

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66537; File No. SR-BX-2012-016)

March 8, 2012

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify Pricing for BX Members Using the NASDAQ OMX BX Equities System

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 March 1, 2012, The NASDAQ OMX BX, Inc. (“BX” or “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 prepared by BX. 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

BX proposes to modify its fees for orders that are routed using BX’s BTFY order routing strategy. BX will implement the proposed change immediately on March 1, 2012. The text of the proposed rule change is available at <http://nasdaqomxbx.cchwallstreet.com>, at BX’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, BX 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

BX 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

BX is proposing to modify its fees for orders that are routed using BX’s BTFY order routing strategy. BTFY is a routing option under which orders check the BX book for available shares only if so instructed by the entering firm and are thereafter routed out to destinations on the routing table established by BX from time to time for the BTFY strategy. If shares remain un-executed after routing, they are posted to the BX book and do not thereafter route out. The BTFY routing table is focused on destinations with low execution charges.

Currently, BX charges \$0.0022 per share executed for BTFY orders that execute at the New York Stock Exchange (“NYSE”), but NYSE charges BX \$0.0023 per share executed for such orders.³ Accordingly, the cost to BX of routing BTFY orders to NYSE is currently in excess of the amount that BX charges. While this pricing incentive was introduced to encourage members to use BX routing services, it was not intended to be permanent. Accordingly, BX is proposing to increase the fee for routing BTFY orders to NYSE to \$0.0023 per share executed, to match the fee that NYSE charges.

Similarly, BX currently charges \$0.0005 per share executed for BTFY orders routed to destinations other than NYSE, The NASDAQ Stock Market (“NASDAQ”), or NASDAQ OMX PSX (“PSX”). As noted above, the BTFY routing table is focused on lower cost destinations, which currently include the EDGA Exchange (“EDGA”). Because BX’s charge is lower than

³ <http://usequities.nyx.com/markets/nyse-equities/trading-fees>.

the \$0.0007 per share executed charge assessed by EDGA,⁴ and because BX did not intend to institute a permanent pricing incentive with regard to orders routed to EDGA, BX is increasing the charge to route to venues other than NYSE, NASDAQ, or PSX to \$0.0007 per share executed. BX notes that the new charge, as well as the \$0.0005 charge that it replaces, exceed the cost of routing to certain other venues to which the BTFY routing strategy may route from time to time, and therefore BX earns a profit on routing to such destinations. However, in light of losses that were formerly incurred when routing to EDGA, BX believes that the change will bring the fee in closer alignment to its average costs.

2. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁵ in general, and with Sections 6(b)(4) and (5) of the Act,⁶ 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 BX operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers or dealers. All similarly situated members are subject to the same fee structure, and access to BX is offered on fair and non-discriminatory terms.

The proposed change in the fee for routing BTFY orders to NYSE is reasonable because it will result in a routing fee that is equal to the fee charged to BX when routing BTFY orders to NYSE. Similarly, the proposed change in the fee for routing BTFY orders to destinations other than NYSE, NASDAQ, and PSX is reasonable because it will result in a routing fee that is more consistent with the average costs incurred by BX when routing to such destinations. The new fee

⁴ <http://www.directedge.com/Membership/FeeSchedule/EDGAFeeSchedule.aspx>.

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(4) and (5).

matches the cost incurred by BX to route to some destinations and exceeds the cost of routing to other destinations to which the BTFY routing strategy may route from time to time. However, BX believes that the change will bring the fee in closer alignment to its average costs.

Moreover, the proposed change in the fee for routing BTFY orders to NYSE is consistent with an equitable allocation of fees because the fee in question is charged solely to members that use the BTFY routing strategy, and is being adjusted to match the fee charged to BX when routing orders to NYSE. Similarly, the proposed change in the fee for routing BTFY orders to destinations other than NYSE, NASDAQ, and PSX is consistent with an equitable allocation of fees because the fee in question is charged solely to members that use the BTFY routing strategy, and is being adjusted to achieve a closer alignment between the charge and the costs incurred by BX when routing to these destinations. Finally, BX believes that the changes to both fees are not unfairly discriminatory because they only affect members that use the BTFY strategy, and are therefore directly related to the service provided to such members by the Exchange.

Finally, BX notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because numerous alternatives exist to the routing services offered by BX, if BX increases its fees to an excessive extent, it will lose customers to its competitors. Accordingly, BX believes that competitive market forces help to ensure that the fees it charges for routing are reasonable, equitably allocated, and non-discriminatory.

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. Because the market for order routing is extremely competitive, members may readily opt to disfavor BX's execution and routing services if they believe that alternatives offer them better value. For this reason and the reasons discussed in connection with the statutory basis for the proposed rule change, BX does not believe that the proposed changes will impair the ability of members or competitors to maintain their competitive standing in the financial markets.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.⁷ 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 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:

⁷ 15 U.S.C. 78s(b)(3)(a)(ii).

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-2012-016 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-2012-016. 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 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 available publicly. All submissions should refer

to File Number SR-BX-2012-016 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.⁸

Kevin M. O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).