

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72918; File No. SR-BX-2014-042)

August 26, 2014

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to BX Options Lead Market Maker Rules

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 August 21, 2014, 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 certain rule text related to an options rule at Chapter VI, Section 10, pertaining to system order executions on BX.

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.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to amend rule text in the BX Options Rules at Chapter VI, Section 10 to clarify certain language. A proposed rule change amending Chapter VI, Section 10 was recently approved by the Commission.³ As part of that rule change, Chapter VI, Section 10, entitled “Book Processing” was amended to afford a Lead Market Maker (“LMM”) a participation entitlement if the LMM’s bid/offer is at the Exchange’s disseminated price and all Public Customer⁴ orders have been fully executed.⁵ In that proposal the Exchange explained the manner in which orders will be allocated in both a Size Pro-Rata and Price/Time scenario and provided examples. The text of the rule change specified that prior to remaining

³ See Securities Exchange Act Release No. 72883 (August 20, 2014), 79 FR 50971 (August 26, 2014) (SR-BX-2014-035).

⁴ See Chapter I, Section 1(50). The term “Public Customer” means a person that is not a broker or dealer in securities.

⁵ The LMM participation entitlement is as follows with respect to Size Pro Rata executions: a BX Options LMM shall receive the greater of: the LMM’s Size Pro-Rata share pursuant to proposed rule BX Options Rule at Chapter VI, Section 10(1)(C)(2)(iii); 50% of remaining interest if there is one or no other Market Maker at that price; 40% of remaining interest if there are two other Market Makers at that price; or 30% of remaining interest if there are more than two other Market Makers at that price; or if rounding would result in an allocation of less than one contract, a BX Options LMM shall receive one contract. The LMM participation entitlement is as follows with respect to Price/Time executions: a BX Options LMM shall receive the greater of: (a) contracts the LMM would receive if the allocation was based on time priority with Public Customer priority pursuant to proposed BX Options Rule at Chapter VI, Section 10(1)(a); (b) 50% of remaining interest if there is one or no other Market Maker at that price; (c) 40% of remaining interest if there are two other Market Makers at that price; or (d) 30% of remaining interest if there are more than two other Market Makers at that price or if rounding would result in an allocation of less than one contract, a BX Options LMM shall receive one contract.

interest being allocated, an LMM would receive an allocation based on the allocation methods noted in Chapter VI, Section 10.

While the Exchange believes that the rule text is clear on the allocations that the LMM shall be afforded, the Exchange is seeking to further amend Chapter VI, Section 10(1)(C)(1)(b)(2) to amend the sentence that currently states, “If there are contracts remaining after all LMM interest has been fully executed, such contracts shall be executed based on the Price/Time execution algorithm.” The Exchange proposes to amend the sentence to state, “If there are contracts remaining, such contracts shall be executed based on the Price/Time execution algorithm.” The Exchange believes that removing the words “after all LMM interest has been fully executed” will avoid any confusion such as that an LMM would not be entitled to a portion of the remainder. The Exchange intended those words to apply to the remaining contracts, which would be allocated after the LMM was afforded their allocation. The Exchange believes the proposed text would avoid any confusion as to its interpretation. The Exchange’s proposed change would also be added to Chapter VI, Section 10(2)(ii)(2). The Exchange would add the corresponding sentence to the Size Pro-Rata allocation as follows, “If there are contracts remaining, such contracts shall be executed based on the Size Pro-Rata execution algorithm.” The Exchange believes that adding the aforementioned sentence to Chapter VI, Section 10(2)(ii)(2) clarifies that the remaining contracts would be treated in a similar manner within the Size Pro-Rata allocation method.

The amendments proposed herein are in accordance with the text of the proposed rule change and the examples provided in the prior filing.⁶ The Exchange does not believe that the amendments are substantive, but rather are clarifying because the text adds specificity to

⁶ See note 3.

allocation of remainder contracts. The allocation of remainder contracts is not impacted by this rule change. The amendments provide consistency to BX Rules to clarify that remainder contracts are treated in the same general manner under both allocation models.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act⁸ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

The Exchange believes that the non-substantive amendments to the rule text of Chapter VI, Section 10 will conform the wording in the rule text and add clarity. The Exchange believes that while the rule text does reflect the current allocation method, which will remain in place unaffected by this filing, by adding clarifying language the Exchange's text will be clear and concise.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change seeks to correct an error in rule text and make other clarifying changes to conform rule text to avoid confusion.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

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) of the Act⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁰

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. The Exchange has provided the Commission written notice of its 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.

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:

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

- 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-2014-042 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-2014-042. 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-2014-042 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.¹¹

Kevin M. O'Neill
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).