

Required fields are shown with yellow backgrounds and asterisks.

Proposed Rule Change by NASDAQ OMX BX, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *		Section 19(b)(3)(B) *		
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> Rule		<input type="checkbox"/>		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	19b-4(f)(1)	19b-4(f)(2)	19b-4(f)(3)	19b-4(f)(4)	19b-4(f)(5)	19b-4(f)(6)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

**Description**  
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked \*).

A proposal to amend Rule 4758a1A to reflect a change in BX's routing functionality.

**Contact Information**  
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name *	Sean	Last Name *	Bennett
Title *	Assistant General Counsel		
E-mail *	sean.bennett@nasdaqomx.com		
Telephone *	(301) 978-8499	Fax	(301) 978-8472

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date	09/25/2012
By	Edward S. Knight
	(Name *)
	Executive Vice President and General Counsel
	(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Edward S Knight,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information (required)**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change (required)**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NASDAQ OMX BX, Inc. (“BX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Rule 4758(a)(1)(A) to reflect a change in BX’s routing functionality.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.

\* \* \* \* \*

**4758. Order Routing**

**(a) Order Routing Process**

(1) The Order Routing Process shall be available to Participants from 7:00 a.m. until 7:00 p.m. Eastern Time, and shall route orders as described below. All routing of orders shall comply with Rule 611 of Regulation NMS under the Act.

(A) The System provides a variety of routing options. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

(i) - (ii) Reserved.

(iii) BSTG is a routing option under which orders check the System for available shares and simultaneously route the remaining shares[then are sent] to destinations on the System routing table. If shares 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 accessible market center, the System shall route the order to the locking or crossing market center. BSKN is

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

a form of BSTG in which the entering firm instructs the System to bypass any market centers included in the BSTG System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

(iv) BSCN is a routing option under which orders check the System for available shares and simultaneously route the remaining shares[then are sent] to destinations on the System routing table. If shares 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, the System will not route the order to the locking or crossing market center. BSKP is a form of BSCN in which the entering firm instructs the System to bypass any market centers included in the BSCN System routing table that are not posting Protected Quotations within the meaning of Regulation NMS.

(v) BTFY is a routing option under which orders check the System for available shares only if so instructed by the entering firm and are thereafter routed to destinations on the System routing table. If shares remain un-executed after routing, they are posted to the book. Once on the book, 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.

(vi) BMOP is a routing option under which orders route only to Protected Quotations and only for displayed size. If shares remain unexecuted after routing, they are posted to the book. Once on the book, 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.

(vii) BCRT is a routing option under which orders check the System and then route to the NASDAQ OMX PSX facility of NASDAQ OMX PHLX and Nasdaq. If shares remain un-executed, they are posted to the book or cancelled. Once on the book, 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.

(B) No change.

(b) – (d) No change.

\* \* \* \* \*

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Board of Directors of BX approved the proposed rule change on June 6, 2012, which authorized the filing of the rule change with the Commission. No other action by BX is necessary for the filing of the rule change.

Questions regarding this rule proposal may be directed to T. Sean Bennett, Assistant General Counsel, The NASDAQ OMX Group, Inc., at (301) 978-8499 (telephone) or (301) 978-8472 (fax).

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

BX is proposing to amend Rule 4758(a)(1)(A) to reflect a change in BX's order routing functionality, which will allow routable orders<sup>3</sup> to simultaneously execute against BX available shares and route to other markets for execution of the remainder of the order. Currently, when a routable order is entered into the BX system, the BX book is first checked for available shares. If such an order is not filled or filled only partially, then the order is routed to away markets with the best bid or best offer pursuant to BX's System routing table.<sup>4</sup> For example, if a BX member submitted an order to buy 5,000 shares of a security, and BX had 500 shares displayed with another 500 shares undisplayed, under the current routing process 1,000 shares would be executed on BX.

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<sup>3</sup> For purposes of this filing, a "routable order" is an order entered into the BX System, which is not of an Order Type precluded from routing to other markets.

<sup>4</sup> The "System routing table" is the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 4758(a)(1)(A).

Thereafter, BX would route the remaining 4,000 shares of the order to other markets for execution.

BX has observed that upon partial execution of a routable order at BX, as in the example above, market participants often react to the order by cancelling their orders on other markets and entering new orders at inferior prices. This occurs because the current process directs the order to BX before attempting to access available liquidity at other markets and thereby allows market participants to react to the execution (an effect known as “market impact” or “information leakage”). As a consequence, the available shares at the away market are no longer available, resulting in a lower likelihood of successfully accessing liquidity on away markets (*i.e.*, the “fill rate”) and an increased likelihood of ultimately receiving an execution at an inferior price. As such, BX is addressing this problem by changing how the routing process will operate.

BX is proposing to execute routable orders against the BX book for available shares and to simultaneously route any remaining shares to additional markets. Specifically, under the proposed change a routable order would attempt to execute against the available shares at BX and, to the extent the order would not be filled by such available shares, BX would simultaneously route the remainder of the order to other venues, according to BX’s System routing table, in a manner consistent with Regulation NMS (*i.e.*, satisfying all displayed protected quotes). For example, using the scenario above, if a member enters a routable order to buy 5,000 shares of a security and BX is displaying 500 shares of that security, with 500 undisplayed, BX would execute against the 500 displayed shares and 500 undisplayed shares, while *simultaneously* routing the remaining 4,000 shares to other venues for execution. In the event that the amount of

shares on other markets is insufficient to completely fill the order, or the order fails to completely execute, BX would then post the remaining shares on the BX book or cancel the remaining shares per the routed order's instructions. BX believes that this simultaneous execution against BX available shares and routing to other venues' shares will avoid the deleterious effect of market impact discussed above and result in overall faster and better executions of its members' routable orders.

BX notes that it is not changing the execution and routing sequence of all routable orders. The BTFY, BMOP, and BCRT orders are designed to execute serially as part of their strategies, which is generally to reduce the blended fees associated with transacting on multiple markets. As such, simultaneous routing of such orders would not result in a better execution in terms of the goals of these routable order types.

The proposed change is based on the recently-approved change to the analogous NASDAQ Stock Market LLC ("NASDAQ") rule.<sup>5</sup> Although the Exchange does not have all of the order types that NASDAQ has, it is making the identical changes applicable to the analogous routable order types shared in common with NASDAQ. The Exchange will implement the proposed change as soon as practicable and in no event later than 30 calendar days from the filing date of this proposal.

b. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,<sup>6</sup> which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a

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<sup>5</sup> See Securities Exchange Act Release No. 67639 (August 10, 2012), 77 FR 49034 (August 15, 2012) (SR-NASDAQ-2012-071).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule meets these requirements in that it promotes efficiency in the market, and increases the speed of execution and likelihood that a routable order will be filled at the best price possible. In this regard, the Exchange notes that simultaneous execution minimizes the market impact a routable order has on other markets under the current multi-step execution and routing process, thus improving fill rates. Accordingly, the proposed rule change will serve to improve execution quality for investors sending their routable orders to the Exchange.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Not applicable.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of time.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and Rule 19b-4(f)(6)<sup>8</sup> thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).



any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) of the Act.<sup>9</sup> As noted above, the Exchange believes that the proposed simultaneous execution against Exchange available shares and routing to other venues' shares will avoid the deleterious effect of market impact discussed above and result in overall faster and better executions of its members' routable orders. The proposed change in routing functionality is identical to what is currently implemented on the NASDAQ with respect to its routable orders. The Exchange further notes that the Commission received no comments concerning the NASDAQ proposal to adopt the functionality for its routable orders, which is evidence that the proposed change raises no novel issues. The Exchange believes that these benefits should be offered to members as soon as reasonably possible and, accordingly, the Exchange requests a waiver of the 30-day pre-operative period to allow the proposed change to be operative at the earliest time the Exchange can implement the proposed changes.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on the changes to NASDAQ Rule 4758(a) recently approved by the Commission.

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<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii).

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-BX-2012-064)

October \_\_, 2012

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 4758(a)(1)(A) to Reflect a Change in its Routing Functionality

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 September 25, 2012, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a 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

BX proposes to amend Rule 4758(a)(1)(A) to reflect a change in its routing functionality. The Exchange is proposing to implement the rule change as soon as practicable, but in no case later than thirty calendar days from the filing date of this proposal. The text of the proposed rule change is available at <http://nasdaqomxbx.cchwallstreet.com>, at BX’s principal office, 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 self-regulatory organization 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 those statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

BX is proposing to amend Rule 4758(a)(1)(A) to reflect a change in BX's order routing functionality, which will allow routable orders<sup>3</sup> to simultaneously execute against BX available shares and route to other markets for execution of the remainder of the order. Currently, when a routable order is entered into the BX system, the BX book is first checked for available shares. If such an order is not filled or filled only partially, then the order is routed to away markets with the best bid or best offer pursuant to BX's System routing table.<sup>4</sup> For example, if a BX member submitted an order to buy 5,000 shares of a security, and BX had 500 shares displayed with another 500 shares undisplayed, under the current routing process 1,000 shares would be executed on BX.

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<sup>3</sup> For purposes of this filing, a "routable order" is an order entered into the BX System, which is not of an Order Type precluded from routing to other markets.

<sup>4</sup> The "System routing table" is the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 4758(a)(1)(A).

Thereafter, BX would route the remaining 4,000 shares of the order to other markets for execution.

BX has observed that upon partial execution of a routable order at BX, as in the example above, market participants often react to the order by cancelling their orders on other markets and entering new orders at inferior prices. This occurs because the current process directs the order to BX before attempting to access available liquidity at other markets and thereby allows market participants to react to the execution (an effect known as “market impact” or “information leakage”). As a consequence, the available shares at the away market are no longer available, resulting in a lower likelihood of successfully accessing liquidity on away markets (*i.e.*, the “fill rate”) and an increased likelihood of ultimately receiving an execution at an inferior price. As such, BX is addressing this problem by changing how the routing process will operate.

BX is proposing to execute routable orders against the BX book for available shares and to simultaneously route any remaining shares to additional markets. Specifically, under the proposed change a routable order would attempt to execute against the available shares at BX and, to the extent the order would not be filled by such available shares, BX would simultaneously route the remainder of the order to other venues, according to BX’s System routing table, in a manner consistent with Regulation NMS (*i.e.*, satisfying all displayed protected quotes). For example, using the scenario above, if a member enters a routable order to buy 5,000 shares of a security and BX is displaying 500 shares of that security, with 500 undisplayed, BX would execute against the 500 displayed shares and 500 undisplayed shares, while *simultaneously* routing the remaining 4,000 shares to other venues for execution. In the event that the amount of

shares on other markets is insufficient to completely fill the order, or the order fails to completely execute, BX would then post the remaining shares on the BX book or cancel the remaining shares per the routed order's instructions. BX believes that this simultaneous execution against BX available shares and routing to other venues' shares will avoid the deleterious effect of market impact discussed above and result in overall faster and better executions of its members' routable orders.

BX notes that it is not changing the execution and routing sequence of all routable orders. The BTFY, BMOP, and BCRT orders are designed to execute serially as part of their strategies, which is generally to reduce the blended fees associated with transacting on multiple markets. As such, simultaneous routing of such orders would not result in a better execution in terms of the goals of these routable order types.

The proposed change is based on the recently-approved change to the analogous NASDAQ Stock Market LLC ("NASDAQ") rule.<sup>5</sup> Although the Exchange does not have all of the order types that NASDAQ has, it is making the identical changes applicable to the analogous routable order types shared in common with NASDAQ. The Exchange will implement the proposed change as soon as practicable and in no event later than 30 calendar days from the filing date of this proposal.

## 2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,<sup>6</sup> which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a

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<sup>5</sup> See Securities Exchange Act Release No. 67639 (August 10, 2012), 77 FR 49034 (August 15, 2012) (SR-NASDAQ-2012-071).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule meets these requirements in that it promotes efficiency in the market, and increases the speed of execution and likelihood that a routable order will be filled at the best price possible. In this regard, the Exchange notes that simultaneous execution minimizes the market impact a routable order has on other markets under the current multi-step execution and routing process, thus improving fill rates. Accordingly, the proposed rule change will serve to improve execution quality for investors sending their routable orders to the Exchange.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were neither solicited nor 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)(ii) of the Act<sup>7</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>8</sup>

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

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. 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:

- 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-2012-064 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-2012-064. 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 Web site (<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 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-2012-064, 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>9</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).