

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69456; File No. SR-BX-2013-031)

April 25, 2013

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a Rule Governing Cancellation of Orders in the Event of an Issuer Corporate Action Related to a Dividend, Payment or Distribution, and to Make Related Clarifications to Rule Text

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 17, 2013, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) a 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 adopt a rule governing cancellation of orders in the event of an issuer corporate action related to a dividend, payment or distribution, and to make related clarifications to rule text.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqomxbx.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 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 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

BX is proposing to adopt Rule 4761 to address the treatment of quotes/orders in securities that are the subject of issuer corporate actions related to a dividend, payment or distribution (a "corporate action"). The rule will apply to any trading interest that is carried on the BX Equities Market book overnight.<sup>4</sup> The proposed BX rule would provide that in the event of any corporate action, BX will cancel open quote/orders on the ex-date of the action, thereby imposing on the member that entered the order the responsibility for determining whether it wishes to reenter the order and if so, at what price and size. The cancellation would occur immediately prior to the opening of the BX Equities Market at 7 a.m. on the ex-date of the corporate action, and the member would receive a cancellation notice, so that it could, if it desired, reenter the order at the commencement of trading on the ex-date.

In addition, BX is proposing to amend Rule 4756(b) to make it clear that quotes do not necessarily remain open overnight and to address several other issues. First, BX is modifying a

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<sup>4</sup> BX notes that its market participants have not historically made use of such good-'till-cancelled trading interest, but believes that a rule should be adopted to ensure that the treatment of such orders is clearly specified by its rules.

description of open quotes, the original intent of which is unclear and that accordingly may result in confusion.<sup>5</sup> The sentence in question appears to reflect the idea that an open quote (i.e., a quote designated to remain open at the end of the trading day) would be processed in the same manner as a System Hours GTC Order. While accurate, this statement does not reflect the fact that a quote may also accurately be described as an Attributable Order entered by an Equities Market Maker or Equities ECN (i.e., trading interest that is identified as having been entered by a particular market participant). Moreover, although an Attributable Order may be entered with a time-in-force of good-‘till-cancelled and thereby remain open overnight, such orders have not historically been used by BX market participants. Accordingly, BX believes that the focus of the current sentence on orders remaining open might imply that all quotes would remain open overnight, when as a factual matter this would be the case only to the extent a quote was designated as good-‘till-cancelled. BX proposes to amend the sentence to provide that “Quotes will be processed as Attributable Orders, with such time-in-force designation as the Equities Market Maker or Equities ECN may assign.” Finally, BX proposes to correct obvious inaccuracies in the rule text. First, the rule incorrectly states that Order Entry Firms (as well as Equities Market Makers and Equities ECNs) may enter quotes, a statement that is logically inconsistent with the definition in Rule 4751 of an Order Entry Firm as a member registered “for

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<sup>5</sup> It should be noted that although BX rules permit members to register and trade as Equities Market Makers or Equities ECNs, no member is currently registered with such a status. Accordingly, the following discussion regarding the use and processing of quotes should be understood as not having a direct impact on any current BX market participants. Rather, the proposed rule change is intended to ensure that the rules that would govern such matters are clear.

purposes of entering orders.” Second, BX proposes to correct in the rule the usage of the word “or” where “of” is intended.<sup>6</sup>

## 2. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>7</sup> in general, and with Section 6(b)(5) of the Act<sup>8</sup> 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, BX believes that the change will simplify BX’s rule governing adjustment of open quotes/orders in the event of corporate actions by making it clear that all such quotes/orders will be cancelled, thereby ensuring that market participants have appropriate notice of the possibility that they may either deem it advisable not to reenter such quotes/orders, or to reenter them with such adjustments to price and/or size as the market participant deems advisable to reflect the corporate action. Thus, the change will facilitate transactions in securities and perfect the mechanism of a free and open market by providing additional assurance that market participants carefully manage the trading interest that they enter into BX. In addition, the proposed changes to Rule 4756 are designed to improve the clarity and accuracy of that rule.

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<sup>6</sup> BX notes that The NASDAQ Stock Market LLC (“NASDAQ”) is filing a similar proposed rule change to replace an existing NASDAQ rule on modification of open orders with a rule comparable to proposed BX Rule 4761, and to make amendments to NASDAQ Rule 4756 similar to those proposed with respect to BX Rule 4756. SR-NASDAQ-2013-068 (April 17, 2013).

<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

BX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Specifically, BX believes that the rule change does not affect the availability or pricing of goods or services offered by the Exchange, and therefore does not impact competition between the Exchange and others. Rather, the change is designed to adopt and clarify rules to better describe the operation of the Exchange's trading systems, but in a manner that does not restrict the ability of members to enter and update trading interest in BX.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</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

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 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 Exchange has satisfied this requirement.

action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2013-031 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-2013-031. 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-2013-031 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.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).