

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65447; File No. SR-BX-2011-067)

September 30, 2011

Self-Regulatory Organizations; NASDAQ OMX BX; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide an Optional Functionality for a BOX Options Participant to Prevent its Market Maker or Proprietary Broker-Dealer Orders Entered in BOX from Trading with Quotes/Orders Originating from the Same BOX Participant And Were Resting On the BOX Book

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 27, 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 5, Section 16 (Execution and Price/Time Priority) of the Rules of the Boston Options Exchange Group, LLC (“BOX”) to provide an optional functionality for a BOX Options Participant to prevent its Market Maker or proprietary broker-dealer orders entered on BOX from trading with Market Maker quotes and orders, and proprietary broker-dealer orders that originated from the same BOX Participant and were resting on the BOX Book.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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 <http://www.sec.gov>, and on the Exchange's Internet website at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings/>.

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 Exchange is proposing to provide a voluntary function for a BOX Options Participant to prevent its Market Maker or proprietary broker-dealer orders entered on BOX from trading with quotes or orders that originated from the same such BOX Options Participant and were resting on the BOX Book. Under the proposal, a BOX Options Participant entering Market Maker quotes or orders, or proprietary broker-dealer orders under its specific BOX Options Participant identifier ("Firm ID") may voluntarily direct that its Market Maker or proprietary broker-dealer orders entered on BOX not execute against Market Maker quotes or orders, or proprietary broker-dealer orders resting on the BOX Book that were entered under the same Firm ID.⁴

⁴ Please note that this functionality prevents Market Maker quotes and orders and proprietary orders entered under the same Firm Id from executing against each other

If requested in writing by a BOX Options Participant, BOX will execute such incoming order against eligible trading interest of other market participants, in price/time priority, up to the point where the incoming Market Maker or proprietary broker-dealer order would interact with a resting Market Maker quote or order, or proprietary broker-dealer order originating from the same Firm ID and thereupon immediately cancel any remaining portion of the incoming Market Maker or proprietary broker-dealer order back to its entering party. The direction from an Options Participant shall be effective at the beginning of the trading session following the written confirmation to the Participant of the BOX Market Operations Center's ("MOC") receipt of the Participant's written direction, and until the Participant receives MOC's written confirmation of the Participant's written direction to discontinue the effectiveness of the exception for such Participant. The MOC will act on all Participant directions received to enact or discontinue the Participant match trade prevention exception no later than the beginning of the trading session on the second day following MOC's receipt of the Participant direction. The MOC will, however, turn this functionality on or off for a Participant only once per day in response to a Participant's direction.

This functionality is designed to assist market participants in reducing execution fees potentially resulting from the interaction of executable buy and sell proprietary trading interest from the same firm. Additionally, BOX notes that offering this trade prevention functionality may streamline certain regulatory functions for the Exchange by reducing false positive results that may occur on wash trading surveillance reports when quotes or orders are executed under

except where a Market Maker quote is entered and there is already an order on the BOX Book, in this instance, the trade would execute. BOX Market Makers may simultaneously update all of their quotes in multiple series in a class at the same time ("bulk quote"). BOX is not enabling this Options Participant Trade Prevention functionality for a Market Maker's incoming quotes so as to avoid the cancellation of numerous, automatically submitted Market Maker bulk quotes.

the same Firm ID. The proposed functionality applies to Market Maker quotes and orders, and proprietary broker-dealer orders and cannot be used for Public Customer orders. This functionality does not prevent any Market Maker quote or order, or any proprietary broker-dealer order from executing against any Public Customer order. Accordingly, Public Customer orders will continue to be processed in price/time priority and will not be affected by this functionality. For these reasons, BOX believes this functionality offers its Options Participants enhanced order processing functionality that may prevent potentially undesirable executions.

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 the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 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 this proposed rule change is appropriate and reasonable because the functionality will assist BOX Options Participants in reducing execution fees resulting from the potential interaction of executable proprietary buy and sell trading interest from the same firm. Additionally, the Exchange believes that offering this trade prevention functionality may streamline certain regulatory functions by reducing false positive results that may occur on wash trading surveillance reports when quotes or orders are executed under the same Firm ID.

Further, the Exchange notes that similar functionality has previously been approved for BATS

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

Options trading system, and exists on the Exchange's equities trading system.⁷ Finally, the Exchange believes the proposed rule change will benefit BOX Options Participants, will allow BOX to remain competitive with other exchanges, and that implementation should not be delayed.

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 is effective upon filing pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act⁸ and Rule 19b-4(f)(6) thereunder.⁹ 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 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

⁷ See Securities Exchange Act Release Nos. 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR-BATS-2009-031) and 60246 (July 6, 2009), 74 FR 34057 (July 14, 2009) (SR-BX-2009-031).

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 Commission notes that the Exchange satisfied this five-day pre-filing requirement.

business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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-2011-067 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-2011-067. 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 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-2011-067 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).