



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103981; File No. SR-BX-2025-020]

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BX Options 7, Section 2

September 16, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 10, 2025, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Exchange’s Pricing Schedule at Options 7, Section 2, BX Options Market-Fees and Rebates.³

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange filed SR-BX-2025-018 on August 29, 2025. The Exchange withdrew SR-BX-2025-018 on September 10, 2025 and filed this proposal.

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

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

1. Purpose

The Exchange proposes new incentives for Lead Market Makers ("LMMs")⁴ at BX Options 7, Section 2(1).

Today, in Penny Symbols, the Exchange pays the following Maker Rebates: for LMMs, \$0.24 per contract; for Market Makers ("MMs"),⁵ \$0.20 per contract; for Non-Customers⁶ and Firms,⁷ \$0.12 per contract; and for Customers,⁸ \$0.30 per contract. Today, in Penny Symbols, the Exchange charges the following Taker Fees: for LMMs, MMs, Non-Customers, and Firms, \$0.50 per contract; and for Customers, \$0.40 per contract.

Today, in Non-Penny Symbols, the Exchange pays the following Maker Rebates (or charges the following Maker Fees): for LMMs, a Maker Rebate of \$0.45 per contract; for MMs, a Maker Rebate of \$0.40 per contract; for Non-Customers and Firms, a Maker Fee of \$0.45 per contract; and for Customers, a Maker Rebate of \$1.10 per contract. Today, in Non-Penny Symbols, the Exchange charges the following Taker Fees: for LMMs, MMs, Non-Customers, and Firms, \$1.25 per contract; and for Customers, \$0.79 per contract.

⁴ A "Lead Market Maker" is a registered BX Options Market Maker that is approved pursuant to Options 2, Section 3 to be the LMM in an options class (or options classes). See Options 7, Section 1(a).

⁵ A "BX Options Market Maker" is a Participant that has registered as a Market Maker on BX Options pursuant to Options 2, Section 1, and must also remain in good standing pursuant to Options 2, Section 9. In order to receive Market Maker pricing in all securities, the Participant must be registered as a BX Options Market Maker in at least one security. See Options 7, Section 1(a).

⁶ The term "Non-Customer" applies to transactions for the accounts of Lead Market Makers, Market Makers, Firms, Professionals, Broker-Dealers and JBOs. See Options 7, Section 1(a).

⁷ The term "Firm" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation ("OCC"). See Options 7, Section 1(a).

⁸ The term "Customer" applies to any transaction that is identified by a Participant for clearing in the Customer range at OCC which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Options 1, Section 1(a)(48)). See Options 7, Section 1(c).

Note 2 Incentive

The Exchange proposes to amend the incentives in note 2 of Options 7, Section 2(1), which currently provides as follows:

Lead Market Makers and Market Makers that **either** (1) execute more than 0.45% Customer Total Consolidated Volume (“TCV”) per day which adds liquidity in a given month (excluding Lead Market Maker and Market Maker volume which adds liquidity in SPY), **or** (2) increase their combined Lead Market Maker and Market Maker volume which adds liquidity in a given month by at least 70% above their September 2024 volume as measured by a percentage of TCV (excluding Lead Market Maker and Market Maker volume which adds liquidity in SPY), will receive the following incentives: (i) an additional \$0.05 per contract Maker Rebate in Penny Symbols excluding SPY, (ii) an additional \$0.01 per contract Maker Rebate in SPY, and (iii) an additional \$0.24 per contract Maker Rebate in Non-Penny Symbols. Lead Market Makers and Market Makers with no volume in the add liquidity segment for the month of September 2024 may qualify for the additional Maker Rebates by having any new volume (excluding SPY volume) considered as added volume. This note 2 incentive will be available through April 30, 2025.

The Exchange proposes to replace this expired note 2 incentive with the following:

Lead Market Makers whose Lead Market Maker and Market Maker executed exchange volume, aggregated at the firm level, represents more than 0.45% of Customer Total Consolidated Volume (“TCV”) per day, which adds liquidity to the exchange in a given month, will receive the following incentives on the contracts that they execute as Lead Market Makers: (i) an additional \$0.05 per contract Maker Rebate in Penny Symbols, and (ii) an additional \$0.24 per contract Maker Rebate in Non-Penny Symbols.

Proposed note 2 provides LMMs an additional Maker Rebate. This additional Maker Rebate is based on liquidity adding volume on BX as a percentage of Customer Total Consolidated Volume, which is defined as the total national volume cleared at OCC in the Customer range in equity and ETF options in that month.⁹ Because Participants who are LMMs as to some options classes may also be MMs as to others, this volume calculation is done at the firm level, so that it captures all the liquidity that the Participant adds to the Exchange. However, as proposed, the incentives would only be paid on contracts that the Participant executes on the option classes in which it is an LMM. This incentive is based on a percentage of

⁹ See Options 7, Section 1(a).

industry volume in recognition of the fact that the volume executed by a Participant may rise or fall with industry volume. The Exchange proposes to remove the note 2 from the table for Penny Symbols and Non-Penny Symbols next to the Maker Rebates for Market Maker.

Currently, the note 2 incentives have expired, as they were available through April 30, 2025. The Exchange believes that the proposed note 2 incentives will encourage LMMs to send order flow to BX.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹¹ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposed changes to its Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' ... As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'"¹²

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4) and (5).

¹² NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (Dec. 2, 2008), 73 FR 74770, 74782-83 (Dec. 9, 2008) (SR-NYSEArca-2006-21)).

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for options transaction services. The Exchange is only one of eighteen options exchanges to which market participants may direct their order flow. Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. Within the foregoing context, the proposal represents a reasonable attempt by the Exchange to attract additional order flow to the Exchange and increase its market share relative to its competitors.

Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. As such, the proposal represents a reasonable attempt by the Exchange to increase its liquidity and market share relative to its competitors.

Note 2 Incentive

The Exchange believes that the new note 2 incentives are reasonable for several reasons. As discussed above, note 2 would provide LMMs an opportunity to receive additional Maker Rebates of (i) \$0.05 per contract in Penny Symbols,¹³ and (ii) \$0.24 per contract in Non-Penny Symbols¹⁴, on the contracts that they execute as LMMs. These incentives would be based on liquidity adding volume on BX that the Participant executes on the Exchange as both an LMM and an MM, aggregated at the firm level, and calculated as a percentage of Customer Total Consolidated Volume (“TCV”).¹⁵ The Exchange believes that the total industry percentage threshold is reasonable in order to incentivize greater LMM activity on BX. The Exchange is proposing to base this incentive on a percentage of industry volume in recognition of the fact that the volume executed by a Participant may rise or fall with industry volume. A percentage of

¹³ Accordingly, qualifying LMMs would receive a total of \$0.29 per contract in Penny Symbols.

¹⁴ Accordingly, qualifying LMMs would receive a total of \$0.69 per contract in Non-Penny Symbols.

¹⁵ Specifically, LMMs that execute more than 0.45% per day when acting as LMMs and MMs, aggregated at the firm level, which adds liquidity in a given month, would receive the proposed note 2 incentives.

industry volume calculation allows the proposed qualification in note 2 to be calibrated to current market volumes rather than requiring a static amount of volume regardless of market conditions. The proposed threshold of 0.45% TCV is generally intended to reward LMMs for executing more liquidity adding volume on BX as LMMs, regardless of whether the LMMs execute that volume as LMMs or MMs. To the extent such activity is increased by this proposal, market participants may increasingly compete for the opportunity to trade on Exchange to the benefit of all market participants. Total industry percentage thresholds are established concepts within the Pricing Schedules of BX's affiliates.¹⁶

The Exchange believes that the proposed note 2 incentives are equitable and not unfairly discriminatory for the reasons that follow. As a general matter, the Exchange believes that it is equitable and not unfairly discriminatory to provide the note 2 incentives to only LMMs because these market participants have different requirements and additional obligations to the Exchange that other non-market making market participants do not (such as quoting requirements). Further, as compared to MMs, LMMs have greater quoting obligations.¹⁷ The higher rebates, therefore, recognize the differing contributions made to the liquidity and trading environment on the Exchange by LMMs. Overall, the Exchange believes that incentivizing LMMs to provide greater liquidity benefits all market participants through the quality of order interaction.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

In terms of intra-market competition, the Exchange does not believe that its proposal will place any category of market participant at a competitive disadvantage. As it relates to the proposed note 2 incentives offered to LMMs, the Exchange believes that the additional Maker

¹⁶ See, e.g., Nasdaq GEMX Options 7, Nasdaq ISE Options 7, and Nasdaq MRX Options 7.

¹⁷ See Options 2, Section 4(j) (setting forth the 90% or higher quoting obligations for LMMs) and Section 5(d) (setting forth the 60% or higher quoting obligations for MMs).

Rebates should encourage additional liquidity from LMMs that enhances the quality of the Exchange's market and increases the number of trading opportunities on the Exchange for all market participants who will be able to compete for such opportunities.

The Exchange believes its proposal remains competitive with other options markets, and will offer market participants with another choice of venue to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹⁸

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

¹⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-BX-2025-020 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-BX-2025-020. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-BX-2025-020 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

J. Matthew DeLesDernier,

Deputy Secretary.

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¹⁹ 17 CFR 200.30-3(a)(12).