August 28, 2013

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: File No. SR-BX-2013-016

Dear Ms. Murphy:

On March 11, 2013, the Securities and Exchange Commission ("Commission") published for comment SR-BX-2013-016, a proposal by NASDAQ OMX BX, Inc. ("BX") to establish a directed order process ("BX Proposal").[1] NYSE Euronext (on behalf of NYSE Arca Inc. and NYSE Amex Options LLC) commented[2] and BX responded.[3] On June 3, 2013, the Commission issued an Order Instituting Proceedings to Determine Whether to Approve or Disapprove the Proposed Rule Change to Adopt a Directed Order Process ("Order").[4] BX commented in support of approval.[5] Thereafter, NYSE Euronext commented a third time on the Proposal.[6] This letter responds to that third comment letter. BX believes that the NYSE Euronext letter does not raise any new issues and that the filing should be approved.

First, NYSE Euronext states that BX has failed to explain how the proposal would not hinder the public price discovery process and decrease the incentive to quote competitively. BX disagrees and believes it has adequately addressed this point in its prior letters. Specifically, BX has stated that:

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1 Securities Exchange Act Release No. 69040 (March 5, 2013), 78 FR 15385 (March 11, 2013).

2 Letter from Janet McGinness, Corporate Secretary, NYSE Euronext, dated April 2, 2013. See also letter from Janet McGinness, Corporate Secretary, NYSE Euronext, dated May 10, 2013.

3 Letter from Edith Hallahan, Principal Associate General Counsel, The NASDAQ OMX Group, Inc., dated April 17, 2013.

4 Securities Exchange Act Release No. 69684 (June 3, 2013).

5 Letter from Edith Hallahan, Principal Associate General Counsel, The NASDAQ OMX Group, Inc., dated July 1, 2013.

6 Letter from Janet McGinness, Corporate Secretary, NYSE Euronext, dated July 15, 2013.

- availability of quotes beyond the current NBBO is an important aspect of price discovery, particularly with respect to execution of larger orders when the NBBO is for a small size

- the BX Proposal *does* include a requirement to be quoting at the NBBO at the time of execution in order to receive a Directed Allocation and no one can "step-up" to participate in a transaction.

In addition, BX notes that in NYSE Euronext's example, if the market maker placed an offer at $1.05, such market maker would receive 100% of his quoted size, which is in and of itself a significant incentive. Less aggressive quotes are penalized by receiving fewer executions. In addition, there is an incentive to quote at multiple price levels, which is a key aspect of the Proposal and a reason why the Directed Allocation should go beyond the top of the book. A goal of BX's Proposal is to have more liquidity at the NBBO, while at the same time acknowledging that all market makers' quotes at a given moment might not be at the same price level. In a price-time market, a market maker considering whether or not to join the current best price, realizing that he might be fourth in line, for example, would have more incentive to join the NBBO under this Proposal, thus adding size to the market at the best price. BX believes that this program will help make market maker quotes more competitive, not less.

NYSE Euronext further states that the BX Proposal will shift liquidity to worse prices. BX does not believe that this is a natural outcome because market participants, and market makers in particular, have independent and varied motivations for their pricing decisions and different price points. It simply isn't the case that a directed order program would eviscerate that complexity. A market maker who chooses to quote at a price other than the inside is providing value and depth at that price when orders trade at multiple price levels *and* when that price level becomes the NBBO. In both cases, this benefits investors.

Second, NYSE Euronext states that the BX Proposal places public customers at a disadvantage to directed market makers. BX believes that the Proposal can help customers receive executions by increasing the likelihood that a customer order will get executed and is therefore designed to benefit and protect investors. The Proposal does not randomly give greater "weight" to being a market professional, as NYSE Euronext states, but rather rewards a specific category of market participants who have not only general market making obligations that are critical to the functioning of the market but also *enhanced* obligations in exchange for the potential reward of a Directed Allocation. NYSE Euronext implies that all of the options exchanges will necessarily adopt the same program, which is certainly speculative. In fact, NYSE Euronext is in a position to choose not to adopt similar functionality for its two markets to prevent this outcome and compete based on its own view of how directed orders should be handled. If BX's program is not successful because of its treatment of customer orders, NYSE Euronext might benefit from that result.

BX notes that the only commenter on the Proposal has been NYSE Euronext, a competitor to BX, and BX has addressed such comments in detail. BX believes that its Proposal should be approved, because it is consistent with the requirements of Section 6(b)(5) of the Act.

If you have any questions, please contact me at (215) 496-5179.

Sincerely,

Edith Hallahan
Principal Associate General Counsel