

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63416; File No. SR-BX-2010-083)

December 2, 2010

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing of Proposed Rule Change Relating to The Price Improvement Period to Permit an Initiating Participant to Designate a PIP Surrender Quantity

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 and II below, which Items have been prepared by the self-regulatory organization. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Chapter V, Section 18 (The Price Improvement Period (“PIP”)) of the Rules of the Boston Options Exchange Group, LLC (“BOX”) to permit an Options Participant initiating a PIP to designate a PIP Surrender Quantity. The text of the proposed rule change is available from the principal office of the Exchange, on the Exchange’s website at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings/>, at the Commission’s Public Reference Room, and on the Commission’s website at <http://www.sec.gov/>.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 proposed rule change will amend Chapter V, Section 18 (The Price Improvement Period (“PIP”)) of the BOX Rules to permit an Options Participant initiating a PIP (“Initiating Participant”), at its option, to designate a lower amount for which it will retain certain priority and trade allocation privileges upon the conclusion of the PIP auction than the forty percent (40%) of the PIP Order to which the Initiating Participant is entitled as set forth in Chapter V, Sections 18(f)(i) and (f)(ii) of the BOX Rules. In certain instances, Chapter V, Sections 18(f)(i) and (f)(ii) of the BOX Rules allow an Initiating Participant to retain priority and trade allocation privileges for 40% of the size of a PIP Order upon conclusion of the PIP. This proposal will permit an Initiating Participant, when starting a PIP, to submit the Primary Improvement Order to BOX with a designation to identify the total size of the PIP Order that the Initiating Participant is willing to “surrender” to other PIP Participants (“PIP Surrender Quantity”), resulting in the Initiating Participant potentially being allocated less than the forty percent (40%) to which it may be entitled. For example, when an Initiating Participant submits a PIP Order and a Primary Improvement Order for 100 contracts and a PIP Surrender Quantity of 70 contracts, the Initiating Participant is designating that it is willing to surrender seventy percent (70%) of the PIP Order to other PIP Participants. Therefore, the Initiating Participant is only retaining priority to thirty percent (30%) of the PIP Order, rather than the forty percent (40%) it could have received. The Primary Improvement Order shall yield priority to certain competing orders in the circumstances set forth in Chapter V, Section 18(f)(iii) of the BOX Rules.

The proposed rule change will further provide that in no case shall the Initiating Participant's use of the Surrender Quantity function result in an allocation to the Initiating Participant that would be greater than the maximum allowable allocation the Initiating Participant would otherwise receive in accordance with the PIP allocation procedures set forth in Chapter V, Section 18(f) of the BOX Rules. The proposal specifies that the PIP Surrender Quantity shall not be effective for an amount that is lesser than or equal to sixty percent (60%) of the size of the PIP Order. In such a case, the forty percent (40%) maximum allowable priority allocation to the Initiating Participant would apply.

Additionally, the proposed rule change will modify the BOX Trading Host's trade allocation at the conclusion of the PIP to account for the PIP Surrender Quantity. The proposal specifies that when the BOX Trading Host determines the priority and trade allocation amounts for the Initiating Participant upon the conclusion of the PIP auction, the Trading Host will automatically adjust the trade allocations to the other PIP Participants according to the priority set forth in Chapter V, Section 18(e) of the BOX Rules, providing a total amount to the other PIP Participants up to the PIP Surrender Quantity. The Primary Improvement Order shall be allocated the remaining size of the PIP Order, if any. If the aggregate size of other PIP Participants' contra orders is not equal to or greater than the PIP Surrender Quantity, then the remaining PIP Surrender Quantity shall be left unfilled and the Primary Improvement Order shall be allocated the remaining size of the PIP Order as set forth in Chapter V, Section 18(f) of the BOX Rules. For example, an Initiating Participant submits a PIP Order and a Primary Improvement Order for 100 contracts and a PIP Surrender Quantity of 70 contracts. During the PIP auction only one Improvement Order for 25 contracts is received. Even though the Initiating Participant was willing to surrender 70 contracts to the other PIP Participants, there is not enough

competing size in this instance to allocate 70 contracts to someone else. Therefore, the Primary Improvement Order's requirement to completely fill the PIP Order takes precedence, and the Initiating Participant is allocated the remaining 75 contracts.

BOX will provide Options Participants with three (3) business days notice, via Information Circular, about the implementation date of the PIP Surrender Quantity prior to its implementation in the BOX trading system.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,³ in general, and Section 6(b)(5) of the Act,⁴ in particular. Specifically, the Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 Exchange believes that the proposed rule change will benefit investors and Options Participants by allowing an Initiating Participant the flexibility to designate a lower amount for which it will retain certain priority and trade allocation privileges upon the conclusion of the PIP auction than the forty percent (40%) of the PIP Order to which the Initiating Participant is entitled, while providing other PIP Participants increased trade allocations.

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.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Change Received from Members, Participants or Others

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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-2010-083 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-2010-083. 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 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 publicly available. All submissions should refer to File Number SR-BX-2010-083 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.⁵

Florence E. Harmon
Deputy Secretary

⁵ 17 CFR 200.30-3(a)(12).