

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73470; File No. SR-BX-2014-053)

October 30, 2014

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Fee Schedule under Exchange Rule 7018(a) with Respect to Transactions in Securities Priced at \$1 per Share or More

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 October 23, 2014, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) a 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 the fee schedule under Exchange Rule 7018(a) with respect to transactions in securities priced at \$1 per share or more. While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on November 3, 2014.

The text of the proposed rule change is also 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 increase a credit provided to member firms applicable to transactions in securities priced at \$1 or more under BX Rule 7018(a). Specifically, the Exchange proposes to increase the credit provided to all members that enter an order that executes against a midpoint pegged order. Currently, the Exchange provides a credit of \$0.0003 per share executed for such an order. The Exchange is proposing to increase the credit provided to \$0.0005 per share executed. The Exchange believes that the proposed increase in the credit provided to member firms for removing midpoint liquidity will encourage firms to access more resting midpoint liquidity before routing to other destinations for price improvement opportunities.

2. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and Sections 6(b)(4) and (b)(5) of the Act,<sup>4</sup> in particular, because it provides for the equitable allocation of reasonable dues, fees and other charges among members

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<sup>3</sup> 15 U.S.C. 78f.

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

and issuers and other persons using any facility or system that the Exchange operates or controls, and it does not unfairly discriminate between customers, issuers, brokers or dealers. The proposed rule change is reflective of the Exchange's ongoing efforts to use rebates and discounted execution fees to attract orders that the Exchange believes will improve market quality. Generally, the Exchange seeks to provide members with discounts that they deem helpful, and to eliminate those that they do not.

The Exchange believes that the proposed change is reasonable because it promotes these goals by providing an increased credit to member firms that remove liquidity at the midpoint. In this regard, the Exchange believes that this credit will incentivize member firms to execute against midpoint liquidity and this, in turn, will lead to an increase in price improvement and liquidity, which generally benefits the investing public. Moreover, the proposed change is reasonable as it is a pro-competitive price reduction designed to enhance the Exchange's position in the marketplace and broaden the execution opportunities for BX members. The Exchange also believes that the proposed increase in the credit is reasonable because it reflects the availability of what is, in effect, a price reduction for all members that execute against a midpoint pegged order.

The Exchange believes that the proposed credit increase is consistent with an equitable allocation of fees and is not unfairly discriminatory because the rebate applies uniformly across all members [sic] firms and is provided to those firms that elect to execute against midpoint pegged orders. BX notes that it operates in a highly competitive market in which market participants can easily and readily favor competing venues if they deem fee levels at a particular venue to be excessive or rebate opportunities to be insufficient. In such an environment, BX must continually adjust its fees or rebates to remain competitive with other exchanges. BX

believes that the proposed rule change reflects this very competitive environment because it is designed to ensure that the credits for participation on BX attract order flow that improves the market for all participants.

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

The Exchange does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>5</sup> BX notes that it operates in a highly competitive market in which market participants can readily favor over 40 different competing exchanges and alternative trading systems if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, BX believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. In this instance, the increase to the credit for an order that executes against a midpoint pegged order enhances the Exchange's competitiveness by increasing a credit for a type of order activity that the Exchange seeks to encourage, thereby improving market liquidity and attracting market participants. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants. Accordingly, BX does not believe that the proposed rule changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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<sup>5</sup> 15 U.S.C. 78f(b)(8).

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 change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and paragraph (f) of Rule 19b-4<sup>7</sup> thereunder. 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.

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-2014-053 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-2014-053. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f).

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 offices 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-2014-053, 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>8</sup>

Brent J. Fields  
Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).