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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76199; File No. SR-BX-2015-057)

October 20, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Implement An Order Exposure Alert to be Disseminated by the Exchange

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 6, 2015, 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 implement an order exposure alert to be disseminated by the Exchange when a marketable order is placed on the book at a price that locks or crosses the national best bid or offer (“NBBO”) when the Exchange is not part of the NBBO.

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

The Exchange is proposing to amend rulebook Chapter VI, Section 11 to implement an order exposure alert in order to provide marketable orders an additional opportunity for execution on the Exchange when the Exchange is not part of the NBBO contra to the order and the order locks or crosses the away best bid or offer (“ABBO”).<sup>3</sup>

The Trading System provides two routing options, SEEK<sup>4</sup> and SRCH<sup>5</sup>, pursuant to which orders are sent to other available market centers for potential execution per the

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<sup>3</sup> Similar functionality currently exists on NASDAQ OMX PHLX. See Securities Exchange Act Release No. 68517 (December 21, 2012), 77 FR 77134 (December 31, 2012) (SR-Phlx-2012-136).

<sup>4</sup> SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders continue to be routed as described in paragraph (a)(1)(C) of Chapter VI, Section 11. If contracts remain un-executed after routing, they are posted on the book at the order's limit price. While on the book at the limit price, should the order subsequently be locked or crossed by another market center, the system will not route the order to the locking or crossing market center. SEEK orders will not be eligible for routing until the next time the option

entering market participant's instructions. With SEEK and SRCH, an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. Alternatively, Participants can designate orders as not available for routing.

Currently, when the Exchange's disseminated bid or offer is inferior to the ABBO and an order that is marketable against the ABBO is received, it is matched against any possible contra side orders available in the Trading System. If a routable order is still unexecuted, or if only partially executed, it is then routed away to the market or markets at the ABBO, cancelled back to the entering party or posted on the book and displayed at a non-locking price according to the instructions on the order.<sup>6</sup>

The Exchange is now proposing to amend rulebook Chapter VI, Section 11 to implement an order exposure alert in order to provide marketable orders an additional opportunity for execution on the Exchange when the Exchange is not part of the NBBO

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series is subject to a new opening or reopening. See Chapter VI, Section 11(a)(1)(A).

<sup>5</sup> SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(C) of Chapter VI, Section 11. If contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will re-route. See Chapter VI, Section 11(a)(1)(B).

<sup>6</sup> Because the System routes the lesser of the disseminated size of the away markets or the order size, it is possible for a portion of an order to be routed rather than the entire order. Also, respecting the part of an order that is routed, that order can either be executed in full, in part, or not at all on the destination exchange.

and the order locks or crosses the ABBO. The order exposure alert will apply to both SEEK and SRCH orders and is similar to the order exposure alert process already in place on NASDAQ OMX PHLX (“Phlx”).<sup>7</sup> The Exchange has recently amended its rules to specify that after an order is initially routed, the order will post to the book and will be routed after a time period (“Route Timer”) not to exceed one second as specified by the Exchange on its website, provided that the order’s price would not lock or cross other market centers.<sup>8</sup> The proposed amendments would permit the Exchange to apply the Route Timer prior to the initial routing of the order.

The Exchange proposes to amend Chapter VI, Section 11(1)(A) to provide that a SEEK order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SEEK order at the NBBO to allow market participants an opportunity to interact with the SEEK order. During the Route Timer, the SEEK order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SEEK order that is equal to or better than the ABBO price, the SEEK order will trade against

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<sup>7</sup> See Phlx Rule 1080(m), Away Markets and Order Routing, Section (iv).

<sup>8</sup> See Securities Exchange Act Release No. 73541 (November 6, 2014) 79 FR 67526 (November 13, 2014) (SR-BX-2014-055). The Exchange is proposing to amend Section (a)(1)(C) by redesignating it as Section (a)(1)(D), and by clarifying in the first and last sentences of that Section that the order will be exposed prior to routing pursuant to that Section. This amendment reflects the fact that order exposure occurs (during open trading) every time an order becomes marketable against the ABBO.

such new interest at the ABBO price.<sup>9</sup> While on the book at the limit price, should a SEEK order subsequently be locked or crossed by another market center, the System will not re-expose the order. An order exposure alert may be sent if the order size is modified.

The Exchange also proposes to amend Chapter VI, Section 11(1)(B), to provide that a SRCH order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.<sup>10</sup> Once on the book, should a SRCH order subsequently be locked or crossed by another market center, it will be re-exposed, provided it is not on the book at its limit price, and re-route. An order exposure alert may be sent if the order size is modified.

The Exchange proposes to redesignate existing Section 11(a)(1)(C) as Section 11(a)(1)(D) and to add new Section 11(a)(1)(C) dealing with Do Not Route or “DNR”

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<sup>9</sup> The rule currently states that “[a]fter checking the System for available contracts, orders are sent to other available market centers for potential execution per the entering firm’s instructions.” This general sentence is being deleted in view of the greater specificity of the proposed new language, and to conform the Exchange’s rule language more closely to that of Phlx. The preceding sentence, for clarity, is then amended to provide that after checking the System an order is sent to other available market centers for potential execution.

<sup>10</sup> Id.

Orders. Currently, Section 11(a) provides that Participants can designate orders as not available for routing. The new rule provides additional specificity regarding the Exchange's treatment of such orders, known as DNR orders, tracking language regarding DNR orders from the Phlx rules.<sup>11</sup> The new language clarifies that DNR orders will never be routed outside of the Exchange regardless of the prices displayed by away markets. It specifies that a DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Exchange book and be displayed at the better of a price one minimum price variation away from that away best bid/offer or the established Exchange BBO. The new rule states that a DNR order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the Exchange BBO will be exposed at the NBBO to market participants and that any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation away from the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to market participants only if the re-priced order locks or crosses the ABBO and is not already displayed at its limit price. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is

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<sup>11</sup> See Phlx Rule 1080(m)(iv)(a).

routed from the away market that locked or crossed the DNR order limit price. An order exposure alert may be sent if the order size is modified.

The Exchange proposes to amend existing paragraph 11(a)(1)(C) which is being redesignated as paragraph 11(a)(1)(D). The amendments state that SEEK and SRCH orders will also be exposed prior to being re-routed at the end of the Route Timer provided for in that paragraph. Thus, the first sentence of that paragraph will be revised to provide that after an order is initially routed, pursuant to either the SEEK or SRCH routing option the order will post to the book and will be exposed and routed after a time period ("Route Timer") not to exceed one second as specified by the Exchange on its website provided that the order's limit price would lock or cross other market center(s). Similarly, the final sentence of the paragraph will be amended to state that if an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and be exposed and route again pursuant to the process described above, if applicable, if the order's limit price would lock or cross another market center(s).

Finally, the Exchange is amending Chapter VI, Trading Systems, Section 1, Definitions, subsection (g)(2) which defines "Immediate or Cancel" or "IOC" as a time in force which means, for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof, is canceled and returned to the entering participant. The Exchange is deleting the last sentence of the definition, which currently states that "IOC orders can be routed if designated as routable." The Exchange has determined that IOC

orders will be cancelled immediately if not executed, and will not be routed. IOC orders are currently handled in this manner on Phlx.<sup>12</sup>

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>13</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>14</sup> 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. The Exchange believes that exposing certain orders has the potential to result in more efficient executions for customers as responses to exposed orders could result in faster executions. Exposing the order to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions, facilitating the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the time the order was received. The Exchange believes that because all Exchange participants have the ability to subscribe to a data feed to provide them with the notifications exposing the orders, all market participants may avail themselves of the same information.

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<sup>12</sup> See Phlx Rule 1080(m), Away Markets and Order Routing, the second sentence of the introductory paragraph.

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

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 proposal should facilitate the ability of the Exchange to bring together market participants and encourage more robust competition.

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)(iii) of the Act<sup>15</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup>

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

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(a)(iii).

<sup>16</sup> 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.

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-2015-057 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2015-057. 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-2015-057 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>17</sup>

Brent J. Fields  
Secretary

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