.
 - (A) If an order 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 or an updated NBB for buy orders or the NBO for sell orders (whichever is higher for a buy order/lower for a sell order) then becomes the reference price for calculating a new Acceptable Trade Range. If the order remains unexecuted, a New Acceptable Trade Range will be calculated and the order will execute, route, or post up to the new Acceptable Trade Range Threshold Price. This process will repeat until either i) the order/quote is executed, cancelled, or posted at its limit price or ii) the order 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).
 - (B) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the order triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using the "non-firm" indicator message in accordance with the specifications of the network processor. Following the

Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

(c) The following are quote risk protections on BX:

- (1) **Anti-Internalization.** Quotes and orders entered by Options Market Makers using the same market participant identifier will not be executed against quotes and orders entered on the opposite side of the market by the same Market Maker using the same identifier. In such a case, the System will cancel the oldest of the quotes or orders back to the entering party prior to execution. This functionality shall not apply in any auction.
- (2) **Quotation Adjustments.**
 - (A) A BX Market Maker may provide a specified time period and a specified percentage (as these terms are defined below) by which the Exchange's System will automatically remove a BX Market Maker's quotes in all series of an underlying security submitted through designated BX protocols, as specified by the Exchange, during a specified time period established by the BX Market Maker not to exceed 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the number of contracts available at the time of execution plus the number of contracts executed in unexpired prior executions of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a BX Market Maker, not less than 1% ("Specified Percentage"), the System will automatically remove a BX Market Maker's quotes in all series of the underlying security submitted through designated BX protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period ("Percentage-Based Threshold"). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage -Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.
 - (B) A BX Market Maker may provide a specified time period and a volume threshold by which the Exchange's System will automatically remove a BX Market Maker's quotes in all series of an underlying security submitted through designated BX protocols, as specified by the Exchange, during a specified time period established by the BX Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the BX Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-Based Threshold"). The BX Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the Percentage-Based Threshold. A Volume- Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes as described in (f)(iv) or (f)(v) or the Volume-Based Specified Time Period expires. The Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.
 - (C) A BX Market Maker or BX Market Maker Group (multiple affiliated BX Market Makers is a "Group" as defined by a BX Participant and provided by such Participant to the Exchange)

may provide a specified time period and number of allowable triggers by which the Exchange will automatically remove quotes in all options series in all underlying issues submitted through designated BX protocols as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period established by the BX Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the BX Market Maker's or Group's quotes in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in (f)(i) above, as well as the Volume-Based Threshold described in (f)(ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the BX Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes in all options series in all underlying issues for that BX Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove quotes in all options series in an underlying issue. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes as described in (f)(iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the BX Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

- (D) The System will automatically remove quotes in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the BX Market Maker for all affected options when the above thresholds have been reached.
 - (i) The Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.
 - (ii) Quotes will be automatically executed up to the BX Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.
- (E) If a BX Market Maker requests the System to remove quotes in all options series in an underlying issue, the System will automatically reset the Percentage-Based Threshold or Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.
- (F) When the System removes quotes as a result of the Percentage-Based Threshold or Volume-Based Threshold, the BX Market Maker must send a reentry indicator to re-enter the System. When the System removes quotes as a result of the Multi-Trigger Threshold, the System will not accept quotes through designated protocols until the BX Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the BX Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.
- (G) The Exchange will require BX Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold. The Multi-Trigger Threshold is optional.

Adopted June 26, 2012 (SR-BX-2012-030); amended June 12, 2015 (SR-BX-2015-034); amended May 7, 2018 (SR-BX-2018-019); amended Oct. 18, 2018 (SR-BX-2018-050).

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Nasdaq BX Rules, Regulation, Sec. 19, Nasdaq BX, Data Feeds and Trade Information

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(a) The following data feeds are offered by BX:

- (1) BX Depth of Market (BX Depth) is a data feed that provides full order and quote depth information for individual orders and quotes on the BX Options book, last sale information for trades executed on BX Options, and Order Imbalance Information as set forth in BX Options Rules Chapter VI, Section 8. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on BX and identifies if the series is available for closing transactions only.
- (2) BX Top of Market (BX Top) is a data feed that provides the BX Options Best Bid and Offer and last sale information for trades executed on BX Options. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on BX and identifies if the series is available for closing transactions only.

(b) The following order and execution information is available to Participants:

- (1) **Clearing Trade Interface (“CTI”)** is a real-time clearing trade update message that is sent to a Participant after an execution has occurred and contains trade details specific to that Participant. The information includes, among other things, the following: (i) The Clearing Member Trade Agreement or “CMTA” or The Options Clearing Corporation or “OCC” number; (ii) Exchange badge or house number; (iii) the Exchange internal firm identifier; (iv) an indicator which will distinguish electronic and non-electronically delivered orders; (v) liquidity indicators and transaction type for billing purposes; and (vi) capacity.
- (2) **TradeInfo**, a user interface, permits a Participant to: (i) search all orders submitted in a particular security or all orders of a particular type, regardless of their status (open, canceled, executed, etc.); (ii) cancellation of open orders at the order, port or firm mnemonic level; (iii) a view of orders and executions; and (iv) download of orders and executions for recordkeeping purposes.
- (3) **FIX DROP** is a real-time order and execution update message that is sent to a Participant after an order been received/modified or an execution has occurred and contains trade details specific to that Participant. The information includes, among other things, the following: (i) executions; (ii) cancellations; (iii) modifications to an existing order and (iv) busts or post-trade corrections.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Oct. 16, 2015 (SR-BX-2015-060); amended Feb. 22, 2018 (SR-BX-2018-009); amended Apr. 27, 2018 (SR-NASDAQ-2018-016); amended May 25, 2018 (SR-BX-2018-021).

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Nasdaq BX Rules, Regulation, Sec. 20, Nasdaq BX, Exchange Sharing of Participant-Designated Risk Settings

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The Exchange may share any Participant-designated risk settings in the Trading System with the Clearing Participant that clears transactions on behalf of the Participant.

Adopted Jan. 28, 2015 (SR-BX-2015-007), operative Feb. 27, 2015.

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Nasdaq BX Rules, Regulation, Sec. 21, Nasdaq BX, Order and Quote Protocols

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(a) Entry and Display of Orders and Quotes. Participants may enter orders and quotes into the System as specified below.

- (i) The Exchange offers Participants the following protocols for entering orders and quotes respectively:
 - (A) **"Financial Information eXchange"** or **"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.
 - (B) **"Specialized Quote Feed"** or **"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 request from the Market Maker.

Adopted Aug. 14, 2018 (SR-BX-2018-038).

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Customer Orders and Order Entry Firms

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Order Entry Firms (OEFs) are those Options Participants representing as agent Customer Orders on BX Options or trading as principal on BX Options.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Market Maker Registration

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Options Participants registered as Market Makers have certain rights and bear certain responsibilities beyond those of other Options Participants. All Market Makers are designated as specialists on BX Options for all purposes under the Exchange Act or Rules thereunder.

- (a) To register as a Market Maker, a Participant must file an application in writing on such forms as BX Regulation may prescribe. BX Regulation reviews applications and considers an applicant's market making ability and such other factors as BX Regulation deems appropriate in determining whether to approve an applicant's registration as a Market Maker.
- (b) The registration of any Participant as a Market Maker may be suspended or terminated by BX Regulation upon a determination that such Participant has failed to properly perform as a Market Maker.
- (c) These Rules place no limit on the number of qualifying entities that may become Market Makers. However, based on system constraints, capacity restrictions or other factors relevant to protecting the integrity of the BX Options Trading System, the Board or its designee may limit access to the Trading System, for a period to be determined in the Board's discretion, pending any action required to address the issue of concern to the Board. To the extent that the Board places limitations on access to the Trading System on any Participant(s), such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Act.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Continuing Market Maker Registration

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- (a) An Options Participant that has qualified as an Options Market Maker may register to make markets in individual options.
- (b) An Options Market Maker may become registered in an option by entering a registration request via a BX approved electronic interface with BX's systems. Registration shall become effective on the day the registration request is entered.
- (c) An Options Market Maker's registration in an option shall be terminated if the Market Maker fails to enter quotations in the option within five (5) business days after the Market Maker's registration in the option becomes effective.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Good Standing for Market Makers

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- (a) To remain in good standing as a Market Maker, the Market Maker must:
- i. continue to meet the requirements established in SEC Rule 15c3-1(a)(6)(i), and the general membership requirements set forth in the Rule 1010 Series of the BX Rules and the requirements for Market Makers as set forth in BX Rule 4611.
 - ii. continue to satisfy the Market Maker qualification requirements specified by BX, as amended from time to time by BX;
 - iii. comply with the Rules of the Exchange as well as the Rules of the OCC and the Federal Reserve Board; and
 - iv. pay on a timely basis such Participation, transaction and other fees as the Exchange and BX Options shall prescribe.
- (b) The good standing of a Market Maker may be suspended, terminated or otherwise withdrawn, as provided in the Rules, if any of said conditions for approval cease to be maintained or the Market Maker violates any of its agreements with the Exchange or any of the provisions of the Rules.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Obligations of Market Makers

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(a) In registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Ordinarily, Market Makers are expected to:

- i. During trading hours, a Market Maker must maintain a two-sided market, pursuant to Section 6(d)(i) of this Chapter VII, in those options in which the Market Maker is registered to trade, in a manner that enhances the depth, liquidity and competitiveness of the market.
- ii. Reserved.
- iii. Engage, to a reasonable degree under the existing circumstances, in dealings for their own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.
- iv. Compete with other Market Makers in all options in which the Market Maker is registered to trade.
- v. Make markets that will be honored for the number of contracts entered into BX Options' System in all options in which the Market Maker is registered to trade.
- vi. Update quotations in response to changed market conditions in all options in which the Market Maker is registered to trade.
- vii. Maintain active markets in all options in which the Market Maker is registered.
- viii. Honor all orders that the Trading System routes to away markets pursuant to Chapter XII of these Rules.

(b) Options Market Makers should not effect purchases or sales on BX Options except in a reasonable and orderly manner.

(c) If BX Regulation finds any substantial or continued failure by an Options Market Maker to engage in a course of dealings as specified in paragraph (a) of this Section, such Options Market Maker will be subject to disciplinary action or suspension or revocation of registration in one or more of the securities in which the Market Maker is registered. Nothing in this Section will limit any other power of the Board under these Rules, or procedures of BX Options with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Section 5.

Adopted June 26, 2012 (SR-BX-2012-030); amended Oct. 16, 2012 (SR-BX-2012-069).

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Market Maker Quotations

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(a) Size Associated with Quotes. A Market Maker's bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the Market Maker is willing to buy or sell. The best bid and best offer entered by a Market Maker must have a size of at least one (1) contract.

(b) Two-Sided Quotes.

A Market Maker that enters a bid (offer) in a series of an option in which he is registered on BX Options must enter an offer (bid).

(c) Firm Quotes.

i. All quotes and orders entered into the System by Options Participants are firm under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("Rule 602") for the number of contracts specified and according to the requirements of paragraph (a) above.

ii. Market Maker bids and offers are not firm under this Rule and Rule 602:

1) for the period prior to the Opening Cross; or

2) if any of the circumstances provided in paragraph (b)(3) or (c)(4) of Rule 602 exist.

(d) Intra-day Quotes. A Market Maker must enter bids and offers for the options to which it is registered, as follows:

i. A Market Maker must enter bids and offers for the options to which it is registered, except in an assigned options series listed intra-day on the Exchange. On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below. An Options Participant will be required to meet each market making obligation separately. A Market Maker who is also the Lead Market Maker, pursuant to Chapter VII, Section 14, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned. A Market Maker who receives a Directed Order, as described in Chapter VI, Section 10, shall be held to the standard of a Directed Market Maker as described in Chapter VII, Section 15.

(1) Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant's assigned options series are open for trading. Notwithstanding the foregoing, a Market Maker shall not be required to make two-sided markets pursuant to this Chapter VII, Section 6(d)(i)(1) in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater.

(a) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").

(2) Specifically, the Exchange will calculate subparagraph (1) above by (i) taking the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for Market Makers; and (ii) dividing that time by the eligible total number of seconds

each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.

(3) BX Regulation may consider exceptions to the requirement to quote 60% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the Exchange's surveillance of an Options Participant's compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

(4) If a technical failure or limitation of a System of BX prevents a Market Maker from maintaining, or prevents a Market Maker from communicating to BX Options timely and accurate quotes, the duration of such failure or limitation shall not be included in any of the calculations under this subparagraph (1) with respect to the affected quotes.

ii. Bid/ask Differentials (Quote Spread Parameters). Options on equities (including Exchange-Traded Fund Shares), and on index options must be quoted with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid, including before and during the opening. However, respecting in-the-money series where the market for the underlying security is wider than \$5, the bid/ask differential may be as wide as the spread between the national best bid and offer in the underlying security. The Exchange may establish differences other than the above for one or more series or classes of options.

iii. A Market Maker may be called upon by BX Regulation to submit a single bid or offer or maintain continuous bids and offers in one or more of the series in options to which the Market Maker is registered whenever, in the judgment of BX Regulation, it is necessary to do so in the interest of fair and orderly markets.

(e) *Options Classes Other Than Those in Which Registered.* A Market Maker shall be considered an OEF under the Rules in all classes of options listed on BX Options. The total number of contracts executed by a Market Maker in options in which it is not registered as a Market Maker shall not exceed 25 percent of the total number of all contracts executed by the Market Maker in any calendar quarter.

(f) Reserved.

Adopted June 26, 2012 (SR-BX-2012-030); amended Oct. 16, 2012 (SR-BX-2012-069); amended Aug. 20, 2014 (SR-BX-2014-035); amended June 23, 2015 (SR-BX-2015-036); amended Aug. 6, 2015 (SR-BX-2015-049); amended Oct. 16, 2015 (SR-BX-2015-060); amended Feb. 17, 2016 (SR-BX-2016-012), operative Mar. 18, 2016; amended July 1, 2016 (SR-BX-2016-032); amended Feb. 14, 2017 (SR-BX-2017-011), operative Mar. 16, 2017; amended May 7, 2018 (SR-BX-2018-019); amended July 2, 2018 (SR-BX-2018-029).

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Securities Accounts and Orders of Market Makers

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(a) Identification of Accounts. In a manner prescribed by BX Regulation, each Market Maker shall file with BX Regulation and keep current a list identifying all accounts for stock, options and related securities trading in which the Market Maker may, directly or indirectly, engage in trading activities or over which it exercises investment discretion. No Market Maker shall engage in stock, options or related securities trading in an account which has not been reported pursuant to this Section.

(b) Reports of Orders. Each Market Maker shall, upon request and in the prescribed form, report to BX Regulation every order entered by the Market Maker for the purchase or sale of (i) a security underlying options traded on BX Options, or (ii) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Section. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.

(c) Joint Accounts. No Market Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is an Options Participant and unless such account is reported to, and not disapproved by, BX Regulation. Such reports in a form prescribed by BX Regulation shall be filed with BX Regulation before any transaction is effected on BX Options for such joint account. A participant in a joint account must:

- i. Be either a Market Maker or a Clearing Participant that carries the joint account.
- ii. File and keep current a completed application on such form as is prescribed by BX Regulation.
- iii. Be jointly and severally responsible for assuring that the account complies with all the Rules of the Exchange.
- iv. Not be a Market Maker registered to the same options classes to which the joint account holder is also registered as a Market Maker.

Commentary .01 Reports of accounts and transactions required to be filed with BX Options pursuant to this Rule relate only to accounts in which a Market Maker, as an individual, directly or indirectly controls trading activities or has a direct interest in the profits or losses of such account. Such reports would be required for accounts over which a Market Maker exercises investment discretion as well as a Market Maker's proprietary accounts.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, Letters of Guarantee

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(a) Required of Each Options Participant. No Options Participant shall make any transactions on BX Options unless a Letter of Guarantee has been issued for such Participant by a Clearing Participant and filed with BX Regulation, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Section.

(b) Terms of Letter of Guarantee. A Letter of Guarantee shall provide that the issuing Clearing Participant accepts financial responsibilities for all BX Options Transactions made by the guaranteed Participant.

(c) Revocation of Letter of Guarantee. A Letter of Guarantee filed with BX Regulation shall remain in effect until a written notice of revocation has been filed with BX Regulation by the Guarantor Clearing Participant. A revocation shall in no way relieve a Clearing Participant of responsibility for transactions guaranteed prior to the effective date of such revocation.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, Financial Requirements for Market Makers

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(a) Each Market Maker shall maintain (i) net liquidating equity in its Market Maker account of not less than \$200,000, and in conformity with such guidelines as the Board may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each Market Maker which is a Clearing Participant shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each Market Maker account, without regard to the number of Market Maker accounts per firm. The term "net liquidating equity" means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.

(b) Each Market Maker that makes an arrangement to finance his transactions as a Market Maker must identify in writing to BX Regulation the source of the financing and its terms. BX Regulation must be informed immediately of the intention of any party to terminate or change any such arrangement.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 10, Nasdaq BX, Reserved

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Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Mar. 18, 2016 (SR-BX-2016-018).

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Nasdaq BX Rules, Regulation, Sec. 11, Nasdaq BX, Mass Cancellation of Trading Interest

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An Options Participant may simultaneously cancel all its bids, offers, and orders in all series of options by requesting BX Options operations staff to effect such cancellation.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 12, Nasdaq BX, Order Exposure Requirements

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(a) With respect to orders routed to BX Options, Options Participants may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on BX Options for at least one (1) second or (ii) the Options Participant has been bidding or offering on BX Options for at least one (1) second prior to receiving an agency order that is executable against such bid or offer or (iii) orders entered into BX PRISM pursuant to Chapter VI, Section 9.

(b) Section 12 prevents Options Participants from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on BX Options an opportunity to either trade with the agency order or to trade at the execution price when the Options Participant was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for an Options Participant to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on BX Options and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of Section 12 for an Options Participant to be a party to any arrangement designed to circumvent Section 12 by providing an opportunity for a customer to regularly execute against agency orders handled by the Options Participant immediately upon their entry into BX Options.

(c) It will be a violation of Section 12 for an Options Participant to cause the execution of an order it represents as agent on BX Options against orders it solicited from members and non-member broker-dealers, whether such solicited orders are entered into BX Options directly by the Options Participant or by the solicited party (either directly or through another Options Participant), if the Options Participant fails to expose orders on BX Options as required by Section 12.

(d) Prior to or after submitting an order to BX Options, an Options Participant cannot inform another Options Participant or any other third party of any of the terms of the order.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Oct. 30, 2015 (SR-BX-2015-064); amended Dec. 2, 2015 (SR-BX-2015-078), operative Jan. 1, 2016.

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Nasdaq BX Rules, Regulation, Sec. 13, Nasdaq BX, Lead Market Makers Allocations

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A. LMM Appointment

- (a) Approved BX Options Market Makers may become LMMs. Only one LMM may be allocated to an options class.
- (b) Initial application(s) to become an LMM shall be in a form and/or format prescribed by the Exchange and shall include the following: (1) background information on the prospective LMM including experience in trading options; (2) the LMM's clearing arrangements; (3) adequacy of capital; and (4) adherence to Exchange rules and ability to meet obligations of an LMM.
- (c) Subsequent applications shall be in a form and/or format prescribed by the Exchange and shall include the information requested therein, including, but not limited to, an account of the abilities and background of the applicant as well as any other special requirements that the Exchange may require.
- (d) Once an applicant is approved by the Exchange as an LMM, any material change in capital shall be reported in writing to the Exchange and in no circumstances shall be reported more than two business days after the change.

B. LMM Allocation Application

- (a) When an options class is to be allocated or reallocated by the Exchange, the Exchange will solicit applications from all eligible LMMs. If the Exchange determines that special qualifications should be sought in the successful applicant, it shall indicate such desired qualifications in the notice.
- (b) An allocation application shall be submitted in writing to the Exchange's designated staff and shall include, at a minimum, the name and background of the LMM, the LMM's experience and capitalization demonstrating an ability to trade the particular options class sought, and any other reasons why the LMM believes it should be assigned or allocated the security. In addition, the Exchange may also require that the application include other information such as system acceptance/execution levels and guarantees. The Exchange may re-solicit applications for any reason, including if it determines that its initial solicitation resulted in an insufficient number of applicants.
- (c) Allocation decisions and automatic allocations, as noted in subsection (g) below, shall be communicated in writing to Exchange members.
- (d) Once the LMM is allocated an issue, such LMM shall immediately notify the Exchange in writing any change to the respective system acceptance/execution levels or any other material change in the application for any assigned issue.
- (e) If an LMM seeks to withdraw from allocation in a security, it should so notify the Exchange at least one business day prior to the desired effective date of such withdrawal.
- (f) Definition of Related Securities. For purposes of this Rule, the term "Related Securities" means, but is not limited to: securities of a partially or wholly owned subsidiary; securities that are convertible into the securities of the issuer; warrants on securities of the issuer; securities issued in connection with a name change; securities issued in a reverse stock split; contingent value rights; "tracking" securities designed to track the performance of the underlying security or corporate affiliate thereof; securities created in connection with the merger or acquisition of one or more companies; securities created in connection with a "spinoff" transaction; convertible on non-convertible senior securities; and securities into which a listed security is convertible, where such Related Securities emanate from or are related to securities underlying options that are currently allocated to a LMM on the Exchange ("Currently Allocated Options"). The term Related Securities does not include Exchange Traded Funds.
- (g) Allocation of Options on Related Securities. Options on Related Securities ("Related Options") shall be automatically allocated to the LMM that is already the LMM in Currently Allocated Options.

C. LMM Allocation

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- (a) Allocations. The Exchange shall allocate new options classes, or reallocate existing options classes to applicants based on the results of such factors as the Exchange deems appropriate. Among the factors that the Exchange may consider in making such decisions are: the number and type of securities in which applicants are currently registered; the capital and other resources of the applicant; recent allocation decisions within the past eighteen months; the desirability of encouraging the entry of new LMMs into the Exchange's market; order flow commitments; any prior transfers of LMM privileges by the applicant and the reasons therefore and such policies as the Board instructs the Exchange to follow in allocating or reallocating securities. The Exchange may also consider: quality of markets data; and observance of ethical standards and administrative responsibilities. Solely with respect to options class allocations or reallocations, past or contemplated voluntary delisting of options classes by LMMs, done in the best interest of the Exchange, will not be viewed negatively by the Exchange in making allocation and reallocation decisions. The Exchange is empowered to allocate option classes for a limited period of time or subject to such other terms and conditions as it deems appropriate.

D. LMM Allocation, Reallocation and Transfer of Issues

Requests to allocate or transfer allocation or transfer of an options class request must be made in writing to the Exchange and such transfer may only be made to an approved LMM. The LMM shall be assigned LMM to an options class for a period defined by the Exchange. The Exchange will communicate such period in solicitation applications (notices) pursuant to Section B (LMM Allocation Application) herein. The Exchange may re-allocate an options class after the defined period has expired.

Adopted Aug. 20, 2014 (SR-BX-2014-035).

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Nasdaq BX Rules, Regulation, Sec. 14, Nasdaq BX, LMM Obligations and Quotations

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- (a) *General.* Transactions of an LMM should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no LMM should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.
- (b) *Obligations in Appointed Classes.* With respect to each class of options in his or her appointment, an LMM is expected to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, an LMM is expected to perform the following activities in the course of maintaining a fair and orderly market.
 - (i) To compete with other LMMs and Market Makers to improve the market in all series of options classes to which the LMM is appointed.
 - (ii) To make markets that will be honored for the number of contracts entered into the Trading System in all series of options classes within the LMM's appointment.
 - (iii) To update market quotations in response to changed market conditions in all series of options classes within the LMM's appointment.
 - (iv) Options traded on the Trading System may be quoted with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid.
 - (v) BX Regulation may establish quote width differences other than as provided in subparagraph (iv) for one or more options series.
 - (vi) In the event the bid/ask differential in the underlying security is greater than the bid/ask differential set forth in subsections (b)(iv)-(v), the permissible price differential for any in-the-money option series may be identical to those in the underlying security market. In the case of the at-the-money and out-of-the-money series, BX Regulation may waive the requirements of subsections (b)(iv)-(v) on a case-by-case basis when the bid/ask differential for the underlying security is greater than .50. In such instances, the bid/ask differentials for the at-the-money series and the out-of-the-money series may be half as wide as the bid/ask differential in the underlying security in the primary market. Exemptions from subsections (b)(iv)-(v) are subject to Exchange review. BX Regulation must file a report with BX operations setting forth the time and duration of such exemptive relief and the reasons therefore.
- (c) *Unusual Conditions - Opening Auction.* If the interest of maintaining a fair and orderly market so requires, BX Regulation may declare that unusual market conditions exist in a particular issue and allow LMMs in that issue to make auction bids and offers with spread differentials of up to two times, or in exceptional circumstances, up to three times, the legal limits permitted under this Rule. In making such determinations to allow wider markets, BX Regulation should consider the following factors: (A) whether there is pending news, a news announcement or other special events; (B) whether the underlying security is trading outside of the bid or offer in such security then being disseminated; (C) whether Options Participants receive no response to orders placed to buy or sell the underlying security; and (D) whether a vendor quote feed is clearly stale or unreliable.
 - (i) In the event that BX Regulation determines that unusual market conditions exist in any option, it will be the responsibility of BX Regulation to file a report with Exchange Operations setting forth the relief granted for the unusual market conditions, the time and duration of such relief and the reasons therefore.

- (d) *In Classes of Option Contracts Other Than Those to Which Appointed.* With respect to classes of option contracts outside of their appointment, LMMs should not engage in transactions for an account in which they have an interest that are disproportionate in relation to, or in derogation of, the performance of their obligations as specified in this Rule with respect to the classes in their appointment. Furthermore, LMMs should not:
- (i) Individually or as a group, intentionally or unintentionally, dominate the market in option contracts of a particular class; and
 - (ii) Effect purchases or sales on the Exchange except in a reasonable and orderly manner.
- (e) *Prohibited Practices and Procedures.*
- (i) Any practice or procedure whereby LMMs trading any particular option issue determine by agreement the spreads or option prices at which they will trade that issue is prohibited.
 - (ii) Any practice or procedure whereby LMMs trading any particular option issue determine by agreement the allocation of orders that may be executed in that issue is prohibited.
- (f) *LMM Quotations.* An LMM must enter two-sided quotations. An LMM that enters a bid (offer) in a series of an option in which he is registered on BX must enter an offer (bid), except in an assigned options series listed intra-day on BX. These quotations must meet the legal quote width requirements specified in Chapter VII, Section 14(b)(iv), (v) and (vi). A Market Maker who is also the Lead Market Maker, pursuant to this Chapter VII, Section 14, will be held to the Lead Market Maker obligations in options series in which the Lead Market Maker is assigned and will be held to Market Maker obligations in all other options series where assigned pursuant to Chapter VII, Section 6(d).
- (1) LMMs, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Option Participant's assigned options series are open for trading. An LMM shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater. However, a LMM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements of Chapter VI, Section 10.
 - (a) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").
 - (2) Specifically, the Exchange will calculate subparagraph (1) above by (i) taking the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.
 - (3) BX Regulation may consider exceptions to the requirement to quote 90% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating circumstances. For purposes of the Exchange's surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.
 - (4) If a technical failure or limitation of a System of the Exchange prevents a LMM from maintaining, or prevents a LMM from communicating to the Exchange, timely and accurate

electronic quotes in an issue, the duration of such failure shall not be considered in determining whether the LMM has satisfied the 90% quoting standard with respect to that option issue. The Exchange may consider other exceptions to this intra-day electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

- (g) *Required Submission of Quotations.* An LMM may be called upon by BX Regulation to submit a single quote or maintain intra-day quotes in one or more series of an option issue within its appointment whenever, in the judgment of BX Regulation, it is necessary to do so in the interest of maintaining fair and orderly markets.
- (h) *Firm Quotes.* An LMM shall be compelled to buy/sell a specified quantity of option contracts at the disseminated bid/offer pursuant to his obligations with respect to firm quotes.
 - (i) All quotes and orders entered into the System by Options Participants are firm under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("SEC Rule 602") for the number of contracts specified and according to the size requirements set forth herein.
 - (ii) Market Maker bids and offers are not firm under this Rule and SEC Rule 602:
 - (1) for the period prior to the Opening Cross; or
 - (2) if any of the circumstances provided in paragraph (b)(3) or (c)(4) of SEC Rule 602 exist.

Adopted Aug. 20, 2014 (SR-BX-2014-035); amended July 2, 2018 (SR-BX-2018-029).

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Nasdaq BX Rules, Regulation, Sec. 15, Nasdaq BX, Directed Market Makers

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Market Makers may receive Directed Orders in their appointed classes in accordance with the provisions of this Section 15, Directed Market Makers provided they indicated to the Exchange, in a form specified, that they will receive Directed Orders.

- (i) When the Exchange's disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Market Maker is quoting at or improving the Exchange's disseminated price, the Directed Order shall be automatically executed and allocated in accordance with Chapter VI, Section 10 such that the Directed Market Maker shall receive a Directed Market Maker participation entitlement provided for therein.
- (ii) When (a) the Exchange's disseminated price is the NBBO, and the quotation disseminated by the Directed Market Maker on the opposite side of the market from the Directed Order is inferior to the NBBO at the time of receipt of the Directed Order, or (b) the Exchange's disseminated price is not the NBBO at the time of receipt of the Directed Order, the Directed Order shall be processed as though it were not a Directed Order.
- (iii) A Directed Market Maker must enter two-sided quotations. A Directed Market Maker that enters a bid (offer) in a series of an option in which he is registered on BX must enter an offer (bid), except in an assigned options series listed intra-day on BX. These quotations must meet the legal quote width requirements specified in Chapter VII, Section 6(d)(ii). A Market Maker who receives a Directed Order, as described in Chapter VI, Section 10, shall be held to the standard of a Directed Market Maker as described in Chapter VII, Section 15.
 - (a) Directed Market Makers, associated with the same Options Participant, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as BX may announce in advance, for which that Options Participant's assigned options series are open for trading. An Options Participant shall be considered directed in all assigned options once the Options Participant receives a Directed Order in any option in which they are assigned and shall be considered a Directed Market Maker until such time as an Options Participant notifies the Exchange that they are no longer directed. Notwithstanding the foregoing, an Options Participant shall not be required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater. Notwithstanding the obligations specified in subparagraph (iii) above, a Directed Market Maker may still receive a participation entitlement in such series if it elects to quote in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater series and otherwise satisfies the requirements of Chapter VI, Section 10.
 - (i) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").
 - (b) Specifically, the Exchange will calculate subparagraph (a) above by (i) taking the total number of seconds the Options Participant disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the Options Participant.
 - (c) BX Regulation may consider exceptions to the requirement to quote 90% (or higher) of the trading day based on demonstrated legal or regulatory requirements or other mitigating

circumstances. For purposes of the Exchange's surveillance of an Options Participant compliance with this rule, the Exchange may determine compliance on a monthly basis. The Exchange's monthly compliance evaluation of the quoting requirement does not relieve an Options Participant of the obligation to provide two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against an Options Participant for failing to meet the quoting obligation each trading day.

- (d) If a technical failure or limitation of a System of the Exchange prevents a Directed Market Maker from maintaining, or prevents a Directed Market Maker from communicating to the Exchange, timely and accurate electronic quotes in an issue, the duration of such failure shall not be considered in determining whether the Directed Market Maker has satisfied the 90% quoting standard with respect to that option issue. The Exchange may consider other exceptions to this intra-day electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

Adopted Jan. 23, 2015 (SR-BX-2014-049); amended July 2, 2018 (SR-BX-2018-029).

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Maintenance, Retention and Furnishing of Books, Records and Other Information

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- (a) Each Options Participant shall make, keep current and preserve such books and records as BX Regulation may prescribe pursuant to the Rules of the Exchange and as may be prescribed by the Exchange Act and the rules and regulations thereunder.
- (b) No Options Participant shall refuse to make available to BX Regulation such books, records or other information as may be called for under the Rules of the Exchange or as may be requested in connection with an investigation by BX Regulation.
- (c) All Options Participants shall prepare and make available all books and records as required by the Rules of the Exchange in English and U.S. dollars.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Reports of Uncovered Short Positions

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(a) Upon request of BX Regulation, each Options Participant shall submit a report of the total uncovered short positions in each options contract of a class dealt in on BX Options showing:

- i. positions carried by such Options Participant for its own account and
- ii. positions carried by such Options Participant for the accounts of Customers;
- iii. provided that the Options Participant shall not report positions carried for the accounts of other Options Participants where such other Options Participants report the positions themselves.

(b) Such report shall be submitted not later than the second business day following the date the request is made.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Financial Reports and Audits

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Each Options Participant shall submit to BX Regulation answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange or BX Regulation under the Rules of the Exchange.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Automated Submission of Trade Data

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(a) An Options Participant shall submit requested trade data elements, in such automated format as may be prescribed by BX Regulation from time to time, in regard to a transaction(s) that is the subject of the particular request for information.

(b) If the transaction was a proprietary transaction effected or caused to be effected by the Options Participant for any account in which such Participant, or any person associated with the Options Participant, is directly or indirectly interested, the Participant shall submit or cause to be submitted, any or all of the following information as requested by BX Regulation:

- i. Clearing house number or alpha symbol as used by the Options Participant submitting the data;
- ii. Clearing house number(s) or alpha symbol(s) as may be used from time to time, of the Options Participant(s) on the opposite side of the transaction;
- iii. Identifying symbol assigned to the security and where applicable for the options month and series symbols;
- iv. Date transaction was executed;
- v. Number of option contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale, as well as:
 - 1) the number of shares traded or held by accounts for which options data is submitted;
 - 2) where applicable, the number of shares for each specific transaction and whether each transaction was a purchase, sale or short sale;
- vi. Transaction price;
- vii. Account number; and
- viii. Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the Options Participant for any Customer, such Options Participant shall submit or cause to be submitted any or all the following information as requested by BX Regulation:

- i. Data elements (i) through (viii) of paragraph (b) above;
- ii. If the transaction was effected for a Public Customer, customer name, address(es), branch office number, representative number, whether the order was discretionary, solicited or unsolicited, date the account was opened and employer name and tax identification number(s); and
- iii. If the transaction was effected for a Participant broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of BX Regulation's request.

(d) In addition to the above trade data elements, an Options Participant shall submit such other information in such automated format as may be prescribed by BX Regulation, as may from time to time be required.

(e) BX Regulation may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (b) and (c) above be submitted to BX Regulation in an automated format.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Regulatory Cooperation

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- (a) BX Regulation may enter into agreements that provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes, with domestic and foreign self-regulatory organizations, as well as associations and contract markets and the regulators of such markets.
- (b) No Options Participant, partner, officer, director or other person associated with a Participant or other person or entity subject to the jurisdiction of the Exchange or BX Regulation shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange or BX Regulation requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange or BX Regulation pursuant to paragraph (a) of this Section, including but not limited to Participants and affiliates of the Intermarket Surveillance Group. The requirements of this paragraph (b) shall apply regardless whether the Exchange or BX Regulation has itself initiated a form investigation or disciplinary proceeding.
- (c) Whenever information is requested by BX Regulation pursuant to this Section, the Options Participant or person associated with a Participant from whom the information is requested shall have the same rights and procedural protections in responding to such request as such Participant or person would have in the case of any other request for information initiated by BX Regulation pursuant to BX Regulation's investigative powers.

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Risk Analysis of Market Maker Accounts

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(a) Each Clearing Participant that clears or guarantees the transactions of Market Makers pursuant to Chapter VII, Section 8 of these Rules (Letters of Guarantee), shall establish and maintain written procedures for assessing and monitoring the potential risks to the Participant's capital over a specified range of possible market movements of positions maintained in such Market Maker accounts and such related accounts as BX Regulation shall from time to time direct.

- i. Current procedures shall be maintained as current and filed with BX Regulation.
- ii. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk management.

(b) Each affected Participant shall at a minimum assess and monitor its potential risk of loss from options Market Maker accounts each business day as of the close of business the prior day through use of a BX Regulation-approved computerized risk analysis program, which shall comply with at least the minimum standards specified below and such other standards as from time to time may be prescribed by BX Regulation:

- i. The estimated loss to the Clearing Participant for each Market Maker account (potential account deficit) shall be determined given the impact of broad market movements in reasonable intervals over a range from negative fifteen percent (15%) to positive fifteen percent (15%).
- ii. The Participant shall calculate volatility using a method approved by BX Regulation, with volatility updated at least weekly. The program must have the capability of expanding volatility when projecting losses throughout the range of broad market movements.
- iii. Options prices shall be estimated through use of recognized options pricing models such as, but not limited to, Black-Scholes and Cox-Reubenstein.
- iv. At a minimum, written reports shall be generated which describe for each market scenario:
 - 1) projected loss per options class by account;
 - 2) projected total loss per options class for all accounts; and
 - 3) projected deficits per account and in aggregate.

Upon direction by BX Regulation, each affected Participant shall provide to BX Regulation such information as it may reasonably require with respect to the Participant's risk analysis for any or all of its Market Maker accounts.

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and does not reflect the views of Nasdaq, Inc. Nasdaq, Inc. reserves the right to amend the Nasdaq BX Rules at its discretion.

Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Anti-Money Laundering Compliance Program

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Each Options Participant shall comply with [BX Rule 3011](#).

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Imposition of Suspension

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- (a) An Options Participant or person associated with an Options Participant that has been expelled or suspended from any SRO or barred or suspended from being associated with a Participant of any SRO, or an Options Participant that is in such financial or operating difficulty that BX Regulation determines that the Options Participant cannot be permitted to continue to do business as a Participant with safety to investors, creditors, other Options Participants, or BX Options, may be summarily suspended.
- (b) BX Regulation may limit or prohibit any person with respect to access to services offered by BX Options if any of the criteria of the foregoing sentence is applicable to such person or, in the case of a person who is an Options Participant, if the Exchange determines that such person does not meet the qualification requirements or other prerequisites for such access with safety to investors, creditors, Options Participants or the Exchange.
- (c) In the event a determination is made to take summary action pursuant to this Section, notice thereof will be sent to the SEC.
- (d) Any person aggrieved by any summary action taken under this Section shall be promptly afforded an opportunity for a hearing by BX Regulation in accordance with the provisions of the 9500 Rules of the Exchange.
- (e) A summary suspension or other action taken pursuant to this Chapter IX shall not be deemed to be disciplinary action under the 9500 Rules of the Exchange. The provisions of such 9500 Rules shall be applicable regardless of any action taken pursuant to this Chapter X.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Investigation Following Suspension Violations

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(a) Every Options Participant or person associated with a Participant against which action has been taken in accordance with the Summary Suspension procedures of these Rules shall immediately afford every facility required by BX Regulation for the investigation of his or its affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short position in BX Options contracts maintained by the Options Participant and each of his or its Customers.

(b) Paragraph (a) includes, without limitation, the furnishing of such books and records of the Options Participant or person associated with an Options Participant and the giving of such sworn testimony as may be requested by BX Regulation.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Reinstatement Following Suspension

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(a) General.

- i. An Options Participant, person associated with an Options Participant or other person suspended or limited or prohibited with respect to access to services offered by BX Options under the Summary Suspension procedures of these Rules may apply for reinstatement within the time period set forth below.
- ii. Notice of an application for reinstatement shall be given to the Secretary by the Participant and shall be posted by BX Regulation at least five (5) business days prior to the consideration by BX Regulation of said application.
- iii. BX Regulation may approve an application for reinstatement if it finds that the applicant is operationally and financially able to conduct his business with safety to investors, creditors, Participants, and BX Options.

(b) Suspension Due to Operating Difficulty.

- i. An applicant that, by reason of operating difficulty, has been suspended or limited or prohibited with respect to BX Options services, must file any application for reinstatement within six (6) months from the date of such action. Such application must include a statement of all actions taken by the applicant to remedy the operational difficulty in question.
- ii. If the applicant fails to receive reinstatement, or if the application is not acted upon ninety (90) days of its submission, the applicant shall be afforded an opportunity for a hearing in accordance with the provisions of the 9000 Rules of the Exchange

(c) Suspension Due to Financial Difficulty.

- i. An applicant who, by reason of financial difficulty, has been suspended or limited or prohibited with respect to BX Options services, must file any application for reinstatement within thirty (30) days of such action.
- ii. Such application must include a list of all creditors of the applicant a statement of the amount originally owing and the nature of the settlement in each case, and such other information as may be requested by BX Regulation.
- iii. The Participant status of an Options Participant summarily suspended by reason of financial difficulty may not be disposed of by BX Regulation until that Participant has been afforded an opportunity for a hearing respecting such summary suspension pursuant to the provisions of the 9000 Rules of the Exchange.

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and does not reflect the views of Nasdaq, Inc. Nasdaq, Inc. reserves the right to amend the Nasdaq BX Rules at its discretion.

Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Failure to Obtain Reinstatement

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If an Options Participant suspended under the provisions of this Chapter X fails or is unable to apply for reinstatement in accordance with Section 3 of this Chapter X or fails to obtain reinstatement as therein provided, his or its Participant status shall be disposed of by BX Regulation in accordance with the 9500 Rules of the Exchange.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Termination of Rights by Suspension

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An Options Participant suspended under the provisions of this Chapter X shall be deprived during the term of his or its suspension of all rights and privileges of Participation.

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Contracts of Suspended Participants

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- (a) When an Options Participant, other than a Clearing Participant, is suspended pursuant to Chapter X of these Rules (Summary Suspension), all open short positions of the suspended Options Participant in options contracts and all open positions resulting from exercise of options contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all Participants carrying such positions for the account of the suspended Participant; provided that BX Regulation may cause the foregoing requirement to be temporarily waived for such period as it may determine if it shall deem such temporary waiver to be in the interest of the public or the other Participants of BX Options.
- (b) No temporary waiver hereunder by BX Regulation shall relieve the suspended Options Participant of its obligations or of damages, nor shall it waive the close out requirements of any other Rules.
- (c) When a Clearing Participant is suspended pursuant to Chapter X (Summary Suspension) of these Rules, the positions of such Clearing Participant shall be closed out in accordance with the Rules of the Clearing Corporation.

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Penalty for Minor Rule Violations

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The following BX Options rule and policy violations may be determined by BX Regulation to be minor in nature. If so, BX Regulation may, with respect to any such violation, proceed under the 9200 Series Rules of the Exchange and impose the fine set forth below. BX Regulation is not required to proceed under said Sections as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under the 9200 Series Rules of the Exchange as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period ("Period").

(a) Position Limit Violations. Violations of Chapter III, Section 7 of these Rules (Position Limit) are subject to fines as follows:

Number of Cumulative Violations Within Any Twenty four Month Rolling Period*	Sanction (Imposed on Exchange Members or violations occurring in all other accounts)
First Offense	\$500
Second Offense	\$1,000
Third Offense	\$2,500
Fourth and Each Subsequent Offense	\$5,000

* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(b) Order Entry. Violations of Chapter VII, Section 6(a) - (c) of these Rules, (Market Maker Quotations) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of such sections subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

Number of Violations Fine Amount Within One Period

1 to 5	Letter of Caution
6 to 10	\$500
11 to 15	\$1000
16 to 20	\$2000

(c) Intra-day Quotes. Violations of Chapter VII, Section 6(d) of these Rules regarding Market Maker intra-day bids and offers shall be subject to the fines listed below. Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of the Market Makers registered series are to be added together.

Number of Cumulative Fine Amount Violations Within One Period

1	Letter of Caution
2 or more	\$300 per day

(d) LOPR Reporting and Position Limit Violations. Violations of Chapter III, Section 7-10 of these Rules regarding position limits and maintaining and furnishing reports related to applicable position limits for Options contracts.

FINE SCHEDULE	LOPR Reporting	Position Limits
First Offense	\$1,000	\$500
Second Offense	\$2,500	\$1,000
Subsequent Offense	\$5,000	\$2,500

(e) Expiring Exercise Declaration Rules. Violations of Options 5, Section 100 of these Rules regarding exercise of Options Contracts, allocation of exercise notices and delivery and payment of the underlying security.

FINE SCHEDULE	Individual	Firm
First Offense	\$500	\$1,000
Second Offense	\$1,000	\$2,500
Subsequent Offense	\$2,500	\$5,000

(f) Audit Trail Submissions and Record Keeping Requirements. Chapter V, Sections 7, regarding the submission of audit trail information; and Chapter IX, Sections 1-3 of these Rules regarding information to be recorded, retained and provided upon request by BX Regulation or other applicable regulatory entity.

FINE SCHEDULE	Audit Trail Information	Records Provisions
First Offense	\$1,500	\$2,000
Second Offense	\$3,000	\$4,000
Subsequent Offense	\$5,000	\$5,000

(g) Representation of Orders. Chapter VII, Section 12 of these Rules regarding Options Participants' restriction on execution of principal orders they represent as agent unless proper exposure parameters are applied.

FINE SCHEDULE	
First Offense	\$1,000
Second Offense	\$2,500
Subsequent Offense	\$5,000

(h) Trade Reporting. Chapter VI, Sections 14 and 15 of these Rules regarding all transactions effected on BX Options shall be submitted for clearance to the Clearing Corporation, the Options Participants' obligation to give up the name of the Clearing Participants and the prompt reporting of any change in this identity to BX Options.

FINE SCHEDULE	
First Offense	\$1,500
Second Offense	\$3,000
Subsequent Offense	\$5,000

(i) Locked and Cross Market Violations. Chapter XII, Section 3 of these Rules (Locked and Crossed Markets) regarding procedures to be followed in the instance of a Locked or a Crossed Market.

FINE SCHEDULE	
First Offense	\$500
Second Offense	\$1,000
Subsequent Offense	\$2,500

(j) Trade-Through Violations. Chapter XII, Section 2(a) of these Rules (Order Protection) regarding tradethroughs.

FINE SCHEDULE	
First Offense	\$500
Second Offense	\$1,000
Subsequent Offense	\$2,500

(k) Failure to Timely File Amendments to Form U4, Form U5 and Form BD. Any member and/or participant organization that is required to file Form U4, Form U5 or Form BD pursuant to Section 1031 of the BX Rules and the Securities and Exchange Act of 1934, and the rules promulgated thereunder, is required to amend the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Members and/or participant organizations shall amend Form U4, Form U5 and Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

FINE SCHEDULE (Implemented on a running 12 month period)

First Offense	\$500
Second Offense	\$1,000
Subsequent Offense	\$2,000

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Feb. 16, 2017 (SR-BX-2017-014); amended July 2, 2018 (SR-BX-2018-029); amended Nov. 14, 2018 (SR-BX-2018-056).

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Eligibility

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An OEF may only transact business with Public Customers if such Participant also is a member of another registered national securities exchange or association with which the Exchange has entered into an agreement under Rule 17d-2 under the Exchange Act pursuant to which such other exchange or association shall be the designated options examining authority for the OEF. Eligibility to transact business with the public shall be based upon an OEF's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Exchange Act Rule 15c3-1 (Net Capital Requirements). Such approval may be withdrawn if any such requirements cease to be met.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Registration of Options Principals

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No OEF shall be approved to transact options business with the public until those associated persons who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the management and supervision of the OEF's business pertaining to options contracts shall be designated as Options Principals and shall have responsibility for the overall oversight of the OEF's options related activities on the Exchange.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Sept. 27, 2018 (SR-BX-2018-047), operative Oct. 1, 2018.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Registration of Representatives

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(a) No OEF shall be approved to transact business with the public until those persons associated with it who are designated representatives have been approved by and registered with the Exchange.

(b) Persons who perform duties for the OEF which are customarily performed by sales representatives or branch office managers shall be designated as representatives of the OEF. A person accepting orders from non-member customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Registered Representative Examination (Series 7).

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Sept. 27, 2018 (SR-BX-2018-047), operative Oct. 1, 2018.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Other Affiliations of Registered Persons

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Except with the express written permission of BX Regulation, every registered person shall devote his entire time during business hours to the business of the OEF employing him, or to the business of its affiliates that are engaged in the transaction of business as a broker or dealer in securities or commodities or in such other businesses as have been approved by the OEF's designated examining authority.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Discipline, Suspension, Expulsion of Registered Persons

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The Exchange or BX Regulation may discipline, suspend or terminate the registration of any registered person for violation of the Rules of the Exchange or the Rules of the Clearing Corporation.

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Branch Offices

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(a) Every OEF approved to do options business with the public under this Chapter shall file with BX Regulation and keep current a list of each of its branch offices showing the location of each such office and the name of the manager of each such office.

(b) No branch office of an OEF shall transact options business with the public unless the manager of such branch office has been qualified as a Registered Options and Security Futures Principal; provided, that this requirement shall not apply to branch offices in which not more than three (3) representatives are located so long as the OEF can demonstrate to the satisfaction of BX Regulation that the options activities of such branch offices are appropriately supervised by a Registered Options and Security Futures Principal.

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Opening of Accounts

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(a) Approval Required. No OEF shall accept an order from a Public Customer to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with the provisions of this Section.

(b) Diligence in Opening Account. In approving a Public Customer's account for options transactions, an OEF shall exercise due diligence to learn the essential facts as to the Public Customer and his investment objectives and financial situation, and shall make a record of such information, which shall be retained in accordance with SEC Rule 17a-4 under the Exchange Act. Based upon such information, the branch office manager or other Options Principal shall approve in writing the Public Customer's account for options transactions; provided, that if the branch office manager is not an Options Principal, his approval shall within a reasonable time be confirmed by an Options Principal.

i. In fulfilling its obligations under this paragraph (b) with respect to options Public Customers that are natural persons, an OEF shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

- 1) investment objectives (e.g., safety of principal, income, growth, trading profits, speculation);
- 2) employment status (name of employer, self-employed or retired);
- 3) estimated annual income from all sources;
- 4) estimated net worth (exclusive of primary residence);
- 5) estimated liquid net worth (cash, securities, other);
- 6) marital status;
- 7) number of dependents;
- 8) age; and
- 9) investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

ii. In addition to the information required in subparagraph (b)(i) above, the Public Customer's account records shall contain the following information, if applicable:

- 1) the source or sources of background and financial information (including estimates) concerning the Public Customer;
- 2) discretionary trading authorization, including agreement on file, name, relationship to Public Customer and experience of person holding trading authority;
- 3) date(s) options disclosure document(s) furnished to Public Customer;
- 4) nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions);
- 5) name of representative;

- 6) name of the Options Principal approving account;
- 7) date of approval; and
- 8) dates of verification of currency of account information.

iii. Refusal of a Public Customer to provide any of the information called for in this paragraph (b) shall be so noted on the Public Customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

(c) *Verification of Public Customer Background and Financial Information.* The background and financial information upon which the account of every new Public Customer that is a natural person has been approved for options trading, including all of the information required in paragraph (b)(ii) of this Section, unless the information is included in the Public Customer's account agreement, shall be sent to the Public Customer for verification or correction within fifteen (15) days after the Public Customer's account has been approved for options transactions. A copy of the background and financial information on file with the OEF shall also be sent to the Public Customer for verification within fifteen (15) days after the OEF becomes aware of any material change in the Public Customer's financial situation. Absent advice from the Public Customer to the contrary, the information will be deemed to be verified.

(d) *Agreements to Be Obtained.* Within fifteen (15) days after a Public Customer's account has been approved for options transactions, an OEF shall obtain from the Public Customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such Public Customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Chapter III, Section 7 and 9 of these Rules.

(e) *Options Disclosure Documents to Be Furnished.* At or prior to the time a Public Customer's account is approved for options transactions, an OEF shall furnish the Public Customer with one (1) or more current options disclosure documents issued by the OCC in accordance with the requirements of Section 15 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

(f) Every OEF transacting business with the public in uncovered options contracts shall develop, implement and maintain specific written procedures governing the conduct of such business that shall at least include the following:

- i. specific criteria and standards to be used in evaluating the suitability of a Public Customer for uncovered short options transactions;
- ii. specific procedures for approval of accounts engaged in writing uncovered short options contracts (which for the purposes of this Section shall include combinations and any transactions that involve naked writing), including written approval of such accounts by an Options Principal;
- iii. designation of a specific Registered Options and Security Futures Principal(s) as responsible for approving accounts that do not meet the specific criteria and standards for writing uncovered short options transactions and for maintaining written records of the reasons for every account so approved;
- iv. establishment of specific minimum net equity requirements for initial approval and maintenance of Public Customer uncovered options accounts; and
- v. requirements that Public Customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short options

transactions, at or prior to the initial uncovered short options transaction pursuant to Section 15 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, Supervision of Accounts

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(a) Duty to Supervise - General. Each member that conducts a public customer options business shall ensure that its written supervisory system policies and procedures pursuant to FINRA Rules 3110, 3120, 3130 and 3170 adequately address the member's public customer options business.

(b) Duty to Supervise — Non-Participant Accounts. Every OEF shall develop and implement a written program for the review of the its non-Participant Public Customer accounts and all orders in such accounts, insofar as such accounts and orders relate to options contracts.

(c) Duty to Supervise — Uncovered Short Options. Every OEF shall develop and implement specific written procedures concerning the manner of supervision of Public Customer accounts maintaining uncovered short (written) options positions (which for the purposes of this Section shall include combinations and any transactions that involve naked writing) and specifically providing for frequent supervisory review of such accounts.

(d) Reserved.

(e) Maintenance of Public Customer Records. Background and financial information of Public Customers who have been approved for options transactions shall be maintained at the principal supervisory office having jurisdiction over the office servicing a Public Customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each Public Customer's options account on a timely basis to determine:

- i. the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;
- ii. the size and frequency of options transactions;
- iii. commission activity in the account;
- iv. profit or loss in the account;
- v. undue concentration in any options class or classes; and
- vi. compliance with the provisions of Regulation T of the Federal Reserve Board.

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, Suitability of Recommendations

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(a) Every OEF, Options Principal or representative who recommends to a Public Customer the purchase or sale (writing) of any options contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such Public Customer on the basis of the information furnished by such Public Customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such OEF, Options Principal or representative.

(b) No OEF, Options Principal or representative shall recommend to a Public Customer an opening transaction in any options contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the Public Customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the options contract.

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Nasdaq BX Rules, Regulation, Sec. 10, Nasdaq BX, Discretionary Accounts

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(a) Authorization and Approval Required. No OEF shall exercise any discretionary power with respect to trading in options contracts in a Public Customer's account unless such Public Customer has given prior written authorization and the account has been accepted in writing by a Registered Options and Security Futures Principal.

i. Each participant shall designate specific Registered Options and Security Futures Principals to review discretionary accounts. A Registered Options and Security Futures Principal other than the Registered Options and Security Futures Principal who accepted the account shall review the acceptance of each discretionary account to determine that the Registered Options and Security Futures Principal accepting the account had a reasonable basis for believing that the Public Customer was able to understand and bear the risks of the strategies or transactions proposed, and the reviewing Registered Options and Security Futures Principal shall maintain a record of the basis for his determination.

ii. Every discretionary order shall be identified as discretionary on the order at the time of its entry into BX Options market.

iii. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options and Security Futures Principal who is not exercising the discretionary authority.

(b) Record of Transactions. A record shall be made of every options transaction for an account with respect to which an OEF is vested with any discretionary power, such record to include the name of the Public Customer, options class and series, number of contracts, premium, and date and time when such transaction took place.

(c) Excessive Transactions Prohibited. No OEF shall effect with or for any Public Customer's account with respect to which such Participant is vested with any discretionary power any transactions of purchase or sale of options contracts that are excessive in size or frequency in view of the financial resources and character of such account.

(d) Options Programs. Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the Public Customer shall be furnished with a written explanation of the nature and risks of such programs.

(e) Discretion as to Price or Time Excepted. This rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined in Rule 3110(c)(4), pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket.

(f) Any participant that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options and Security Futures Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

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Nasdaq BX Rules, Regulation, Sec. 11, Nasdaq BX, Confirmation to Public Customers

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(a) Every OEF shall promptly furnish to each Public Customer a written confirmation of each transaction in options contracts that shows the underlying security, type of options, expiration month, exercise price, number of options contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale and whether a principal or agency transaction.

(b) The confirmation shall, by appropriate symbols, distinguish between Exchange options transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

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Nasdaq BX Rules, Regulation, Sec. 12, Nasdaq BX, Statement of Accounts to Public Customers

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- (a) Every OEF shall send to its Public Customers a statement of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations.
- (b) With respect to options Public Customers having a general (margin) account, the Public Customer statement shall also provide the mark-to-market price and market value of each options position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. For purposes of this paragraph (b), general (margin) account equity shall be computed by subtracting the total of the short security values and any debit balance from the total of the long security values and any credit balance.
- (c) The Public Customer statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed options transactions has been included in confirmations of such transactions previously furnished to the Public Customer, and that such information will be made available to the Public Customer promptly upon request.
- (d) Public Customer statements shall bear a legend requesting that the Public Customer promptly advise the Participant of any material change in the Public Customer's investment objectives or financial situation.
- (e) Public Customer statements shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

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Nasdaq BX Rules, Regulation, Sec. 13, Nasdaq BX, Statements of Financial Condition to Public Customers

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Every OEF shall send to each of its Public Customers statements of the Participant's financial condition as required by SEC Rule 17a-5 under the Exchange Act.

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Nasdaq BX Rules, Regulation, Sec. 14, Nasdaq BX, Addressing of Communications to Public Customers

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No OEF shall address any communications to a Public Customer in care of any other person unless either: (1) the Public Customer, within the preceding twelve (12) months, has instructed the OEF in writing to send communications in care of such other persons, or (2) duplicate copies are sent to the Public Customer at some other address designated in writing by him.

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Nasdaq BX Rules, Regulation, Sec. 15, Nasdaq BX, Delivery of Current Options Disclosure Documents and Prospectus

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(a) *Options Disclosure Documents.* Every OEF shall deliver a current options disclosure document issued by the OCC to each Public Customer at or prior to the time such Public Customer's account is approved for options transactions. Where a Public Customer is a broker or dealer, the OEF shall take reasonable steps to assure that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by the broker or dealer, to enable it to comply with the requirements of this Section 15.

i. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Exchange Act.

ii. A copy of each amendment to an options disclosure document shall be furnished to each Public Customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such Public Customer. BX Regulation will advise OEFs when an options disclosure document is amended.

(b) The written description of risks required by this Section 15 shall be in a format prescribed by the Exchange or in a format developed by the Participant, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(c) Below is a sample risk description for use by OEFs to satisfy the requirements of paragraph (b) of this Section 15:

Special Statement for Uncovered Options Writers.

There are special risks associated with uncovered options writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all Public Customers approved for options transactions.

- 1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.*
- 2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.*
- 3. Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.*
- 4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.*

5. *If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.*
6. *The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period. NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.*

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Nasdaq BX Rules, Regulation, Sec. 16, Nasdaq BX, Restrictions on Pledge and Lending of Public Customers' Securities

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- (a) No OEF shall lend, either to itself or to others, securities carried for the account of any Public Customer, unless such OEF shall first have obtained a separate written authorization from such Public Customer permitting the lending of the securities.
- (b) Regardless of any agreement between an OEF and a Public Customer authorizing the OEF to lend or pledge such securities, no OEF shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the Public Customer to such OEF, except such lending as may be specifically authorized under paragraph (c) of this Section 16.
- (c) No OEF shall lend securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be loaned in view of the indebtedness of the Public Customer, unless such OEF first obtains from such Public Customer a separate written authorization designating the particular securities to be loaned.
- (d) No OEF shall hold securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be pledged in view of the indebtedness of the Public Customer, unless such securities are segregated and identified by a method that clearly indicates the interest of such Public Customer in those securities.

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Nasdaq BX Rules, Regulation, Sec. 17, Nasdaq BX, Transactions of Certain Public Customers

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- (a) No OEF shall execute any transaction in securities or carry a position in any security in which:
- i. an officer or employee of the Exchange, BX Regulation, BX Options or any national securities exchange that is a participant of the Clearing Corporation, or an officer or employee of a corporation in which the Exchange, or such other exchange owns the majority of the capital stock, is directly or indirectly interested, without the prior written consent of the Exchange; or
 - ii. a partner, officer, director, principal shareholder or employee of another OEF is directly or indirectly interested, without the consent of such other OEF.
- (b) Where the required consent has been granted, duplicate reports of the transaction and position shall promptly be sent to the Exchange or OEF, as the case may be.

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Nasdaq BX Rules, Regulation, Sec. 18, Nasdaq BX, Guarantees

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No OEF shall guarantee a Public Customer against loss in his account or in any transaction effected with or for such Public Customer.

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Nasdaq BX Rules, Regulation, Sec. 19, Nasdaq BX, Profit Sharing

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(a) No OEF, person associated with an OEF or Options Principal shall share directly or indirectly in the profits or losses in any Public Customer's account, whether carried by such OEF, or any other OEF, without the prior written consent of the OEF carrying the account.

(b) Where such consent is obtained, the OEF, person associated with an OEF or Options Principal shall share in the profits or losses in such account only in direct proportion to the financial contribution made to the account by such person.

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Nasdaq BX Rules, Regulation, Sec. 20, Nasdaq BX, Assuming Losses

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No OEF shall assume for its own account any position established for a Public Customer in a security traded on the Exchange after a loss to the Public Customer has been established or ascertained, unless the position was created by the OEF's mistake or unless approval of BX Regulation has first been obtained.

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Nasdaq BX Rules, Regulation, Sec. 21, Nasdaq BX, Transfer of Accounts

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Every Options Participant shall expedite the transfer of a customer's account pursuant to BX Rules IM-2110-7 and 11870.

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Nasdaq BX Rules, Regulation, Sec. 22, Nasdaq BX, Communications with Public Customers

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Options Participants and associated persons of Options Participants shall be bound to comply with the Communications with Public Customers rule of the FINRA, as applicable, as though said rules were part of these Rules

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Nasdaq BX Rules, Regulation, Sec. 23, Nasdaq BX, Fidelity Bond

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Options Participants approved to transact business with the public under these Rules and every Clearing Participant shall comply with all applicable provisions of BX Rule 3020.

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Nasdaq BX Rules, Regulation, Sec. 24, Nasdaq BX, Public Customer Complaints

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- (a) Every OEF conducting a non-Participant Public Customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved.
- (b) The term "options-related complaint" shall mean any written statement by a Public Customer or person acting on behalf of a Public Customer alleging a grievance arising out of or in connection with listed options.
- (c) The central file shall be located at the principal place of business of the Participant or such other principal office as shall be designated by the OEF.
 - i. Each options-related complaint received by a branch office of an OEF shall be forwarded to the office in which the separate, central file is located not later than thirty (30) days after receipt by the branch office.
 - ii. A copy of every options-related complaint shall be maintained at the branch office that is the subject of a complaint.
- (d) At a minimum, the central file shall include:
 - i. identification of complainant;
 - ii. date complaint was received;
 - iii. identification of the representative servicing the account, if applicable;
 - iv. a general description of the subject of the complaint; and
 - v. a record of what action, if any, has been taken by the Participant with respect to the complaint.

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Nasdaq BX Rules, Regulation, Sec. 25, Nasdaq BX, Telephone Solicitation

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Options Participants and associated persons shall comply with all applicable provisions of BX Rule 2212.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Definitions

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The following terms shall have the meaning specified in this Rule solely for the purpose of this Chapter XII:

- (1) "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer.
- (2) "Bid" or "Offer" means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.
- (3) "Broker/Dealer" means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.
- (4) "Complex Trade" means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.
- (5) "Crossed Market" means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.
- (6) "Customer" means an individual or organization that is not a Broker/Dealer.
- (7) "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange chooses not to become a party to this Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.
- (8) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (9) "Intermarket Sweep Order (ISO)" means a limit order for an options series that meets the following requirements:
 - (a) When routed to an Eligible Exchange, the order is identified as an ISO;
 - (b) Simultaneously with the routing of the order, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO, with such additional orders also marked as ISOs.
- (10) "Locked Market" means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.

- (11) "NBBO" means the national best bid and offer in an option series as calculated by an Eligible Exchange.
- (12) "Non-Firm" means, with respect to quotations, that Members of an Eligible Exchange are relieved of their obligation to be firm for their quotations pursuant to Rule 602 under the Exchange Act.
- (13) "OCC" means The Options Clearing Corporation.
- (14) "OPRA" means the Options Price Reporting Authority.
- (15) "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.
- (16) "Participant" means an Eligible Exchange whose participation in the Plan has become effective pursuant to Section 3(c) of the Plan.
- (17) "Plan" means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.
- (18) "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that:
- (a) Is disseminated pursuant to the OPRA Plan; and
 - (b) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.
- (19) "Protected Quotation" means a Protected Bid or Protected Offer.
- (20) "Quotation" means a Bid or Offer.
- (21) "SEC" means the United States Securities and Exchange Commission.
- (22) "Trade-Through" means a transaction in an options series at a price that is lower than a Protected Bid or higher than a Protected Offer.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Order Protection

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(a) Avoidance of Trade-Throughs. Except as provided in paragraphs (b) and (c) below, Members shall not effect Trade-Throughs.

(b) Exceptions to Trade-Through Liability. The provisions of paragraph (a) pertaining to the satisfaction of Trade-Throughs shall not apply under the following circumstances:

(1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:

(i) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and

(ii) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass Protected Quotations of an Eligible Exchange is made pursuant to this sub-paragraph, the Exchange must promptly document the reasons supporting such determination.

(2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO;

(5) The transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;

(6) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

(7) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;

(8) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;

(9) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Member had guaranteed an execution at no worse than a specified price (a "stopped order"), where:

(i) the stopped order was for the account of a Customer;

(ii) the Customer agreed to the specified price on an order-by-order basis; and

(iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(10) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or

(11) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Locked and Crossed Markets

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- (a) *Prohibition.* Except for quotations that fall within the provisions of paragraph (b) of this Rule, Members shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.
- (b) Exceptions.
- (1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;
 - (2) The locking or crossing quotation was displayed at a time when there is a Crossed Market; or
 - (3) The Member simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Reserved

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, General Rule

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No Participant or associated person may effect a transaction or carry an account for a Customer, whether a Participant or non-Participant of BX Options, without proper and adequate margin in accordance with this Chapter XIII and Regulation T.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Time Margin Must be Obtained

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The amount of margin required by this Chapter XIII shall be obtained as promptly as possible and in any event within a reasonable time.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Margin Requirements

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(a) A Participant or associated person must be bound by the initial and maintenance margin requirements of either the Chicago Board Options Exchange ("CBOE") or the New York Stock Exchange ("NYSE") as the same may be in effect from time to time.

(b) Such election shall be made in writing by a notice filed with BX Regulation.

(c) Upon the filing of such election, a Participant or associated person shall be bound to comply with the margin rules of the CBOE or the NYSE, as applicable, as though said rules were part of these Rules.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Margin Required is Minimum

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(a) The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby: but nothing in these Rules shall be construed to prevent a Participant or associated person from requiring margin in an amount greater than that specified.

(b) BX Options may at any time impose higher margin requirements with respect to such positions when it deems such higher margin requirements to be advisable.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Joint Back Office Participants

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(a) Requirements for Joint Back Office Participants. Every Participant or associated person that maintains a joint back office ("JBO") arrangement with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System that is not an NYSE member and that has elected instead to be bound by CBOE margin requirements shall comply with the requirements prescribed below:

- i. Each JBO participant must be registered as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 and subject to the capital requirements prescribed by Rule 15c3-1 therein; and shall not be eligible to operate under the provisions of SEC Rule 15c3-1(b)(i).
- ii. Each JBO participant must meet and maintain a minimum account equity requirement of \$1,000,000 with each clearing broker-dealer where a JBO account is carried. If equity is below \$1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.
- iii. Each JBO participant must meet and maintain the ownership standards established by the clearing broker-dealer; and
- iv. Each JBO participant must employ (or have access to) a qualified Series 27 principal.

(b) Requirements for Clearing Participants Carrying the Accounts of JBO Participants. Every Clearing Participant carrying JBO accounts in accordance with Regulation T, Section 220.7 of the Federal Reserve Board is subject to the requirements outlined below:

- i. Each Participant which carries JBO accounts shall not allow its (a) tentative net capital to fall below \$25 million; or in the alternative its (b) net capital to fall below \$7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker and JBO participant accounts, without regard to related account equity or clearing firm net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (b) must include the gross deductions calculated for all JBO participant accounts in the clearing firm's ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1.
- ii. Each Participant which maintains JBO accounts shall require and maintain equity of \$1,000,000 for each participant, over all related accounts. If equity is below \$1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.
- iii. Each Participant which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO Participant's account equity and the proprietary haircut calculated pursuant to SEC Rule 15c3- 1 for the positions maintained in such account.

iv. Each Participant which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.

v. The Participant must develop risk analysis standards which are acceptable to the BX Regulation. At minimum these standards must comply with the requirements of Chapter IX, Section 6 of these Rules.

vi. Each Participant which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing, of its intention to carry such accounts.

vii. If at any time a Clearing Participant operating pursuant to paragraphs i(a) or (b) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such clearing member shall immediately notify BX Regulation of such deficiency by telegraphic or facsimile notice; and be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in paragraph (b)(1) of SEC Rule 15c3-1d, as if such broker or dealer's net capital were below the minimum standards specified by each of these paragraphs.

Supplementary Material: ...

.01 JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Chapter XIII of these Rules.

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Nasdaq BX Rules, Regulation, Sec. 1, Nasdaq BX, Application of Index Rules

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The Sections in this Chapter are applicable only to index options (options on indices of securities as defined below). The Sections in Chapters I through XIII are also applicable to the options provided for in this Chapter, unless such Sections are specifically replaced or are supplemented by Sections in this Chapter. Where the Sections in this Chapter indicate that particular indices or requirements with respect to particular indices will be "Specified," BX Options shall file a proposed rule change with the Commission to specify such indices or requirements.

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Nasdaq BX Rules, Regulation, Sec. 2, Nasdaq BX, Definitions

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- (a) The term "aggregate exercise price" means the exercise price of the options contract times the index multiplier.
- (b) The term "American-style index option" means an option on an industry or market index that can be exercised on any business day prior to expiration.
- (c) The term "A.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 11(a)(5) of this Chapter
- (d) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the current index value times the index multiplier.
- (e) The term "current index value" with respect to a particular index options contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by BX Options. The current index value with respect to a reduced-value long term options contract is one-tenth of the current index value of the related index option. The "closing index value" shall be the last index value reported on a business day.
- (f) The term "exercise price" means the specified price per unit at which the current index value may be purchased or sold upon the exercise of the option.
- (g) Unless separately defined elsewhere in these Rules, the term "expiration date" means (i) in the case of such an option expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such option contract; and (ii) in the case of such an option expiring on or after February 1, 2015, the third Friday of the expiration month of such option contract, or if such Friday is a day on which the Exchange on which such option is listed is not open for business, the preceding day on which such Exchange is open for business. Notwithstanding the foregoing, in the case of certain options expiring on or after February 1, 2015 that the Clearing Corporation has designated as grandfathered, the term "expiration date" shall mean the Saturday immediately following the third Friday of the expiration month.
- (h) The term "European-style index option" means an option on an industry or market index that can be exercised only on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day prior to the day it expires.
- (i) The term "index multiplier" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.
- (j) The term "industry index" and "narrow-based index" mean an index designed to be representative of a particular industry or a group of related industries.
- (k) The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.
- (l) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current index value times the index multiplier.

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

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

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

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

Supplementary Material to Section 2

01. Index Reporting Authority-

Reserved.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Aug. 21, 2013 (SR-BX-2013-050), operative Sep. 20, 2013; amended Oct. 11, 2013 (SR-BX-2013-055), operative Nov. 10, 2013.

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Nasdaq BX Rules, Regulation, Sec. 3, Nasdaq BX, Designation of a Broad-Based Index

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(a) The component securities of an index underlying a broad-based index option contract need not meet the requirements of Section 3 of Chapter IV of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraph (b) below, the listing of a class of index options on a broad-based index requires the filing of a proposed rule change to be approved by the SEC under Section 19(b) of the Exchange Act.

(b) BX Options may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

- (1) The index is broad-based, as defined in Section 2(j) of this Chapter;
- (2) Options on the index are designated as A.M.-settled;
- (3) The index is capitalization-weighted, modified capitalization weighted, price-weighted, or equal dollar-weighted;
- (4) The index consists of 50 or more component securities;
- (5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least \$75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least \$100 million;
- (6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Section 3 of Chapter IV applicable to individual underlying securities;
- (7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;
- (8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;
- (9) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act;
- (10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;
- (11) The current index value is widely disseminated at least once every fifteen (15) seconds by OPRA, CTA/CQ, or one or more major market data vendors during the time options on the index are traded on BX Options;
- (12) BX Options reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of BX Options' current Independent System Capacity Advisor ("ISCA") allocation and the number of new messages per second expected to be generated by options on such index;
- (13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) BX Options has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(c) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (b) above:

(1) The requirements set forth in subparagraphs (b)(1) - (b)(3) and (b)(9) - (b)(15) must continue to be satisfied. The requirements set forth in subparagraphs (b)(5) - (b)(8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing. In the event a class of index options listed on BX Options fails to satisfy the maintenance listing standards set forth herein, BX Options shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the SEC under Section 19(b) (2) of the Exchange Act.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 4, Nasdaq BX, Dissemination of Information

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- (a) BX Options shall disseminate, or shall assure that the current index value is disseminated, after the close of business and from time-to-time on days on which transactions in index options are made on BX OPTIONS.
- (b) BX Options shall maintain, or shall assure that the current index value is maintained in files available to the public, information identifying the stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 5, Nasdaq BX, Position Limits for Broad-Based Index Options

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(a) Options Participants shall comply with the following applicable rules:

(1) of the Chicago Board Options Exchange with respect to position limits for broad-based index options or with the applicable rules of BX Options for broad-based index options traded on BX Options but not traded on the Chicago Board Options Exchange;

(2) of Nasdaq PHLX LLC ("PHLX") with respect to position limits for PHLX proprietary products;

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended Oct. 18, 2017 (SR-BX-2017-045).

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Nasdaq BX Rules, Regulation, Sec. 6, Nasdaq BX, Designation of Narrow-Based and Micro-Narrow-Based Index Options

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- (a) The component securities of an index underlying a narrow-based index option contract need not meet the requirements of Section 3 of Chapter IV of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraph (b) below, the listing of a class of index options on a narrow-based index requires the filing of a proposed rule change to be approved by the SEC under Section 19(b) of the Exchange Act.
- (b) *Narrow-Based Index.* BX Options may trade options on a narrow-based index pursuant to Rule 19b-4(e) of the 1934 Act, if each of the following conditions is satisfied:
- (1) The options are designated as A.M.-settled index options;
 - (2) The index is capitalization-weighted, price-weighted, equal dollar-weighted, or modified capitalization-weighted, and consists of ten or more component securities;
 - (3) Each component security has a market capitalization of at least \$75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least \$50 million;
 - (4) Trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months;
 - (5) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months;
 - (6) No single component security represents more than 30% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% (65% for an index consisting of fewer than 25 component securities) of the weight of the index;
 - (7) Component securities that account for at least 90% of the weight of the index and at least 80% of the total number of component securities in the index satisfy the requirements of Chapter IV, Section 3 applicable to individual underlying securities;
 - (8) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS of the Securities Exchange Act of 1934.
 - (9) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the index;
 - (10) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on the Exchange;
 - (11) An equal dollar-weighted index will be rebalanced at least once every calendar quarter; and

(12) If an underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has erected a "Chinese Wall" around its personnel who have access to information concerning changes in and adjustments to the index.

(c) *Maintenance Criteria.* The following maintenance listing standards shall apply to each class of index options originally listed pursuant to subsection (b) above:

- (1) The requirements stated in subsections (b)(1), (3), (6), (7), (8), (9), (10), (11) and (12) must continue to be satisfied, provided that the requirements stated in subparagraph (b)(6) must be satisfied only as of the first day of January and July in each year;
- (2) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing, and in no event may be less than nine component securities;
- (3) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months;
- (4) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months.

In the event a class of index options listed on BX Options fails to satisfy the maintenance listing standards set forth herein, BX Options shall not open for trading any additional series of options of that class unless such failure is determined by BX Options not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(d) Notwithstanding paragraph (a) above, BX Options may trade options on a Micro Narrow-Based security index pursuant to Rule 19b-4(e) of the Exchange Act, if each of the following conditions is satisfied:

- (1) The Index is a security index:
 - (i) that has 9 or fewer component securities; or
 - (ii) in which a component security comprises more than 30 percent of the index's weighting; or
 - (iii) in which the 5 highest weighted component securities in the aggregate comprise more than 60 percent of the index's weighting; or
 - (iv) in which the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting have an aggregate dollar value of average daily trading volume of less than \$50,000,000 (or in the case of an index with 15 or more component securities, \$30,000,000) except that if there are two or more securities with equal weighting that could be included in the calculation of the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting, such securities shall be ranked from lowest to highest dollar value of average daily trading volume and shall be included in the calculation based on their ranking starting with the lowest ranked security;
- (2) The index is capitalization-weighted, modified capitalization-weighted, price-weighted, share weighted, equal-dollar weighted, approximate equal-dollar weighted, or modified equal-dollar weighted;

(i) For the purposes of this paragraph (d), an approximate equal-dollar weighted index is composed of one or more securities in which each component security will be weighted equally based on its market price on the index's selection date and the index must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for fifty percent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the "notional value" is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of components in the index is greater than five at the time of rebalancing. BX Options reserves the right to rebalance quarterly at its discretion.

(ii) For the purposes of this paragraph (d), a modified equal-dollar weighted index is an index in which each underlying component represents a pre-determined weighting percentage of the entire index. Each component is assigned a weight that takes into account the relative market capitalization of the securities comprising the index. A modified equal-dollar weighted index will be balanced quarterly.

(iii) For the purposes of this paragraph (d), a share-weighted index is calculated by multiplying the price of the component security by an adjustment factor. Adjustment factors are chosen to reflect the investment objective deemed appropriate by the designer of the index and will be published by the Exchange as part of the contract specifications. The value of the index is calculated by adding the weight of each component security and dividing the total by an index divisor, calculated to yield a benchmark index level as of a particular date. A share-weighted index is not adjusted to reflect changes in the number of outstanding shares of its components. A share-weighted Micro Narrow-Based index will not be rebalanced. If a share-weighted Micro Narrow-Based Index fails to meet the maintenance listing standards under Subsection (e) of this rule, BX Options will restrict trading in existing option series to closing transactions and will not issue additional series for that index.

(iv) BX Options may rebalance any Micro Narrow-Based index on an interim basis if warranted as a result of extraordinary changes in the relative values of the component securities. To the extent investors with open positions must rely upon the continuity of the options contract on the index, outstanding contracts are unaffected by rebalancings.

(3) Each component security in the index has a minimum market capitalization of at least \$75 million, except that each of the lowest weighted securities in the index that in the aggregate account for no more than 10% of the weight of the index may have a minimum market capitalization of only \$50 million;

(4) The average daily trading volume in each of the preceding six months for each component security in the index is at least 45,500 shares, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of only 22,750 shares for each of the last six months;

(5) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 90,000 shares over the past six months; or (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average daily trading volume of at least 90,000 shares over the past six months;

(6) Subject to subparagraphs (4) and (5) above, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements applicable to individual underlying securities;

(7)

- (i) Each component security in the index is a "reported security" as defined in Rule 600 of Regulation NMS under the Exchange Act; and
 - (ii) Foreign securities or ADRs that are not subject to comprehensive surveillance sharing agreements do not represent more than 20% of the weight of the index;
- (8) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on BX Options;
 - (9) An equal dollar-weighted index will be rebalanced at least once every quarter;
 - (10) If the underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index;
 - (11) Each component security in the index is registered pursuant to Section 12 of the Exchange Act; and
 - (12) Cash settled index options are designated as A.M.-settled options.
- (e) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d) above:
- (1) The index meets the criteria of paragraph (d)(1) of this Rule;
 - (2) Subject to subparagraphs (9) and (10) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements of Section 3 of Chapter IV.
 - (3) Each component security in the index has a market capitalization of at least \$75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10% of the weight of the index may have a market capitalization of only \$50 million;
 - (4) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and
 - (5) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements do not represent more than 20% of the weight of the index;
 - (6) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on BX Options;
 - (7) If the underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index;
 - (8) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing;
 - (9) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months;
 - (10) In a capitalization-weighted index and a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the

index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months;

(11) Each component security in the index is registered pursuant to Section 12 of the Exchange Act;

(12) In an approximate equal-dollar weighted index, the index must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for fifty percent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the "notional value" is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of components in the index is greater than five at the time of rebalancing. BX Options reserves the right to rebalance quarterly at its discretion;

(13) In a modified equal-dollar weighted index BX Options will rebalance the index quarterly;

(14) In a share-weighted index, if a share-weighted Micro Narrow-Based Index fails to meet the maintenance listing standards under paragraph (e) of this Section BX Options will not re-balance the index, will restrict trading in existing option series to closing transactions, and will not issue additional series for that index; and

(15) In the event a class of index options listed on BX Options fails to satisfy the maintenance listing standards set forth herein, BX Options shall not open for trading any additional series of options of that class unless such failure is determined by BX Options not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the 1934 Act.

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Nasdaq BX Rules, Regulation, Sec. 7, Nasdaq BX, Position Limits for Industry and Micro-Narrow Based Index Options

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(a) Options Participants shall comply with the applicable following rules:

(1) of the Chicago Board Options Exchange with respect to position limits for Industry and Micro-Narrow Based Index Options traded on BX Options and also on the Chicago Board Options Exchange or with the applicable rules of BX Options for industry index options traded on BX Options but not traded on the Chicago Board Options Exchange;

(2) of Nasdaq PHLX LLC (“PHLX”) with respect to position limits for PHLX proprietary products;

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one (1) full-value contract.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014; amended Oct. 18, 2017 (SR-BX-2017-045).

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Nasdaq BX Rules, Regulation, Sec. 8, Nasdaq BX, Exemptions from Position Limits

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An options Participant may rely upon any available exemptions from applicable position limits granted from time to time by an Options Exchange for any options contract traded on BX Options provided that such Options Participant (1) provides BX Regulation with a copy of any written exemption issued by another Options Exchange or a written, description of any exemption issued by another Options Exchange other than in writing containing sufficient detail for BX Regulation to verify the validity of that exemption with the issuing Exchange, and (2) fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemptions with respect to their trading on BX Options.

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Nasdaq BX Rules, Regulation, Sec. 9, Nasdaq BX, Exercise Limits

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- (a) In determining compliance with Section 9 of Chapter III of these Rules (Exercise Limits), exercise limits for index options contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Section 5 or Section 7 of this Chapter.
- (b) For a market-maker granted an exemption to position limits pursuant to Section 8(c) of Chapter III of these Rules (Exemptions from Position Limits), the number of contracts that can be exercised over a five business day period shall equal the market-maker's exempted position.
- (c) In determining compliance with exercise limits applicable to stock index options, options contracts on a stock index group shall not be aggregated with options contracts on an underlying stock or stocks included in such group, options contracts on one stock index group shall not be aggregated with options contracts on any other stock index group.
- (d) With respect to index options contracts for which an exemption has been granted in accordance with the provisions of Section 8(a) of this Chapter, the exercise limit shall be equal to the amount of the exemption.

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Nasdaq BX Rules, Regulation, Sec. 10, Nasdaq BX, Trading Sessions

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- (a) Days and Hours of Business. Except as otherwise provided in this Rule or under unusual conditions as may be determined by BX Regulation, transactions in index options may be effected on BX Options between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, BX Regulation shall determine the days and hours of business.
- (b) To begin trading at 9:30 am, an opening shall be held in each class of index options as provided in Section 8 of Chapter VI of these Rules (Opening the Market).
- (c) Instituting Halts and Suspensions. Trading on BX Options in any index option shall be halted or suspended whenever trading in underlying securities whose weighted value represents more than twenty percent (20%), in the case of a broad based index, and ten percent (10%) for all other indices, of the index value is halted or suspended. BX Regulation also may halt trading in an index option when, in his or her judgment, such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the facts that may be considered are the following:
- (1) whether all trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;
 - (2) whether the current calculation of the index derived from the current market prices of the stocks is not available;
 - (3) the extent to which the opening has been completed or other factors regarding the status of the opening; and
 - (4) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, including, but not limited to, the activation of price limits on futures exchanges.
- (d) Resumption of Trading Following a Halt or Suspension. Trading in options of a class or series that has been the subject of a halt or suspension by BX Regulation may resume if BX Regulation determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions that led to the halt or suspension are no longer present, and the extent to which trading is occurring in stocks underlying the index. At the end of a halt, trading in each class of index options shall resume as provided in Section 4 of Chapter V of these Rules (Resumption of Trading After A Halt).
- (e) Circuit Breakers. Section 5 of Chapter V of these Rules (Trading Halts Due to Extraordinary Market Volatility) applies to index options trading with respect to the initiation of a marketwide trading halt commonly known as a "circuit breaker."
- (f) Special Provisions for Foreign Indices. When the hours of trading of the underlying primary securities market for an index option do not overlap or coincide with those of BX Options, all of the provisions as described in paragraphs (c), (d) and (e) above shall not apply except for (c)(4).
- (g) Pricing When Primary Market Does Not Open. When the primary market for a security underlying the current index value of an index option does not open for trading on a given day, which is an expiration day, for the purposes of calculating the settlement price at expiration, the last reported sale price of the security from the previous trading day shall be used.[the price of that security shall be determined, for the purposes of calculating the current index value at expiration, based on the opening price of that security on the next

day that its primary market is open for trading.] This procedure shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

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Nasdaq BX Rules, Regulation, Sec. 11, Nasdaq BX, Terms of Index Options Contracts

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(a) General.

(1) Meaning of Premium Bids and Offers. Bids and offers shall be expressed in terms of dollars and cents per unit of the index.

(2) Exercise Prices. BX Options shall determine fixed-point intervals of exercise prices for call and put options.

(3) Expiration Months. Index options contracts may expire at three (3)-month intervals or in consecutive months. BX Options may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out.

(4) Reserved.

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the second business day preceding the expiration date. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(i) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Section 10(g) of this Chapter, unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation; and

(ii) In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on BX Options:

Reserved.

(b) Long-Term Index Options Series.

(1) Notwithstanding the provisions of Paragraph (a)(3), above, BX Options may list long-term index options series that expire from nine (9) to sixty (60) months from the date of issuance.

(i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(ii) When a new Index long term options series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

(2) Reduced-Value Long Term Options Series.

(i) Reduced-value long term options series may be approved for trading on Specified (as provided in Section 1 of this Chapter) indices.

(ii) Expiration Months. Reduced-value long term options series may expire at six-month intervals. When a new expiration month is listed, series may be near or bracketing the current index value. Additional series may be added when the value of the underlying index increases or decreases by ten (10) to fifteen (15) percent.

(c) Procedures for Adding and Deleting Strike Prices. The procedures for adding and deleting strike prices for index options are provided in Section 6 of Chapter IV of these Rules (Series of Options Contracts Open for Trading), as amended by the following:

(1) The interval between strike prices will be no less than \$5.00.

(2) New series of index options contracts may be added up to the fourth business day prior to the business day of expiration, or, in the case of an index option contract expiring on a day that is not a business day, up to the fifth business day prior to expiration.

(3) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Paragraph (c)(4) below.

(4) Notwithstanding any other provision of this paragraph (c), BX Options may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on BX Options. The exercise price of each series of index options opened for trading on BX Options shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on BX Options. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. BX Options may also open for trading additional series of index options that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

(d) Index Level. The reported level of the underlying index that is calculated by the reporting authority for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and that reflects trading activity subsequent to the opening of trading in any of the underlying securities.

(e) Index Values for Settlement. The Rules of the Clearing Corporation specify that, unless the BX Options Rules provide otherwise, the current index value used to settle the exercise of an index options contract shall be the closing index for the day on which the index options contract is exercised in accordance with the Rules of the Clearing Corporation or, if such day is not a business day, for the most recent business day.

(f) Index Level at Expiration . With respect to any securities index on which options are traded on BX Options, the source of the prices of component securities used to calculate the current index level at expiration is determined by the reporting authority for that index.

(g)

(1) Quarterly Options Series Program

The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds ("ETF"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(i) The Exchange will not list a Short Term Option Series on an options class the expiration of which coincides with that of a Quarterly Options Series on that same options class.

(ii) Quarterly Options Series shall be P.M. settled.

(iii) The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but not more than five, strike prices above and two, but not more than five, strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange may open for trading additional Quarterly Options Series of the same class if the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the current index value of the underlying index moves substantially from the exercise price of those Quarterly Options Series that already have been opened for trading on the Exchange. The exercise price of each Quarterly Options Series opened for trading on the Exchange shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on the Exchange. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. The Exchange may also open for trading additional Quarterly Options Series that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision. The Exchange may open additional strike prices of a Quarterly Options Series that are above the value of the underlying index provided that the total number of strike prices above the value of the underlying index is no greater than five. The Exchange may open additional strike prices of a Quarterly Options Series that are below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five. The opening of any new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(iv) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

Except as otherwise provided, all Exchange rules applicable to stock index options will also be applicable to quarterly expiring index options listed pursuant to this section.

(h)

(1) Short Term Option Series Program

After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

- (i) The Exchange may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the thirty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series on index options for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.
- (ii) No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same index class.
- (iii) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security or calculated index value). Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.
- (iv) If the Exchange has opened less than twenty (20) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.
- (v) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same index option class that expire in accordance with the normal monthly expiration cycle.

Adopted by SR-BX-2012-030 eff. June 26, 2012; amended Aug. 21, 2013 (SR-BX-2013-050), operative Sep. 20, 2013; amended Oct. 11, 2013 (SR-BX-2013-055), operative Nov. 10, 2013; amended Apr. 10, 2014 (SR-BX-2014-019), operative May 10, 2014.

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Nasdaq BX Rules, Regulation, Sec. 12, Nasdaq BX, Debit Put Spread Cash Account Transactions

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Debit put spread positions in European-style, broad-based index options traded on BX Options (hereinafter "debit put spreads") may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a Public Customer, provided that the following procedures and criteria are met:

- (a) The customer has received BX Regulation approval to maintain debit put spreads in a cash account carried by an Options Participant. A customer so approved is hereinafter referred to as a "spread exemption customer."
- (b) The spread exemption customer has provided all information required on BX Options approved forms and has kept such information current.
- (c) The customer holds a net long position in each of the stocks of a portfolio that has been previously established or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio. The debit put spread position must be carried in an account with a member of a self regulatory organization participating in the Intermarket Surveillance Group.
- (d) The stock portfolio or its equivalent is composed of net long positions in common stocks in at least four industry groups and contains at least twenty (20) stocks, none of which accounts for more than fifteen percent (15%) of the value of the portfolio (hereinafter "qualified portfolio"). To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity in the stocks.
- (e) The exemption applies to European-style broad-based index options dealt in on BX Options to the extent the underlying value of such options position does not exceed the unhedged value of the qualified portfolio. The unhedged value would be determined as follows: (1) the values of the net long or short positions of all qualifying products in the portfolio are totaled; (2) for positions in excess of the standard limit, the underlying market value (A) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (B) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows- the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.
- (f) A debit put spread in BX Options -traded broad-based index options with European-style exercises is defined as a long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s). A debit put spread will be permitted in the cash account as long as it is continuously associated with a qualified portfolio of securities with a current market value at least equal to the underlying aggregate index value of the long side of the debit put spread.
- (g) The qualified portfolio must be maintained with either an Options Participant, another broker-dealer, a bank, or securities depository.
- (h) The spread exemption customer shall agree promptly to provide BX Regulation any information requested concerning the dollar value and composition of the customer's stock portfolio, and the current debit put spread positions.

(1) The spread exemption customer shall agree to and any Options Participant carrying an account for the customer shall:

(i) comply with all BX Options Rules and regulations;

(ii) liquidate any debit put spreads prior to or contemporaneously with a decrease in the market value of the qualified portfolio, which debit put spreads would thereby be rendered excessive; and

(iii) promptly notify BX Regulation of any change in the qualified portfolio or the debit put spread position which causes the debit put spreads maintained in the cash account to be rendered excessive.

(i) If any Options Participant carrying a cash account for a spread exemption customer with a debit put spread position dealt in on BX Options has a reason to believe that as a result of an opening options transaction the customer would violate this spread exemption, and such opening transaction occurs, then the Options Participant has violated this Section 11.

(j) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the spread exemption and may form the basis for subsequent denial of an application for a spread exemption hereunder.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 13, Nasdaq BX, Disclaimers

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(a) Applicability of Disclaimers. The disclaimers in paragraph (b) below shall apply to the reporting authorities identified in the Supplemental Material to Section 2 of this Chapter.

(b) Disclaimer. No reporting authority, and no affiliate of a reporting authority (each such reporting authority, its affiliates, and any other entity identified in this Rule are referred to collectively as a "Reporting Authority"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of an index it publishes, any opening, intraday or closing value therefore, or any data included therein or relating thereto, in connection with the trading of any options contract based thereon or for any other purpose. The Reporting Authority shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the Reporting Authority does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefore, or any data included therein or related thereto. The Reporting Authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefore, any data included therein or relating thereto, or any options contract based thereon. The Reporting Authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index, any opening, intra-day or closing value therefore, any data included therein or relating thereto, or any options contract based thereon, or arising out of any errors or delays in calculating or disseminating such index.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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Nasdaq BX Rules, Regulation, Sec. 14, Nasdaq BX, Exercise of American-style Index Options

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No Options Participant may prepare, time stamp or submit an exercise instruction for an American-style index options series if the Options Participant knows or has reason to know that the exercise instruction calls for the exercise of more contracts than the then "net long position" of the account for which the exercise instruction is to be tendered. For purposes of this Rule: (i) the term "net long position" shall mean the net position of the account in such option at the opening of business of the day of such exercise instruction, plus the total number of such options purchased that day in opening purchase transactions up to the time of exercise, less the total number of such options sold that day in closing sale transactions up to the time of exercise; (ii) the "account" shall be the individual account of the particular customer, market-maker or "non-customer" (as that term is defined in the By-Laws of the Clearing Corporation) who wishes to exercise; and (iii) every transaction in an options series effected by a market-maker in a market-maker's account shall be deemed to be a closing transaction in respect of the market-maker's then positions in such options series. No Options Participant may adjust the designation of an "opening transaction" in any such option to a "closing transaction" except to remedy mistakes or errors made in good faith.

Adopted by SR-BX-2012-030 eff. June 26, 2012.

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