

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77252; File No. SR-BX-2016-012)

February 29, 2016

Self-Regulatory Organizations; NASDAQ BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend BX Options Chapter VII, Section 6

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 17, 2016, NASDAQ BX, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the 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 amend BX Options Chapter VII, Section 6.

The text of the proposed rule change is below; proposed new language is underlined; proposed deletions are in brackets.

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Sec. 6 Market Maker Quotations

(a) – (c) No change.

(d) *Continuous Quotes*. A Market Maker must enter continuous bids and offers for the options to which it is registered, as follows:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

i. No change.

ii. Bid/ask Differentials (Quote Spread Parameters). Options on equities (including Exchange-Traded Fund Shares), and on index options must be quoted with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid, including before and during the opening. However, respecting in-the-money series where the market for the underlying security is wider than \$5, the bid/ask differential may be as wide as the quotation for the underlying security on the primary market. The Exchange may establish differences other than the above for one or more series or classes of options.

iii. No change.

(e) – (f) No change.

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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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposal is to harmonize BX Options Chapter VII, Section 6(d)(ii) with similar provisions of the Exchange's affiliated exchanges regarding bid/ask differentials

(also known as quote spread parameters). Quote spread parameters establish the maximum permissible width between the bid and the offer in a particular option series. Quote spreads apply to quotes, not orders, and are thus only applicable to the BX Options Market Makers who are required to submit two-sided quotes.³

Specifically, the Exchange proposes to add language to its rule regarding bid/ask differentials to permit the Exchange to establish bid/ask differentials other than what is specified in the rule. Both the NASDAQ Options Market and the NASDAQ PHLX have this provision.⁴ Some of the circumstances that may result in wider quote spread parameters include volatility in the underlying, recent news affecting the underlying and heavy volume in the underlying or the overlying option.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act⁶ in particular, in that it 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, by permitting different quote spread parameters to be established by the Exchange to address specific requests as well as general market events. This should promote just and equitable principles of trade and protect investors by having quote

³ See Chapter I, Section (a)(9) and Chapter VII, Sections 5 and 6.

⁴ See NOM Chapter VII, Section 6 and PHLX Rule 1014(c)(i)(A)(1)(a). PHLX recently amended its rules to add the same language respecting U.S. dollar-settled foreign currency options. Securities Exchange Act Release No. 76966 (January 22, 2016), 81 FR 4724 (January 27, 2016) (SR-Phlx-2016-06).

⁵ 15 U.S.C. § 78f(b).

⁶ 15 U.S.C. § 78f(b)(5).

spread parameters reflect potential volatility and activity in the underlying security, and thereby encourage robust market making that reflects current market conditions.

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. With respect to intra-market competition, the proposed language will apply to all quoting market participants equally. With respect to inter-market competition, market participants who disagree with the quote spread parameters that the Exchange establishes may choose to trade on another options exchange.

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)(iii) of the Act⁷ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁸

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

⁷ 15 U.S.C. § 78s(b)(3)(a)(iii) [sic].

⁸ 17 C.F.R. § 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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-2016-012 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2016-012. 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-2016-012 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.⁹

Robert W. Errett
Deputy Secretary

⁹ 17 C.F.R. § 200.30-3(a)(12).