

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69677; File No. SR-BX-2013-037)

May 31, 2013

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options Fees and Rebates

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on May 24, 2013, 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 Chapter XV, Section 2 entitled “BX Options Market – Fees and Rebates” to amend rebates and fees relating to various options and make technical corrections to this section.

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on June 3, 2013.

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

BX proposes to amend Chapter XV, Section 2(1) to add Bank of America Corporation (“BAC”) to the list of options overlying certain penny pilot options (the others include IWM, QQQ and SPY, collectively with BAC, the “Specified Penny Pilot Options”). Additionally, the Exchange proposes to amend certain fees and rebates for Customers and BX Options Market Makers<sup>3</sup> in the Specified Penny Pilot Options.

The Exchange proposes to increase the Rebate to Add Liquidity in the Specified Penny Pilot Options for BX Options Market Makers from \$0.15 to \$0.20 per executed contract. The Exchange also proposes to decrease the Fee to Add Liquidity in the Specified Penny Pilot Options for Customers and BX Options Market Makers from \$0.18 to \$0.10 per executed contract. Finally, the Exchange proposes to decrease the Rebate to Remove Liquidity in the Specified Penny Pilot Options for Customers from \$0.12 to \$0.00 per executed contract.

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<sup>3</sup> A BX Options Market Maker must be registered as such pursuant to Chapter VII, Section 2 of the BX Options Rules, and must also remain in good standing pursuant to Chapter VII, Section 4.

The proposed rule change will reflect the fees and rebates as follows:

<b>Fees and Rebates (per executed contract)</b>			
	<b>Customer</b>	<b>BX Options Market Maker</b>	<b>Non- Customer<sup>1</sup></b>
<b>BAC, IWM, QQQ and SPY:</b>			
<b>Rebate to Add Liquidity</b>	\$0.00 <sup>2</sup>	\$0.20 <sup>2</sup>	N/A
<b>Fee to Add Liquidity</b>	\$0.10 <sup>3</sup>	\$0.10 <sup>3</sup>	\$0.45
<b>Rebate to Remove Liquidity</b>	\$0.00	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.45	\$0.45
<b>All Other Penny Pilot Options:</b>			
<b>Rebate to Add Liquidity</b>	\$0.00 <sup>2</sup>	\$0.10 <sup>2</sup>	N/A
<b>Fee to Add Liquidity</b>	\$0.40 <sup>3</sup>	\$0.40 <sup>3</sup>	\$0.45
<b>Rebate to Remove Liquidity</b>	\$0.32	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.45	\$0.45
<b>Non-Penny Pilot Options:</b>			
<b>Fee to Add Liquidity</b>	\$0.25/\$0.85 <sup>4</sup>	\$0.50/\$0.85 <sup>4</sup>	\$0.88
<b>Rebate to Remove Liquidity</b>	\$0.70	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.88	\$0.88

The Exchange believes that the proposed amended fees and rebates for the Specified Penny Pilot Options, as well as including BAC to the list of Specified Penny Pilot Options, is competitive and will encourage BX members to transact business on the Exchange. Despite the reduction of the Customer Rebate to Remove Liquidity to \$0.00, the Exchange believes that the increased Rebate to Add Liquidity for BX Options Market Makers coupled with the reduction of Fees to Add Liquidity for both Customers and BX Options Market Makers will enable the Exchange to remain competitive with other options exchanges by improving liquidity and that market participants will continue to send order flow to the Exchange.

## 2. Statutory Basis

BX believes that the proposed rule changes are consistent with the provisions of

Section 6 of the Act,<sup>4</sup> in general, and with Section 6(b)(4) of the Act,<sup>5</sup> in particular, in that they provide 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.

The Exchange believes that its proposal to include BAC in the list of Specified Penny Pilot Options and subject to the fees and rebates applicable thereto, is reasonable given the fact that certain symbols such as the Specified Penny Pilot Options are highly liquid as compared to other penny pilot options and pricing by symbol is not novel as other options exchanges differentiate pricing by security today.<sup>6</sup> The Exchange believes that its proposal to assess different fees and rebates for BAC (as is the case for the other Specified Penny Pilot Options) as compared to all other penny pilot options is equitable and not unfairly discriminatory as described hereafter.

The Exchange believes that for Specified Penny Pilot Options the proposed increase of the Rebate to Add Liquidity for BX Options Market Makers from \$0.15 to \$0.20 per executed contract (available only when they are contra to a Non-Customer or BX Options Marker Maker) along with the reduction in the Fee to Add Liquidity for both Customers and BX Options Market Makers from \$0.18 to \$0.10 per executed contract (available only when the Customer or BX Options Market Maker is contra to a Customer) is

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<sup>4</sup> 15 U.S.C. 78f.

<sup>5</sup> 15 U.S.C. 78f(b)(4).

<sup>6</sup> See NASDAQ OMX PHLX LLC's Pricing Schedule, which has different pricing for its Select Symbols and different pricing for other Multiply Listed Options. See also the NASDAQ Options Market LLC at Chapter XV, Section 2(1), which distinguishes pricing for NDX and MNX. See also the International Securities Exchange LLC's Fee Schedule, which distinguishes pricing for Special Non-Select Penny Pilot Symbols. See also the Chicago Board Options Exchange, Incorporated's Fees Schedule, which distinguishes index products.

reasonable because these fee and rebate changes will help to attract order flow from BX Options Market Makers and Customers to the Exchange to the benefit of all market participants through increased liquidity.

The Exchange believes that increasing Specified Penny Pilot Options Rebate to Add Liquidity for BX Options Market Makers from \$0.15 to \$0.20 per executed contract and offering the rebate only to BX Options Market Makers is equitable and not unfairly discriminatory because BX Options Market Makers have obligations to the market and regulatory requirements,<sup>7</sup> which normally do not apply to other market participants. By continuing to incentivize BX Options Market Makers to add liquidity, by offering an increased rebate, will result in tighter markets and increased order interaction.

Specifically, with respect to the Fee to Add Liquidity, the Exchange believes that assessing Customers and BX Options Market Makers a lower Fee to Add Liquidity, when they are not contra to a Customer, as compared to Non-Customers is reasonable because the Exchange seeks to incentivize these critical market participants to add liquidity.

Increased liquidity benefits all market participants. The Exchange also believes that the lower Fees to Add Liquidity for Customers and BX Options Market Makers as compared to Non-Customers are equitable and not unfairly discriminatory because Customer order flow benefits all market participants by improving liquidity, the quality of order

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<sup>7</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on BX for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

interaction and executions at the Exchange. Also, BX Options Market Makers have obligations to the market and regulatory requirements,<sup>8</sup> which normally do not apply to other market participants. A BX Options Market Maker has the obligation to make continuous markets, engage in course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with course of dealings. The proposed differentiation as between Customers and BX Options Market Makers and Non-Customers recognizes the differing contributions made to the liquidity and trading environment on the Exchange by Customers and BX Options Market Makers, as well as the differing mix of orders entered.

The Exchange believes that for the Specified Penny Pilot Options the proposed reduction of the Customer Rebate to Remove Liquidity from \$0.12 to \$0.00 is reasonable because Customer orders will receive benefits in the form of increased liquidity and the \$0.00 rate is the same rate that is assessed at other options exchanges.<sup>9</sup> The Exchange believes that for the Specified Penny Pilot Options the proposed reduction of the Customer Rebate to Remove Liquidity from \$0.12 to \$0.00 is equitable and not unfairly discriminatory because Customers would still be assessed the lowest rates with respect to Non-Customers on BX Options.

The Exchange operates in a highly competitive market comprised of eleven U.S. options exchanges in which sophisticated and knowledgeable market participants can and do send order flow to competing exchanges if they deem fee levels at a particular

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<sup>8</sup> Id.

<sup>9</sup> See also the NYSE AMEX's Fees Schedule, which distinguishes index products.

exchange to be excessive. The Exchange believes that the proposed fee and rebate scheme discussed herein is competitive and similar to other fees and rebates in place on other exchanges. The Exchange believes that this competitive marketplace materially impacts the fees and rebates present on the Exchange today and substantially influences the proposal set forth above.

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 not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, BX has designed its fees and rebates to compete effectively for the execution and routing of options contracts. The Exchange believes that the proposed amended fee/rebate pricing structure for the Specified Penny Pilot Options, including the addition of BAC to this list, would attract liquidity to and benefit order interaction at the Exchange to the benefit of all market participants.

Additionally, since the fees and rebates are comparable to those present at other options venues, the Exchange believes the proposals discussed herein do not pose a burden on competition amongst Exchange participants.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>10</sup> At any time within 60 days of the filing of the proposed rule

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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:

##### 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-2013-037 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-2013-037. 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-2013-037 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>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).