

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63397; File No. SR-BX-2010-084)

November 30, 2010

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change as Modified by Amendment No. 1 to Extend, through December 31, 2011, the Pilot Program that Permits Certain Classes to be Quoted in Penny Increments on BOX

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 November 24, 2010, NASDAQ OMX BX, Inc. (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. On November 30, 2010, the Exchange submitted Amendment No. 1 to the proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to amend Chapter V, Section 33 (Penny Pilot Program) of the Rules of the Boston Options Exchange Group, LLC (“BOX”) to extend, through December 31, 2011, the pilot program that permits certain classes to be quoted in penny increments on BOX (“Penny Pilot Program”). The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room, on the Commission’s website at www.sec.gov, and also on the Exchange’s Internet website at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings/>.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 self-regulatory organization 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 self-regulatory organization 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 to extend the effective time period of the Penny Pilot Program on BOX that is currently scheduled to expire on December 31, 2010, for an additional year, through December 31, 2011.³ The Penny Pilot Program permits certain classes to be quoted in penny increments on BOX. The minimum price variation for all classes included in the Penny Pilot

³ The Penny Pilot Program has been in effect on BOX since January 26, 2007. See Securities Exchange Act Release No. 55155 (Jan. 23, 2007), 72 FR 4741 (Feb. 1, 2007) (SR-BSE-2006-49). The Penny Pilot Program was later extended through September 27, 2007. See Securities Exchange Act Release No. 56149 (July 26, 2007), 72 FR 42450 (Aug. 2, 2007) (SR-BSE-2007-38). A subsequent rule filing by the Exchange on September 27, 2007 initiated a two-phased expansion of the Penny Pilot Program. See Securities Exchange Act Release No. 56566 (Sept. 27, 2007), 72 FR 56400 (Oct. 3, 2007) (SRBSE- 2007-40). See also Securities Exchange Act Release No. 57566 (March 26, 2008), 73 FR 18013 (April 2, 2008) (SR-BSE-2008-20). The Penny Pilot Program was then extended and expanded a number of times and is set to expire on December 31, 2010. See Securities Exchange Act Release Nos. 59629 (March 26, 2009), 74 FR 15021 (April 2, 2009) (SR-BX-2009-017); 60213 (July 1, 2009), 74 FR 32998 (July 9, 2009) (SR-BX-2009-032); 60886 (Oct. 27, 2009), 74 FR 56897 (Nov. 3, 2009) (SR-BX-2009-067); 60950 (Nov. 6, 2009), 74 FR 58666 (Nov. 6, 2009) (SR-BX-2009-069); 61456 (Feb. 1, 2010), 75 FR 6235 (Feb. 8, 2010) (SR-BX-2010-011); 62039 (May 5, 2010), 75 FR 26313 (May 11, 2010) (SR-BX-2010-032) and 62615 (July 30, 2010), 75 FR 47875 (Aug. 9, 2010) (SR-BX-2010-052). The extension of the effective date is the only change to the Penny Pilot Program being proposed at this time.

Program, except for the QQQs, SPY and IWM, will continue to be \$0.01 for all quotations in option series that are quoted at less than \$3 per contract and \$0.05 for all quotations in option series that are quoted at \$3 per contract or greater. The QQQs, SPY and IWM, will continue to be quoted in \$0.01 increments for all options series. The Exchange is not currently proposing any changes to the classes included within the Penny Pilot Program.

Additionally, the Exchange proposes to amend Chapter V, Section 33(b) of the BOX Rules to continue to be able to replace, on a semi-annual basis, any Pilot Program classes that have been delisted. These delisted classes will be replaced by the next most actively traded multiply listed options classes that are not yet included in the Pilot Program, based on trading activity in the previous six months. The replacement classes may be added to the Pilot Program on the second trading day following January 1, 2011 and July 1, 2011.⁴ The replacement issues will be selected based on trading activity for the six month period beginning June 1, 2010 and ending November 30, 2010, for the January 2011 replacement, and the six month period beginning December 1, 2010 and ending May 31, 2011 for the July 2011 replacements. The Exchange will employ the same parameters to prospective replacement classes as approved and applicable under the Pilot Program, including excluding high-priced underlying securities.

Further, BOX agrees to submit to the Commission such reports regarding the Penny Pilot Program as the Commission may request. Such reports may include: (1) data and analysis on the number of quotations generated for options included in the Pilot Program; (2) an assessment of the quotation spreads for the options included in the Pilot Program; (3) an assessment of the impact of the Pilot Program on the capacity of BOX's automated systems; (4) data reflecting the

⁴ The replacement classes will be announced to BOX Participants via Regulatory Circular and published by the Exchange on its website.

size and depth of markets, and (5) any capacity problems or other problems that arose related to the operation of the Pilot Program and how the Exchange addressed them.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁵ in general, and Section 6(b)(5) of the Act,⁶ in particular, in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system and, in general, to protect investors and the public interest. In particular, the proposed extension will allow the Penny Pilot Program to remain in effect on BOX without interruption.

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

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

This proposed rule change is filed pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act⁷ and Rule 19b-4(f)(6) thereunder.⁸ This proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.⁹

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

- 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-2010-084 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–2010-084. 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

⁹ As required under Rule 19b-4(f)(6)(iii), BOX 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.

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, on business days between the hours of 10 a.m. and 3 p.m., located at 100 F Street, NE, Washington, DC 20549. Copies of such 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-2010-084 and should be submitted on or before [date 21 days from publication in the Federal Register].

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

Florence E. Harmon
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).