

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71624; File No. SR-BX-2014-005)

February 27, 2014

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Establishment of Fees for New Optional Means for Clients to Receive BX TotalView ITCH Market Data

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 February 14, 2014, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II 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 establish fees for new optional means for clients to receive BX TotalView ITCH market data. Specifically, BX proposes to offer remote Multi-cast ITCH Wave Ports for clients co-located at third party data centers, through which BX TotalView ITCH market data will be distributed after delivery to those data centers via wireless network. BX is not offering a new market data product.

The text of the proposed rule change is below; proposed new language is underlined.

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7015. Access Services.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The following charges are assessed by the Exchange for ports to establish connectivity to the NASDAQ OMX BX Equities Market, as well as ports to receive data from the NASDAQ OMX BX Equities Market:

- \$500 per month for each port pair, other than Multicast ITCH® data feed pairs, for which the fee is \$1000 per month, and TCP ITCH data feed pairs, for which the fee is \$750 per month for each port pair.

- Internet Ports: An additional \$200 per month for each Internet port that requires additional bandwidth.

- Remote Multicast ITCH Wave Ports: \$2,500 for installation and then \$5,000 per month. These fees are subject to a 30-day testing period during which otherwise applicable fees are waived, and a one-year minimum purchase period.

- TradeInfo BX is available to Members for a fee of \$95 per user per month.

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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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to amend BX Rule 7015 to establish fees for remote

Multi-cast ITCH Wave Ports for clients co-located at third-party data centers, through which BX TotalView ITCH market data will be distributed after delivery to those data centers via a wireless network.

Wireless technology has been in existence for many years, used primarily by the defense, retail and telecommunications industries. Wireless connectivity involves the beaming of signals through the air between towers that are within sight of one another. Because the signals travel a straight, unimpeded line, and because light waves travel faster through air than through glass (fiber optics), message latency is reduced. The continued use of this technology by the defense industry and regulation of the spectrum by the FCC demonstrates the secure nature of wireless networks.

During the last few years, wireless technology has been introduced in the financial services industry. In offering optional wireless connectivity via a vendor-supplied network, BX is responding to requests from clients that wish to utilize the technology.

Remote Multi-cast ITCH (MITCH) Wave Ports. BX proposes to offer remote Multi-cast ITCH Wave Ports for clients co-located at third-party data centers. BX TotalView ITCH market data will be delivered to Exchange owned cabinets at those data centers via a wireless network. Clients will have the option of cross-connecting to the MITCH Wave Ports in those data centers to receive the raw BX Multi-cast data feed, TotalView ITCH. An installation charge for the remote port would be, at each of the locations, \$2,500 for installation, and \$5,000 as a monthly recurring fee. This offering, which is entirely optional, will enable delivery of BX TotalView ITCH to the third-party

data centers at the same low latency.³ Clients opting to pay for the remote MITCH Wave Ports will continue to be fee liable for the applicable market data fees as described in BX Rule 7034.

This filing is similar to changes proposed to NASDAQ Rule 7015.⁴ The only differences are that the market data that will be delivered to these remote MITCH Wave Ports is BX TotalView instead of NASDAQ TotalView, and the monthly recurring fee is lower (\$5,000 instead of \$7,500) due to the network bandwidth requirements for BX TotalView being less than that for NASDAQ TotalView.

BX will utilize a network vendor to supply wireless connectivity from the Carteret data center to the Secaucus Equinix data center (NY4) used by Direct Edge and other exchanges, and the Weehawken Savvis data center (NJ2) used by BATS and other ATS's. The vendor has installed, tested and will maintain the necessary communication equipment for this wireless network between the data centers.

BX is offering this particular equity feed because this feed was requested by clients. There is limited bandwidth available on the wireless connection, and the Exchange has opted to offer those that are in most demand to start. Additional feeds may be added based on overall client demand and bandwidth availability.

The wireless connectivity will be an optional offering, an alternative to fiber optic network connectivity, and will provide lower latency. It will not provide a new market

³ BX cannot preclude minor latency variances in delivery of BX TotalView in the third-party data centers to individual clients because it does not control the cross-connects in those centers; however, the microwave connectivity will provide the same latency to all clients' MITCH Wave Ports and offers an improvement in latency over fiber optic network connectivity.

⁴ See Exchange Act Release No. 68735 (January 25, 2013); 78 FR 6842 (January 31, 2013) (order approving SR-NASDAQ-2012-119).

data product, but merely an alternative means of connectivity.

Clients will place orders for the wireless connectivity via the CoLo Console⁵ and would be subject to a one-year minimum lock-in period. The lock-in feature, which is common practice for co-location offerings, will ensure that the Exchange can recoup the substantial investment required to establish the wireless system. As an incentive to clients, BX will waive the first month's MRC. Clients will continue to be charged by BX for the market data received. No changes in these charges will occur as a result of this proposed offering.

BX will perform substantial network testing prior to offering the service for a fee to members. After this "beta" testing period, upon initial roll-out of the service, clients will be offered the service for a fee, and on a rolling basis, the Exchange will enable new clients to receive the feed(s) for a minimum of 30 days before incurring any monthly recurring fees. The wireless network will continue to be closely monitored and the clients informed of any issues. Similar to receiving market data over fiber optic networks, the wireless network can encounter delays or outages due to equipment issues. As wireless networks may be affected by severe weather events, clients will be expected to have redundant methods to receive this market data and will be asked to attest to having alternate methods or establishing an alternate method in the near future when they order this service from the Exchange.

This new data feed delivery option will be available to all clients of the data centers, and is in response to industry demand, as well as to changes in the technology for distributing market data. Clients opting not to pay for the wireless connectivity will still

⁵ The "CoLo Console" is a web-based ordering tool BX offers to enable members to place co-location orders.

be able to receive market data via fiber optics and standard telecommunications connections, as they do currently, and under the same fees. Receipt of trade data via wireless technology is completely optional. In addition, clients can choose to receive market data via other third-party vendors (Extranets or Telecommunication vendors) via fiber optic networks or wireless networks.

Competition for market data distribution is considerable and the Exchange believes that this proposal clearly evidences such competition. The Exchange is offering a new wireless connectivity option and remote wave ports to keep pace with changes in the industry and evolving customer needs as new technologies emerge and products continue to develop and change. They are incremental to existing offerings, entirely optional, and are geared towards attracting new customers, as well as retaining existing customers.

The proposed fees are based on the cost to BX of installing and maintaining the wireless connectivity imposed by the vendor and the Exchange and on the value provided to the customer, which receives low latency delivery of the data feed. The costs associated with the wireless connectivity system are incrementally higher than fiber optics-based solutions due to the expense of the wireless equipment, cost of installation, and testing. The fees also allow BX to make a profit, and reflect the premium received by the clients in terms of lower latency over the fiber optics option. Clients can choose to build and maintain their own wireless networks or choose their own third party network vendors but the upfront and ongoing costs will be much more substantial than this Exchange wireless offering.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁶ in general, and with Sections 6(b)(4) and (b)(5) of the Act,⁷ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is designed 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.

The Exchange operates in a highly competitive market in which exchanges offer co-location services as a means to facilitate the trading activities of those members who believe that co-location enhances the efficiency of their trading. Accordingly, fees charged for co-location services are constrained by the active competition for the order flow of such members.

A co-location customer may obtain a similar service by contracting with a wireless service provider to install the required dishes on towers near the data centers and pay the service provider to maintain the service. However, the cost involved in establishing service in this manner is substantial and could result in uneven access to wireless connectivity. The Exchange's proposed fees will allow these clients to utilize wireless connectivity and obtain the lower latency transmission of data from BX that is available to others, at a reasonable cost.

Moreover, the Exchange believes the proposed fees for wireless connectivity to BX market data are reasonable because they are based on the Exchange's costs to cover

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4) and (5).

hardware, installation, testing and connection, as well expenses involved in maintaining and managing the enhanced connection imposed by the vendor and the Exchange. The proposed fees allow the Exchange to recoup these costs and make a profit, while providing customers the ability to reduce latency in the transmission of data from BX to third party data centers, and reduce the cost to them that would be involved if they build or buy their own wireless networks. The Exchange believes that the proposed fees are reasonable in that they reflect the costs of the connection and the benefit of the lower latency to clients.

The Exchange believes the proposed wireless connectivity fee is equitable and non-discriminatory in that all Exchange members that voluntarily select this service option will be charged the same amount for the same services. As is true of all co-location services, all co-located clients have the option to select this voluntary connectivity option, and there is no differentiation among customers with regard to the fees charged for the service.

The Exchange's proposal is also consistent with the requirement of Section 6(b)(5) of the Act that Exchange rules be designed to promote just and equitable principles of trade 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; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposal is consistent with these requirements insomuch as it makes available to market participants, at a reasonable fee and on a non-discriminatory basis, access to low latency means of receiving market data feeds.

Initially, BX will perform substantial network testing prior to making the service available to members. After this testing period, the wireless network will continue to be closely monitored and maintained by the vendor and the client will be informed of any issues. Additionally, during the initial roll-out of the service and on a rolling basis for future clients, the Exchange will enable clients to test the receipt of the feed(s) for a minimum of 30 days before incurring any monthly recurring fees. Similar to receiving market data over fiber optic networks, the wireless network can encounter delays or outages due to equipment issues. As wireless networks may be affected by severe weather events, clients will be expected to have redundant methods to receive this market data and will be asked to attest to having alternate methods or establishing an alternate method in the near future when they order this service from the Exchange.

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. To the contrary, this proposal will promote competition for distribution of market data by offering an optional and innovative product enhancement. Wireless technology has been in use for decades, is available from multiple providers, and may be adopted by other exchanges that decide to offer microwave connectivity for delivery of market data. As discussed above, the Exchange believes that fees for co-location services, including those proposed for microwave connectivity, are constrained by the

robust competition for order flow among exchanges and non-exchange markets, because co-location exists to advance that competition. Further, excessive fees for co-location services, including for wireless technology, would serve to impair an exchange's ability to compete for order flow rather than burdening competition.

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) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6)⁹ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that the proposal will promote competition for distribution of market data by offering an optional and innovative product enhancement and is in

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with 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. The Exchange has met this requirement.

response to requests from clients that wish to utilize the technology. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest so that BX can immediately offer the remote Multi-cast ITCH Wave Ports to clients that believe it can enhance the efficiency of their trading.¹⁰ The Commission also notes that it approved a similar Nasdaq offering for Nasdaq clients collocated at third party data centers to receive Nasdaq TotalView ITCH market data.¹¹ Accordingly, the Commission hereby grants the Exchange's request and designates the proposal operative upon filing.

At any time within 60 days of 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-2014-005 on the subject line.

¹⁰ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹¹ See Exchange Act Release No. 68735 (January 25, 2013); 78 FR 6842 (January 31, 2013) (order approving SR-NASDAQ-2012-119).

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-2014-005. 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-2014-005, 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.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).