

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65001; File No. SR-BX-2011-050)

August 1, 2011

Self-Regulatory Organizations; NASDAQ OMX BX; Notice of Filing and Immediate Effectiveness of a Proposal to Amend Chapter VI, Section 15 (Automatic Quote Cancellation) of the BOX Trading Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4thereunder,² notice is hereby given that, on July 28, 2011, NASDAQ OMX BX (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b-4(f)(6) under the Act,³ which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Chapter VI, Section 15 (Automatic Quote Cancellation) of the Rules of the Boston Options Exchange Group, LLC (“BOX”) to provide additional flexibility for BOX Market Makers to manage their risk. BOX will notify its Options Participants by Information Circular when the implementation schedule is finalized.

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings>, at the principal office of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

Exchange, at the Commission's Public Reference Room, and on the Commission's website at www.sec.gov.

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

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

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

1. Purpose

The purpose of the proposed rule change is to reflect in the BOX Trading Rules that BOX Market Makers will be able to establish new risk control parameters to better manage their quotations and related risk. Specifically, the Exchange proposes to amend Chapter VI, Section 15, Automatic Quote Cancellation. As explained below, the proposed functionality is substantially similar to that currently existing on the International Securities Exchange, LLC ("ISE").

Chapter VI, Section 6 of the BOX Trading Rules requires BOX Market Makers to enter and maintain continuous quotations for the options classes to which they are appointed. To comply with this requirement, each Market Maker may employ its own proprietary quotation and risk management system to determine the prices and sizes at which it quotes. As Market Makers are required to continuously quote in assigned options, quoting across many series in an option creates the possibility of "rapid fire" executions that can create large and unintended principal

positions that expose the Market Maker to unnecessary market risk. The proposed functionality enhancements to Automatic Quote Cancellation will provide BOX Market Makers protection from the risk of multiple executions across multiple series of an option, and is intended to assist them in managing their market risk. BOX Market Makers will not be required to use the proposed functionality and can program their own systems to perform similar functions if they prefer.

The risk to Market Makers is not limited to a single option series. Market Makers have exposure in all series of a particular options class in which they are appointed, requiring them to offset or hedge their overall position in each option to minimize risk. By limiting a Market Maker's exposure across series, BOX believes that a Market Maker will be better able to provide quotations at better prices. BOX believes that the proposed functionality should help BOX Market Makers, as key liquidity providers, to better manage their risk, aiding them in providing deeper and more liquid markets, beneficial to all BOX market participants.

Pursuant to the amended Chapter VI, Section 15 of the BOX Trading Rules, Automatic Quote Cancellation permits each Market Maker to establish specific parameters that, if triggered, will cause the BOX Trading Host to cancel the Market Maker's quotes in the specified class(es). To enable Automatic Quote Cancellation, a Market Maker must send an Automatic Quote Cancellation enabling message to the BOX Trading Host, including specific information setting forth the parameters the Market Maker would like to establish. Unless enabled, Automatic Quote Cancellation is disabled for all options classes.

The Market Maker may establish triggering parameters for when the Market Maker's quotes may be cancelled. The parameters the Market Maker may set include a time period of between one and nine seconds during which the Market Maker experiences a duration of no

technical connectivity. This specific parameter currently exists on BOX and the Exchange is not proposing any change to this particular function. The Exchange is, however, proposing certain changes to reorganize the existing rule text of Section 15 related to this function. Additionally, the Exchange proposes to delete the text in current Section 15(b) as the proposed amendments to Section 15 will render this provision unnecessary.

The Exchange is proposing new text be added to Section 15 to reflect that a Market Maker may enable Automatic Quote Cancellation by establishing additional triggering parameters for when the Market Maker, during a time period specified by each Market Maker:

- (a) Trades a specified number of contracts in the aggregate across all series of an options class;
- (b) Trades a specified absolute dollar value of contracts bought and sold in a class;
- (c) Trades a specified number of contracts in a class of the net between (i) calls purchased plus puts sold, and (ii) calls sold and puts purchased; or
- (d) Trades a specified absolute dollar value of the net position in a class between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts purchased and sold; or (iv) puts and calls sold.

The specified time period will commence for an options class when a transaction occurs in any series in such class. When a Market Maker has traded the value or volume of an options class as specified in the Automatic Quote Cancellations enabling message, during the specified time period, the Trading Host will cancel such Market Maker's quotes in all series of the specified options class(es). While the proposed functionality is a useful feature that serves an important risk management purpose, it will not relieve a Market Maker of its obligations to provide continuous, two-sided quotes under Chapter VI, Section 6 of the BOX Trading Rules.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁴ in general, and Section 6(b)(5) of the Act,⁵ in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change is appropriate and reasonable because it will provide greater flexibility for BOX Market Makers in managing their risk, and in how they quote and trade. The Exchange believes this will enhance the overall market quality for options traded on BOX.

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.

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

This proposed rule change was filed pursuant to paragraph (A) of Section 19(b)(3) of the Exchange Act⁶ and Rule 19b-4(f)(6) thereunder.⁷ The Exchange asserts that the proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6).

consistent with the protection of investors and the public interest; provided the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.⁸

The Exchange believes that this proposed rule change is substantially similar to Supplementary Material .01 to ISE Rule 804, already in effect, and does not raise any new, unique, or substantive regulatory issues from those raised in the ISE filing.⁹ For the foregoing reasons, the Exchange believes this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4.

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

IV. Solicitation of Comments

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

Electronic Comments:

⁸ As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

⁹ See Securities Exchange Act Release No. 63117 (October 15, 2010), 75 FR 65042 (October 21, 2010) (Notice of Filing and Immediate Effectiveness Relating to Enhancements to the ISE Electronic Trading Platform).

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2011-050 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-BX-2011-050. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BX-2011-050 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Elizabeth M. Murphy
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).