

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-77429; File No. SR-BX-2016-017)

March 23, 2016

Self-Regulatory Organizations; NASDAQ BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Chapter XI (Doing Business with the Public), Section 8 (Supervision of Accounts) of the Exchange's Rulebook

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 14, 2016, NASDAQ BX, Inc. ("Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been substantially 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 Chapter XI (Doing Business with the Public), Section 8 (Supervision of Accounts) of the Exchange's rulebook to remove outdated references to three National Association of Securities Dealers, Inc. ("NASD") rules and to replace those references with references to four successor Financial Industry Regulatory Authority, Inc. ("FINRA") rules which have replaced them.

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> 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 is proposing to amend Chapter XI (Doing Business with the Public), Section 8 (Supervision of Accounts) of the Exchange's rulebook (the "BX Options Supervision Rules") to remove outdated references to three NASD rules and to replace those references with references to four successor FINRA rules which have replaced them.<sup>3</sup>

Currently, the BX Options Supervision Rules provide in Section 8(a) that each member that conducts a public customer options business shall ensure that its written supervisory system policies and procedures pursuant to NASD Rules 3010, 3012, and 3013 (the "Old NASD Rules") adequately address the member's public customer options business. Since the adoption by the Exchange of the BX Options Supervision Rules, FINRA has updated its own rulebook and

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<sup>3</sup> The current FINRA rulebook consists of: (1) FINRA rules; (2) NASD rules; and (3) rules incorporated from NYSE (Incorporated NYSE Rules) (together, the NASD rules and Incorporated NYSE Rules are referred to as the "Transitional Rulebook"). As part of the process of developing a new consolidated rulebook (the "Consolidated FINRA Rulebook") FINRA adopted FINRA Rules 3110, 3120, 3130 and 3170 which the Exchange seeks to incorporate in the BX Options Supervision Rules.

deleted the Old NASD Rules, adopting in their place FINRA Rules 3110, 3120, 3130 and 3170.<sup>4</sup> The Exchange therefore proposes to make a conforming change to the BX Options Supervision Rules by deleting references to the Old NASD Rules and replacing them with references to FINRA Rules 3110, 3120, 3130 and 3170.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>6</sup> 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 removing references to outdated NASD rules, thus minimizing any potential confusion on the part of members and other market participants regarding the standards and rules to which Exchange members are subject.

### 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. As the

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<sup>4</sup> FINRA Rules 3110 (Supervision) and 3120 (Supervisory Control System) were adopted by FINRA to replace NASD Rules 3010 (Supervision), and 3012 (Supervisory Control System). In addition, new FINRA Rule 3170 (Tape Recording of Registered Persons by Certain Firms) replaced NASD Rule 3010(b)(2). The new rules became effective on December 1, 2014. See Securities Exchange Act Release No. 71179 (Dec. 23, 2013), 78 FR 79542 (Dec. 30, 2013) (Order Approving Proposed Rule Change as Modified by Amendment No. 1) (File No. SR-FINRA-2013-025); see also FINRA Regulatory Notice 08-24 (May 2008) (Proposed Consolidated FINRA Rules Governing Supervision and Supervisory Controls). FINRA Rule 3130 (Annual Certification of Compliance and Supervisory Processes) replaced NASD Rule 3013 (Annual Certification of Compliance and Supervisory Processes) in 2008. See Securities Exchange Act Release No. 58661 (Sept. 26, 2008), 73 FR 57395 (Oct. 2, 2008) (SR-FINRA-2008-030).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

amendments merely correct the Exchange rules to refer to the current FINRA rules discussed above, it has no impact on 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) 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 Act<sup>7</sup> and Rule 19b-4(f)(6) thereunder.<sup>8</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 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.

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(a)(iii).

<sup>8</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.

#### 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-2016-017 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-2016-017. 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 20549-1090, 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-2016-017 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>9</sup>

Brent J. Fields  
Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).