

of the Act<sup>70</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>71</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>72</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-IEX-2021-01 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-IEX-2021-01. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of

10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-IEX-2021-01, and should be submitted on or before February 12, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>73</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2021-01402 Filed 1-21-21; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-90932/January 15, 2021]

### Order Making Fiscal Year 2021 Annual Adjustments to Transaction Fee Rates

#### I. Background

Section 31 of the Securities Exchange Act of 1934 ("Exchange Act") requires each national securities exchange and national securities association to pay transaction fees to the Commission.<sup>1</sup> Specifically, Section 31(b) requires each national securities exchange to pay to the Commission fees based on the aggregate dollar amount of sales of certain securities ("covered sales") transacted on the exchange.<sup>2</sup> Section 31(c) requires each national securities association to pay to the Commission fees based on the aggregate dollar amount of covered sales transacted by or through any member of the association other than on an exchange.<sup>3</sup>

Section 31 of the Exchange Act requires the Commission to annually adjust the fee rates applicable under Sections 31(b) and (c) to a uniform adjusted rate.<sup>4</sup> Specifically, the Commission must adjust the fee rates to a uniform adjusted rate that is reasonably likely to produce aggregate fee collections (including assessments on security futures transactions) equal to the regular appropriation to the

Commission for the applicable fiscal year.<sup>5</sup>

The Commission is required to publish notice of the new fee rates under Section 31 not later than 30 days after the date on which an Act making a regular appropriation for the applicable fiscal year is enacted.<sup>6</sup> On December 27, 2020, the President signed into law the Consolidated Appropriations Act, 2021, which includes total appropriations of \$1,926,162,000 to the SEC for fiscal year 2021.

#### II. Fiscal Year 2021 Annual Adjustment to the Fee Rate

The new fee rate is determined by (1) subtracting the sum of fees estimated to be collected prior to the effective date of the new fee rate<sup>7</sup> and estimated assessments on security futures transactions to be collected under Section 31(d) of the Exchange Act for all of fiscal year 2021<sup>8</sup> from an amount equal to the regular appropriation to the Commission for fiscal year 2021, and (2) dividing by the estimated aggregate dollar amount of covered sales for the remainder of the fiscal year following the effective date of the new fee rate.<sup>9</sup>

As noted above, the Consolidated Appropriations Act, 2021, includes total appropriations of \$1,926,162,000 to the Commission for fiscal year 2021.<sup>10</sup> The

<sup>5</sup> 15 U.S.C. 78ee(j)(1) (the Commission must adjust the rates under Sections 31(b) and (c) to a "uniform adjusted rate that, when applied to the baseline estimate of the aggregate dollar amount of sales for such fiscal year, is reasonably likely to produce aggregate fee collections under [Section 31] (including assessments collected under [Section 31(d)]) that are equal to the regular appropriation to the Commission by Congress for such fiscal year.").

<sup>6</sup> 15 U.S.C. 78ee(g).

<sup>7</sup> The sum of fees to be collected prior to the effective date of the new fee rate is determined by applying the current fee rate to the dollar amount of covered sales prior to the effective date of the new fee rate. The exchanges and FINRA have provided data on the dollar amount of covered sales through November, 2020. To calculate the dollar amount of covered sales from December, 2020 to the effective date of the new fee rate, the Commission is using the same methodology it used in fiscal year 2020. This methodology is described in Appendix A of this order.

<sup>8</sup> OneChicago, LLC, the only reporting entity for single stock futures, ceased operations in September, 2020; its last R-31 report was filed in October, 2020. Accordingly, the forecast for the assessments for all of fiscal year 2021 for single stock futures is the reported assessments on single stock futures from September, 2020 by OneChicago, LLC.

<sup>9</sup> To estimate the aggregate dollar amount of covered sales for the remainder of fiscal year 2021 following the effective date of the new fee rate, the Commission is using the same methodology it used previously. This methodology is described in Appendix A of this order.

<sup>10</sup> The President signed into law the "Consolidated Appropriations Act, 2021" on December 27, 2020. This legislation included an

<sup>70</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>71</sup> 17 CFR 240.19b-4.

<sup>72</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>73</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78ee.

<sup>2</sup> 15 U.S.C. 78ee(b).

<sup>3</sup> 15 U.S.C. 78ee(c).

<sup>4</sup> In some circumstances, the SEC also must make a mid-year adjustment to the fee rates applicable under Sections 31(b) and (c).

Commission estimates that it will collect \$1,514,646,590 in fees for the period prior to the effective date of the new fee rate and \$494 in assessments on round turn transactions in security futures products during all of fiscal year 2021. Using the methodology described in Appendix A, the Commission estimates that the aggregate dollar amount of covered sales for the remainder of fiscal year 2021 to be \$81,081,356,203,186.

The uniform adjusted rate is computed by dividing the residual fees to be collected of \$411,514,917 by the estimated aggregate dollar amount of covered sales for the remainder of fiscal year 2021 of \$81,081,356,203,186; this results in a uniform adjusted rate for fiscal year 2021 of \$5.10 per million.<sup>11</sup>

### III. Effective Date of the Uniform Adjusted Rate

Under Section 31(j)(4)(A) of the Exchange Act, the fiscal year 2021 annual adjustments to the fee rates applicable under Sections 31(b) and (c) of the Exchange Act shall take effect on the later of October 1, 2020, or 60 days after the date on which a regular appropriation to the Commission for fiscal year 2021 is enacted.<sup>12</sup> The regular appropriation to the Commission for fiscal year 2021 was enacted on December 27, 2020, and accordingly, the new fee rates applicable under Sections 31(b) and (c) of the Exchange Act will take effect on February 25, 2021.

### IV. Conclusion

Accordingly, pursuant to Section 31 of the Exchange Act,

*It is hereby ordered* that the fee rates applicable under Sections 31(b) and (c) of the Exchange Act shall be \$5.10 per \$1,000,000 effective on February 25, 2021.

appropriation of \$1,894,835,000 to the SEC for fiscal year 2021 operations. The Act further directed that “[i]n addition to the foregoing appropriation, for move, replication, and related costs associated with a replacement lease for the Commission’s District of Columbia headquarters, not to exceed \$18,650,000, to remain available until expended; and for move, replication, and related costs associated with a replacement lease for the Commission’s San Francisco Regional Office facilities, not to exceed \$12,677,000, to remain available until expended.” The sum of these three amounts is \$1,926,162,000. Finally, the Act further directed that “for purposes of calculating the fee rate under section 31(j) . . . all amounts appropriated under this heading shall be deemed to be the regular appropriation to the Commission for fiscal year 2021.”

<sup>11</sup> Appendix A shows the process of calculating the fiscal year 2021 annual adjustment and includes the data used by the Commission in making this adjustment.

<sup>12</sup> 15 U.S.C. 78ee(j)(4)(A).

By the Commission.

**Jill M. Peterson,**

*Assistant Secretary.*

### Appendix A

This appendix provides the methodology for determining the annual adjustment to the fee rates applicable under Sections 31(b) and (c) of the Exchange Act for fiscal year 2021. Section 31 of the Exchange Act requires the fee rates to be adjusted so that it is reasonably likely that the Commission will collect aggregate fees equal to its regular appropriation for fiscal year 2021.

To make the adjustment, the Commission must project the aggregate dollar amount of covered sales of securities on the securities exchanges and certain over-the-counter (“OTC”) markets over the course of the year. The fee rate equals the ratio of the Commission’s regular appropriation for fiscal year 2021 (less the sum of fees to be collected during fiscal year 2021 prior to the effective date of the new fee rate and aggregate assessments on security futures transactions during all of fiscal year 2021) to the estimated aggregate dollar amount of covered sales for the remainder of the fiscal year following the effective date of the new fee rate.

For 2021, the Commission has estimated the aggregate dollar amount of covered sales by projecting forward the trend established in the previous decade. More specifically, the dollar amount of covered sales was forecasted for months subsequent to November 2020, the last month for which the Commission has data on the dollar volume of covered sales.<sup>13</sup>

The following sections describe this process in detail.

#### A. Baseline Estimate of the Aggregate Dollar Amount of Covered Sales for Fiscal Year 2021

First, calculate the average daily dollar amount of covered sales (“ADS”) for each month in the sample (February 2010–November 2020). The monthly total dollar amount of covered sales (exchange plus certain OTC markets) is presented in column C of Table A.

The model forecasts the monthly moving average of the average daily dollar amount of covered sales. Each month’s average daily dollar amount of covered sales is calculated by dividing the total covered sales for that month (column C of Table A) by the number of trading days for that month (column B of Table A). These amounts are shown in column D of Table A. The moving average will span the same number of months

<sup>13</sup> To determine the availability of data, the Commission compares the date of the appropriation with the date the transaction data are due from the exchanges (10 business days after the end of the month). If the business day following the date of the appropriation is equal to or subsequent to the date the data are due from the exchanges, the Commission uses these data. The appropriation was signed on December 27, 2020. The first business day after this date was December 28, 2020. Data for November 2020 were due from the exchanges on December 14, 2020. As a result, the Commission used November 2020 and earlier data to forecast volume for December 2020 and later months.

required to be forecast for the remainder of the fiscal year. The trailing moving average used in the forecast model is presented in column E of Table A.

To capture the recent trends in the monthly changes in the moving averages, calculate the 1-month and 2-month lags of the trailing moving average shown in column E in Table A. These amounts are shown in columns F and G, respectively, of Table A.

Next, model the monthly trailing moving average of ADS as function of a constant term and the two lagged trailing moving averages using the ordinary least squares technique.

Use the estimated model to forecast the trailing moving average of ADS of the first month after the last available monthly data. Estimate the trailing moving average of the second month using the forecasted value of the first month and the actual value of the month before that. Similarly, estimate the trailing moving average of the third month using the forecasted values of the two previous months. Continue in this fashion until the end of the fiscal year.

The estimate of the trailing moving average ADS for the last applicable month in the fiscal year is a prediction of the moving average for those months that need to be predicted. This estimate is used as the predicted value of ADS for each month in the forecast period; to obtain the forecast total covered sales for each month, multiply the predicted ADS by the number of days in each month.

The following is a more formal (mathematical) description of the procedure:

1. Begin with the monthly data for total dollar volume of covered sales (column C). The sample spans ten years, from February 2010–November 2020.<sup>14</sup> Divide each month’s total dollar volume by the number of trading days in that month (column B) to obtain the average daily dollar volume (ADS, column D).

2. For each month  $t$ , calculate the 9-month trailing moving average of ADS (shown in column E). For example, the value for October, 2011 is the average of the 9 months ending in October, 2011, or February 2011 through October 2011 inclusive.

3. Calculate the 1-month and 2-month lags of the trailing moving average. For example, the 1-month lag of the 9-month trailing moving average for October, 2011 is equal to the 9-month trailing moving average for September, 2011. The 2-month lag of the 9-month trailing moving average for October, 2011 is equal to the 9-month trailing moving average for August 2011. These are shown in columns F and G.

4. Estimate the model using ordinary least squares:

$$y_t = \alpha + \beta_1 y_{t-1} + \beta_2 y_{t-2} + u_t$$

Where  $y_t$  is the 9-month trailing moving average of the average daily sales for month  $t$ , and  $y_{t-1}$  and  $y_{t-2}$  are the 1-month and 2-month lags of  $y_t$ , and  $u_t$  representing the error term for month  $t$ . The model can be estimated using standard commercially available

<sup>14</sup> Because the model uses a two period lag in the 9-month trailing moving average of average daily covered sales, ten additional months of data are added to the table so that the model is estimated with 120 observations.

software. The estimated parameter values are  $a = -3,106,716,928$ ,  $b_1 = +1,574,199$ ,  $b_2 = -0.560507$ . The root-mean squared error (RMSE) of the regression is 6,022,194,076.

5. The predicted value of the 9-month trailing moving average of the last month to be forecast represents the final forecast of covered sales for the entire prediction period. This value is shown in column H. This represents the prediction for August of 2021. To calculate this value from the model above, one needs the 1-month and 2-month lag of the 9-month trailing moving average ADS, i.e., the 9-month trailing moving average for June and July. The 9-month trailing moving average for July is obtained by using the 1-month and 2-month lags for July, that is, the 9-month trailing moving averages for June and May. To arrive at all the necessary inputs, one begins with the first month to be forecast, in this case, December 2020, and iterates predictions forward until the last month is predicted. One then multiplies the final predicted 9-month trailing moving average ADS by the number of days in each month to arrive at the forecast total dollar amount of covered sales. This is shown in column I.

6. For example, for December 2020, using the  $a$ ,  $b_1$ , and  $b_2$  parameter estimates shown above, along with the 1-month and two-month lags in the 9-month trailing moving average ADS (representing the 9-month trailing moving average ADS for November and October 2020, respectively), one can estimate the forecast 9-month trailing moving average ADS for December:  $-3,106,716,928 +$

$(1,574,199 \times 527,000,127,996) + (-0.560507 \times 518,017,127,996) = 536,143,950,634$ .

7. With the estimated 9-month trailing moving average ADS for December 2020 calculated above, one can estimate the 9-month trailing moving average ADS for January, 2021. The estimate obtained from December becomes the 1-month lag for January, and the 1-month lag used in the December forecast becomes the 2-month lag for the January forecast. Thus, the predicted 9-month trailing moving average ADS for January 2021 is calculated as:  $-3,106,716,928 + (1,574,199 \times 536,143,950,634) + (-0.560507 \times 527,000,127,996) = 545,503,592,273$ .

8. Using the forecasts for December and January, one can estimate the value for February. Repeat this procedure for subsequent months, until the estimate for August 2021 is obtained. This value is 618,941,650,406.<sup>15</sup> This value is then used to calculate the final forecast total monthly covered sales for all 9 months from December 2020 through August 2021.

9. To obtain the estimate of total monthly covered sales for each month, multiply the number of trading days in the month, shown in column B in Table A, by the final forecast 9-month trailing moving average ADS, shown in column H of Table A. This product is shown in column I of Table A, and these figures are used to calculate the new fee rate.

*B. Using the Forecasts From A To Calculate the New Fee Rate*

1. Use Table A to estimate fees collected for the period September 1, 2020 through

February 24, 2021. The projected aggregate dollar amount of covered sales for this period is \$68,536,044,778,746. Actual and projected fee collections at the current fee rate of \$22.10 per million are \$1,514,646,590.

2. Estimate the amount of assessments on security futures products collected from September 1, 2020 through August 31, 2021. The only entity reporting assessable security futures products ceased operations in September, 2020.<sup>16</sup> Consequently, the estimated amount of assessments on security futures products collected from September 2020 through August 2021 is equal to the amount already reported, which is \$493.87.

3. Subtract the amounts \$1,514,646,590 and \$493.87 from the target off-setting collection amount set by Congress of \$1,926,162,000, leaving \$411,514,917 to be collected on dollar volume for the period February 25, 2021 through August 31, 2021.

4. Use Table A to estimate dollar volume for the period February 25, 2021 through August 31, 2021. The estimate is \$81,081,356,203,186. Finally, compute the fee rate required to produce the additional \$411,514,917 in revenue. This rate is \$411,514,917 divided by \$81,081,356,203,186 or 0.00000507533.

5. Round the result to the seventh decimal point, yielding a rate of 0.0000051 (or \$5.10 per million).

This table summarizes the estimates of the aggregate dollar amount of covered sales, by time period. The figures in this table can be used to determine the new fee rate.

TABLE A—BASELINE ESTIMATE OF THE AGGREGATE DOLLAR AMOUNT OF SALES

Fee rate calculation								
Month	Number of trading days in month	Total dollar amount of sales	Average daily dollar amount of sales (ADS)	9-Month trailing moving average ADS	1 Month lag of 9-month trailing moving average ADS	2 Month lag of 9-month trailing moving average ADS	Forecast 9-month trailing moving average ADS	Forecast total dollar amount of sales
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Feb-10	19	\$4,969,848,578,023	\$261,570,977,791					
Mar-10	23	5,563,529,823,621	241,892,601,027					
Apr-10	21	5,546,445,874,917	264,116,470,234					
May-10	20	7,260,430,376,294	363,021,518,815					
Jun-10	22	6,124,776,349,285	278,398,924,967					
Jul-10	21	5,058,242,097,334	240,868,671,302					
Aug-10	22	4,765,828,263,463	216,628,557,430					
Sep-10	21	4,640,722,344,586	220,986,778,314					
Oct-10	21	5,138,411,712,272	244,686,272,013					
Nov-10	21	5,279,700,881,901	251,414,327,710					
Dec-10	22	4,998,574,681,208	227,207,940,055					
Jan-11	20	5,043,391,121,345	252,169,556,067					
Feb-11	19	5,114,631,590,581	269,191,136,346					
Mar-11	23	6,499,355,385,307	282,580,668,926					
Apr-11	20	4,975,954,868,765	248,797,743,438					
May-11	21	5,717,905,621,053	272,281,220,050					
Jun-11	22	5,820,079,494,414	264,549,067,928					
Jul-11	20	5,189,681,899,635	259,484,094,982					
Aug-11	23	8,720,566,877,109	379,155,081,613					
Sep-11	21	6,343,578,147,811	302,075,149,896					
Oct-11	21	6,163,272,963,688	293,489,188,747					
Nov-11	21	5,493,906,473,584	261,614,593,980					
Dec-11	21	5,017,867,255,600	238,946,059,790					
Jan-12	20	4,726,522,206,487	236,326,110,324					
Feb-12	20	5,011,862,514,132	250,593,125,707					
Mar-12	22	5,638,847,967,025	256,311,271,228					
					\$259,130,085,766			
					258,001,569,090			
					256,369,940,093			
					255,042,505,186			
					244,616,907,134			
					245,081,545,351			
					245,962,553,367			
					252,146,182,547			
					256,986,436,948			
					258,630,639,500			
					272,824,056,601			
					281,142,635,472			
					285,733,705,770			
					284,891,867,729			
					280,043,577,825			
					278,657,840,812			
					276,248,052,552			
					275,332,741,808			
						\$259,130,085,766		
						258,001,569,090		
						256,369,940,093		
						255,042,505,186		
						244,616,907,134		
						245,081,545,351		
						245,962,553,367		
						252,146,182,547		
						256,986,436,948		
						258,630,639,500		
						272,824,056,601		
						281,142,635,472		
						285,733,705,770		
						284,891,867,729		
						280,043,577,825		
						278,657,840,812		
						276,248,052,552		
						275,332,741,808		

<sup>15</sup> One obtains insignificantly different values using the rounded parameter estimates shown above. The predicted ADS values displayed above represents the full precision estimate.

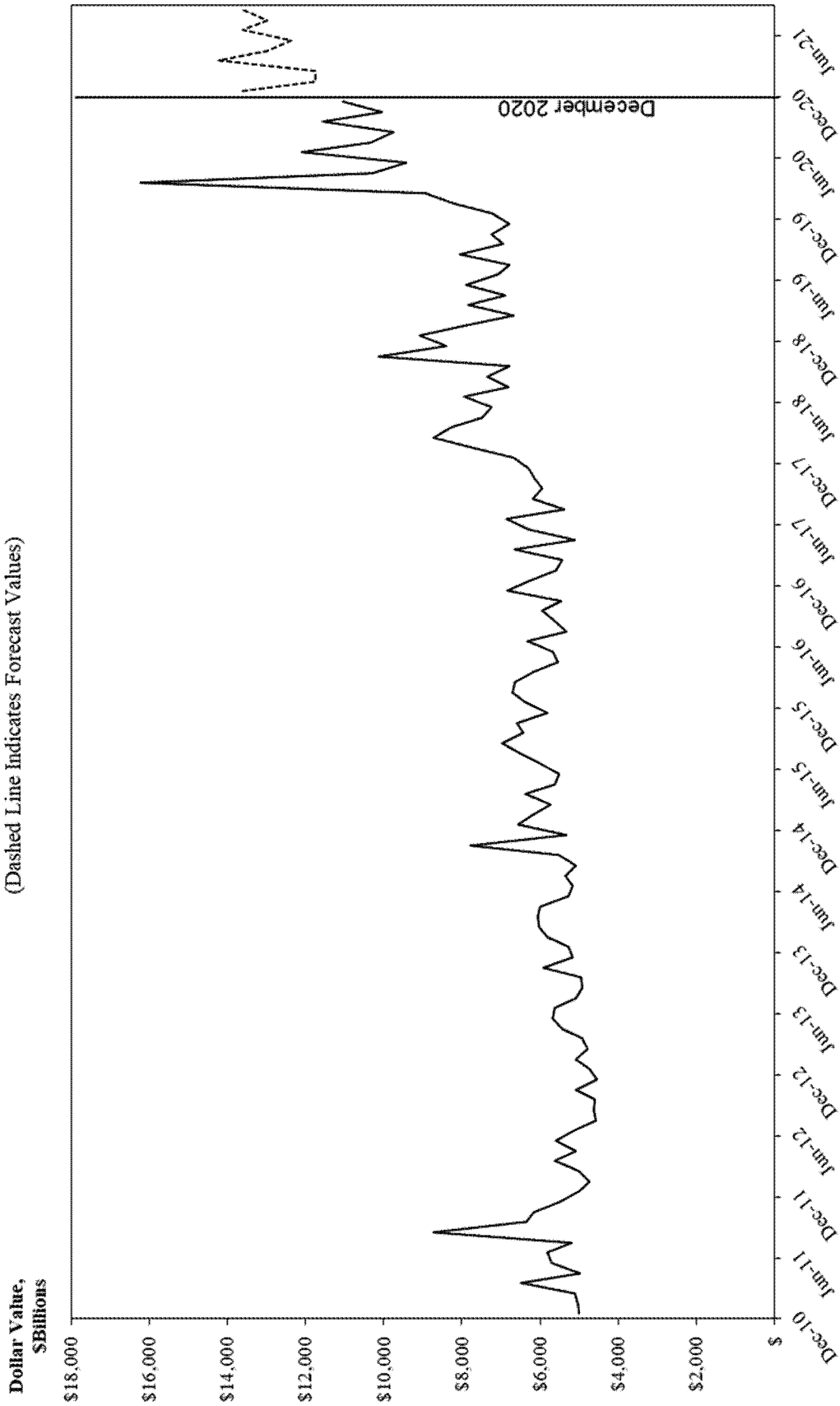
<sup>16</sup> OneChicago, LLC, the only reporting entity for single stock futures, ceased operations in September, 2020; its last R-31 report was filed in October, 2020. Accordingly, the forecast for the

assessments for all of fiscal year 2021 for single stock futures is the reported assessments on single stock futures from September, 2020 by OneChicago, LLC.



Month	Number of trading days in month	Total dollar amount of sales	Average daily dollar amount of sales (ADS)	9-Month trailing moving average ADS	1 Month lag of 9-month trailing moving average ADS	2 Month lag of 9-month trailing moving average ADS	Forecast 9-month trailing moving average ADS	Forecast total dollar amount of sales
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Mar-21 .....	23	.....	.....	.....	.....	.....	618,941,650,406	14,235,657,959,338
Apr-21 .....	21	.....	.....	.....	.....	.....	618,941,650,406	12,997,774,658,526
May-21 .....	20	.....	.....	.....	.....	.....	618,941,650,406	12,378,833,008,120
Jun-21 .....	22	.....	.....	.....	.....	.....	618,941,650,406	13,616,716,308,932
Jul-21 .....	21	.....	.....	.....	.....	.....	618,941,650,406	12,997,774,658,526
Aug-21 .....	22	.....	.....	.....	.....	.....	618,941,650,406	13,616,716,308,932

**Figure A.**  
Aggregate Dollar Amount of Sales Subject to Exchange Act Sections 31(b) and 31(c)<sup>1</sup>  
Methodology Developed in Consultation With OMB and CBO  
(Dashed Line Indicates Forecast Values)



<sup>1</sup>Forecasted line is not smooth because the number of trading days varies by month.

[FR Doc. 2021-01341 Filed 1-21-21; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-90936; File No. SR-BX-2021-001]

### Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the BX Options Pricing Schedule

January 15, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 4, 2021, 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 BX Options Pricing Schedule at Options 7.

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

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

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

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

##### 1. Purpose

Today, Lead Market Makers (“LMMs”)<sup>3</sup> are assessed the same fees and rebates in Options 7, Section 2 as BX Options Market Makers.<sup>4</sup> The purpose of the proposed rule change is to amend Options 7, Section 2 to (i) increase the LMM Rebate to Add Liquidity, (ii) decrease the LMM Fee to Add Liquidity, and (iii) restructure the existing pricing schedules to add separate pricing for LMMs, which will apply in each case to LMMs in their specifically appointed options classes. As described in detail below, while the Exchange is proposing to add separate pricing for LMMs in the existing schedules, LMMs will continue to be assessed the same BX Options Market Makers fees and rebates in their specifically allocated options classes under this proposal except with respect to the proposed LMM Rebate to Add Liquidity and proposed LMM Fee to Add Liquidity. The Exchange also proposes to amend its Opening Cross<sup>5</sup> pricing provisions in Options 7, Section 2(2) to correct an inadvertent omission. Lastly, the Exchange proposes various technical, non-substantive changes throughout Options 7, including to update cross-cites to obsolete rules.

The proposed changes respond in part to the current competitive environment where market participants have a choice of where to direct order flow by incentivizing LMMs to increase their liquidity provision on the Exchange.

##### LMM Rebate To Add Liquidity

Today, as set forth in Options 7, Section 2(1), LMMs are provided the \$0.10 per contract BX Options Market Maker Rebate to Add Liquidity in Penny Symbols in their specifically allocated options classes. This rebate is provided only when the LMM is contra to a Non-

<sup>3</sup> The term “Lead Market Maker” or (“LMM”) applies to a registered BX Options Market Maker that is approved pursuant to Options 2, Section 3 to be the LMM in an options class (options classes).

<sup>4</sup> The term “BX Options Market Maker” or (“M”) 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.

<sup>5</sup> See Options 3, Section 8.

Customer,<sup>6</sup> Firm,<sup>7</sup> or BX Options Market Maker (including LMMs).<sup>8</sup>

The Exchange now proposes to increase this rebate to \$0.11 per contract for LMMs only. This rebate will apply to LMMs in their specifically allocated options classes, and will have the same qualifications as the existing BX Options Market Maker rebate in that the incentive will only be provided to LMMs that are contra to Non-Customers, Firms, BX Options Market Makers, or LMMs. To effect this change, the Exchange proposes to set forth the LMM Rebate to Add Liquidity in Penny Symbols in a separate pricing column in Options 7, Section 2(1). The Exchange will also amend the rebate qualifications in note 2 of Options 7, Section 2(1) to include LMMs. As amended, note 2 will provide that the Rebate to Add Liquidity will be paid to a BX Options Market Maker or a Lead Market Maker only when the BX Options Market Maker or Lead Market Maker is contra to a Non-Customer, Firm, BX Options Market Maker, or Lead Market Maker.

##### LMM Fee To Add Liquidity

Today, as set forth in Options 7, Section 2(1), LMMs are charged the \$0.39 per contract BX Options Market Maker Fee to Add Liquidity in Penny Symbols in their specifically allocated options classes. Pursuant to note 3 of Options 7, Section 2(1), this fee is assessed only when the LMM is contra to a Customer.<sup>9</sup>

The Exchange now proposes to decrease this fee to \$0.38 per contract for LMMs only. This fee will apply to LMMs in their specifically allocated options classes, and will have the same qualifications as the existing BX Options Market Maker fee in that the fee only will be assessed to LMMs that are contra to Customers. To effect this change, the Exchange proposes to set forth the LMM Fee to Add Liquidity in Penny Symbols in a separate pricing column in Options 7, Section 2(1). The Exchange will also amend the fee qualifications in note 3 of Options 7, Section 2(1) to include LMMs. As amended, note 3 will provide that the Fee to Add Liquidity will be assessed to a BX Options Market Maker or a Lead

<sup>6</sup> A Non-Customer includes a Professional, Broker-Dealer and Non-BX Options Market Maker.

<sup>7</sup> The term “Firm” or (“F”) applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

<sup>8</sup> See Options 7, Section 2(1), note 2.

<sup>9</sup> The term “Customer” or (“C”) applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation (“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)).

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

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