

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76663; File No. SR-BX-2015-078)

December 16, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Order Exposure

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 December 2, 2015, 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, 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 Rules at Chapter VII, Section 12, entitled “Order Exposure Requirements,” to make clear that BX PRISM is an exception to this rule.

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.

¹ 15 U.S.C. 78s(b)(1).

² 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

The Exchange proposes to amend BX Rules at Chapter VII, Section 12, entitled “Order Exposure Requirements” to specifically state that orders entered into BX PRISM are not subject to the rule at Section 12. Recently, the Exchange’s BX PRISM rule was approved by the Commission.³ BX PRISM is a price-improvement mechanism on the Exchange's options platform, in which a BX Participant (an “Initiating Participant”) may electronically submit for execution a two-sided paired order, where one side is an order it represents as agent on behalf of a Public Customer, Professional customer, broker-dealer, or any other entity (“PRISM Order”) and the other side is principal interest or any other order it represents as agent (an “Initiating Order”) provided that the member first exposes the PRISM Order in the PRISM Auction (“Auction”) pursuant to the Rule. This mechanism is an exception to the general rule in Chapter VII, Section 12, which requires BX Options Participants to expose principal orders they represent as agent for at least one (1) second prior to receiving an agency order that is executable

³ See Securities Exchange Act Release No. 76301 (October 29, 2015), 80 FR 68347 (November 4, 2015) (SR-BX-2015-032) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Adopt a New Price Improvement Auction, BX PRISM).

against such bid or offer. The Exchange notes that other options exchanges have similar order exposure exceptions.⁴

The Exchange is also proposing certain minor technical amendments to the rule to remove the word “Commentary” and re-letter the remainder of the rule. The Exchange is also deleting a reserved section. The Exchange believes amending Chapter VII, Section 12 will highlight this exception concerning BX PRISM and also conform BX Rules for internal consistency.

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 explicitly stating an exception to the general rule regarding the requirements to expose certain principal orders which are represented as agent.

The Exchange’s proposal will make clear that BX PRISM is an exception to the general rule, which requires BX Participants to expose principal orders they represent as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer. BX PRISM permits Participants to enter paired orders without first exposing those orders for one second. The Exchange believes that providing an exception to the order exposure rule for orders entered into BX PRISM is consistent with the Act, because BX PRISM’s auction has

⁴ See International Securities Exchange LLC (“ISE”) Rule 717(d) and BOX Options Exchange LLC (“BOX”) Rule 7140.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

an auction period which is no less than one hundred milliseconds and no more than one second. Only one Auction may be conducted at a time in any given series. Once commenced, an Auction may not be cancelled. To initiate the Auction, the Initiating Participant entering the order into BX PRISM must mark the PRISM Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PRISM Order (a “stop price”); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PRISM Auction Notifications (“PAN”) responses, and trading interest (“auto-match”) in which case the PRISM Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a “No Worse Than” or “NWT” price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price.⁷ Initiating Participants entering orders into BX PRISM are required to guarantee an execution at the NBBO or at a better price, and are subject to market risk while their BX PRISM Order is exposed to other BX Participants in this competitive auction.

The proposed amendment will amend the current order exposure rule to except orders entered into BX PRISM from the rule. The Exchange believes that this amendment will protect investors and the public interest by providing additional information in the Rules concerning exceptions.

⁷ See BX Rules at Chapter VI, Section 9(ii)(A)(1).

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

BX does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes do not impose any burden on competition, rather, the amendment provides an exception to the order exposure rule for orders entered into BX PRISM for all Participants. The Exchange believes that this exception will further inform BX Participants of their obligations with respect to order exposure. Initiating Participants entering orders into BX PRISM are subject to market risk while their PRISM Order is exposed to other BX Participants in this competitive auction.

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 significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and by its terms does not 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)⁸ of the Act and Rule 19b-4(f)(6) thereunder.⁹

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

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 the Exchange to give the Commission written notice of the Exchange's 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 satisfied this requirement.

action is: necessary or appropriate in the public interest; for the protection of investors; or 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-2015-078 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-2015-078. 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-2015-078 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

Robert W. Errett
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).