

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76531; File No. SR-BX-2015-074)

December 1, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Market Order Spread Protection

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 November 20, 2015, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 BX rules at Chapter VI, Section 6, entitled “Acceptance of Quotes and Orders,” specifically at Section 6(c) concerning Market Order Spread Protection.

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 this filing is to amend Chapter VI, Section 6 entitled "Acceptance of Quotes and Orders," specifically, at paragraph (c) related to Market Order Spread Protection. This feature was adopted in 2012.³ The Market Order Spread Protection was designed to protect Market Orders⁴ from being executed in very wide markets. This feature is not optional and is set at the same threshold for all options traded on BX. The Market Order Spread Protection is applicable to all Participants submitting Market Orders.

At this time, the Exchange is proposing to amend Section 6(c) which currently states, "System Orders that are Market Orders will be rejected if the NBBO is wider than a preset threshold at the time the order is received by the System." The Exchange proposes to amend this sentence as follows: "System Orders that are Market Orders will be rejected if the best of the NBBO and the internal market BBO⁵ (the "Reference BBO") is wider than a preset threshold at the time the order is received by the System." The Exchange is amending this rule text to

³ See Securities Exchange Act Release No. 67256 (June 26, 2012), 77 FR 39277 (July 2, 2012) (SR-BX-2012-030) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, Relating to the Establishment of a New Options Market, NASDAQ OMX BX Options).

⁴ "Market Orders" are orders to buy or sell at the best price available at the time of execution. Participants can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Participant. See BX Rules at Chapter VI, Section 1(e)(5).

⁵ Best Bid or Best Offer on BX.

account for orders which would lock or cross another market,⁶ could result in non-displayed pricing and would result in the internal market BBO being better than the NBBO.

The current rule text does not reflect the possibility that orders will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) and displayed at one minimum price variance above (for offers) or below (for bids) the national best price. The proposed rule text amends the current rule text to account for the results of repricing.

This rule change will correct the existing rule text to reflect current practice which accounts for repricing due to trade-through and locked and crossed market restrictions.⁷

Participants were notified via an Options Trader Alert of this rule text error.⁸

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ 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 amending the rule text to reflect the impact of repricing due to trade-through and locked and crossed market restrictions.

Amending the current BX rule text for Market Order Spread Protection to account for repricing due to trade-through and locked and crossed market restrictions would provide

⁶ Options Order Protection and Locked and Crossed Market Rules are located in Chapter XII of BX Rules. In the event of a locked and crossed market, the BBO will be repriced and displayed in accordance with BX Rules at Chapter VI, Section 7(b)(3)(C).

⁷ See Chapter XII of BX Rules.

⁸ See Options Regulatory Alert 2015-28 dated September 4, 2015.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

Participants with the expected results of the Market Order Spread Protection feature. The Exchange believes that it is consistent with the Act to amend the rule text to reflect the possibility that orders will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

The Exchange believes that the amendment to the Market Order Spread Protection language does not otherwise create an impediment to a free and open market because the repricing due to trade throughs and locked and crossed markets exists today and serve to protect against trading through or locking or crossing another market. This proposal reflects the impact of repricing due to trade-through and locked and crossed market restrictions on the Market Order Spread Protection feature.

By reflecting the proper rule text to account for trade-through and locked and crossed market restrictions, the Exchange is providing Participants with additional information with which to anticipate the impact of the Market Order Spread Protection feature.

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. The Exchange does not believe that the proposal to amend the Market Order Spread Protection rule text to account [sic] repricing due to trade-through and locked and crossed market restrictions creates an undue burden on competition because it will serve to provide Participants with greater information to anticipate the impact of the Market Order Spread Protection feature. Today, Participants' orders are repriced due to trade-through and locked and crossed market restrictions.

The purpose of this rule change is to protect market orders resting on the Order Book when the market is wide. This feature will be applied in a similar manner to all Participants on BX.

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 significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and by its terms does not 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)¹¹ of the Act and Rule 19b-4(f)(6) thereunder.¹²

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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 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.

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. Please include File Number SR-BX-2015-074 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-2015-074. 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-2015-074 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.¹³

Robert W. Errett
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).