

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2013 - * 052	Amendment No. (req. for Amendments *)
Filing by NASDAQ OMX BX, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) <input type="checkbox"/>		Section 806(e)(2) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Relating to Pricing for Certain Options Symbols"/>				
<b>Contact Information</b>				
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 action.				
First Name *	<input type="text" value="Angela"/>	Last Name *	<input type="text" value="Dunn"/>	
Title *	<input type="text" value="Associate General Counsel"/>			
E-mail *	<input type="text" value="angela.dunn@nasdaqomx.com"/>			
Telephone *	<input type="text" value="(215) 496-5692"/>	Fax	<input type="text"/>	
<b>Signature</b>				
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.				
(Title *)				
Date	<input type="text" value="09/23/2013"/>	<input type="text" value="Executive Vice President and General Counsel"/>		
By	<input type="text" value="Edward S. Knight"/>	<input type="text" value="Edward S Knight,"/>		
(Name *)				
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.				

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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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 \***

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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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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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, security-based swap submission, or advance notice 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 the Proposed Rule Change

(a) NASDAQ OMX BX, Inc. (“BX” or “Exchange”), 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> proposes to amend BX Options Rules, Chapter XV, Section 2 entitled “BX Options Market – Fees and Rebates” to amend fees and rebates for various options.

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on October 1, 2013.

The text of the proposed rule change is attached in Exhibit 5. A notice of the proposed rule change for publication in the Federal Register is attached in Exhibit 1.

(b) Inapplicable.

(c) Inapplicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on July 17, 2013. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Angela Saacomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

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

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

a. Purpose

BX proposes to amend certain rebates and fees in Chapter XV, Section 2(1) pertaining to Penny Pilot<sup>3</sup> Options overlying the following stocks: Bank of America Corporation (“BAC”), iShares Russell 2000 Index (“IWM”), PowerShares QQQ (“QQQ”), SPDR S&P 500 (“SPY”), and iPath S&P 500 VIX St Futures ETN (“VXX”) (collectively the “Specified Penny Pilot Options”). Specifically, the Exchange proposes to amend the BX Options Market Maker<sup>4</sup> Rebate to Add Liquidity and the Fee to Add Liquidity in the Specified Penny Pilot Options.

The Exchange proposes to decrease the BX Options Market Maker Rebate to Add Liquidity in the Specified Penny Pilot Options from \$0.20 to \$0.00 per contract.<sup>5</sup> The Exchange also proposes to decrease the BX Options Market Maker Fee to Add Liquidity

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<sup>3</sup> The Penny Pilot on BX Options was established in June 2012, and was expanded and extended through December 31, 2013. See Securities Exchange Act Release Nos. 67256 (June 26, 2012), 77 FR 39277 (July 2, 2012) (SR-BX-2012-030) (order approving BX Options rules and establishing Penny Pilot); 67342 (July 3, 2012), 77 FR 40666 (July 10, 2012) (SR-BX-2012-046) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 68518 (December 21, 2012), 77 FR 77152 (December 31, 2012) (SR-BX-2012-076) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 69784 (June 18, 2013), 78 FR 37873 (June 24, 2013) (SR-BX-2013-039).

<sup>4</sup> A BX Options Market Maker must be registered as such pursuant to Chapter VII, Section 2 of the BX Options Rules, and must also remain in good standing pursuant to Chapter VII, Section 4.

<sup>5</sup> The Rebate to Add Liquidity is paid to a BX Options Market Maker only when the BX Options Market Maker is contra to a Non-Customer or BX Options Market Maker. A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker.

in the Specified Penny Pilot Options from \$0.10 to \$0.00 per contract.<sup>6</sup> The fee schedule after the proposed rule change will reflect the fees and rebates as follows:

**Fees and Rebates (per executed contract)**

	<b>Customer</b>	<b>BX Market Maker</b>	<b>Options Non-Customer<sup>1</sup></b>
<b>BAC, IWM, QQQ and SPY:</b>			
<b>Rebate to Add Liquidity</b>	\$0.00	\$0.00	N/A
<b>Fee to Add Liquidity</b>	\$0.10	\$0.00	\$0.45
<b>Rebate to Remove Liquidity</b>	\$0.00	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.45	\$0.45

The Exchange believes that the proposed amended BX Options Market Maker fee and rebate for the Specified Penny Pilot Options is competitive and will encourage BX members to transact business on the Exchange. While the Exchange is reducing the Rebate to Add Liquidity it is also not assessing a Fee to Add Liquidity to BX Options Market Makers which will enable the Exchange to remain competitive with other options exchanges and encourage BX Options Market Makers to make markets at the Exchange.

b. Statutory Basis

BX believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,<sup>7</sup> in general, and with Section 6(b)(4) and 6(b)(5) of the Act,<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system

<sup>6</sup> The Fee to Add Liquidity is assessed to a BX Options the BX Options Market Maker is contra to a Customer.

<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4) and (5).

which BX operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that pricing by symbol is reasonable, equitable and not unfairly discriminatory because it is not novel as other options exchanges differentiate pricing by security today.<sup>9</sup> Further, the Specified Penny Pilot Options are highly liquid as compared to other Penny Pilot Options and therefore it is reasonable to assess different pricing for these symbols. The Exchange believes that its proposal to assess different fees and rebates for the Specified Penny Pilot Options as compared to all other Penny Pilot Options is equitable and not unfairly discriminatory as described hereafter.

The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Rebate to Add Liquidity for BX Options Market Makers from \$0.20 (available only when they are contra to a Non-Customer or BX Options Market Maker) to \$0.00 per contract is reasonable because the Exchange is also proposing not to assess BX Options Market Makers a Fee to Add Liquidity in the Specified Penny Pilot Options. The Exchange believes that BX Options Market Makers will be encouraged to make markets at the Exchange which in turn will benefit other market participants through tighter markets and order interaction. The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Rebate to Add Liquidity for BX Options Market Makers from \$0.20 (available only when they are contra to a Non-Customer or BX Options Market Maker) to \$0.00 per contract is equitable and not unfairly

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<sup>9</sup> See NASDAQ OMX PHLX LLC's ("Phlx") Pricing Schedule, which has different pricing for SPY. See also the Chicago Board Options Exchange, Incorporated's Fees Schedule, which distinguishes index products.

discriminatory because no market participant on BX Options would be entitled to a Rebate to Add Liquidity in the Specified Penny Pilot Options.

The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Fee to Add Liquidity for BX Options Market Makers from \$0.10 (available only when they are contra to a Customer) to \$0.00 per contract is reasonable because the Exchange would no longer assess a fee to BX Options Market Makers which should encourage these participants to offer more aggressive markets at the Exchange. The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Fee to Add Liquidity for BX Options Market Makers from \$0.10 (available only when they are contra to a Customer) to \$0.00 per contract is equitable and not unfairly discriminatory because BX Options Market Makers, unlike other market participants, have obligations to the market and regulatory requirements,<sup>10</sup> which normally do not apply to other market participants. A BX Options Market Maker has the obligation to make continuous markets, engage in course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with course of dealings. Non-Customers, including Professionals, Firms, Broker-Dealers and Non-BX Options Market Makers, are assessed a Fee to Add Liquidity of \$0.45 per contract in the Specified Penny Pilot

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<sup>10</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on BX for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

Options. Customers are assessed a Fee to Add Liquidity in the Specified Penny Pilot Options of \$0.10 per contract only when they are contra to a Customer.

Assessing Customers Fees to Add Liquidity in the Specified Penny Pilot Options, which are lower than other Non-Customer market participants, and not assessing BX Options Market Makers the fee is reasonable, equitable and not unfairly discriminatory because the model seeks to reward liquidity providers by assessing takers. Other options exchanges similarly provide benefits to liquidity providers.<sup>11</sup> The Exchange believes that lowering costs will incentivize BX Options Market Makers to interact with a greater number of Specified Penny Pilot Options orders on the Exchange. The proposed differentiation between BX Options Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. Customers would continue to not be assessed a Fee to Remove Liquidity in the Specified Penny Pilot Options while BX Options Market Makers and Non-Customers are assessed a \$0.45 per contract Fee to Remove Liquidity in the Specified Penny Pilot Options. The Exchange would continue to uniformly assess the Fee to Add Liquidity in Specified Penny Pilot Options to all Non-Customers.<sup>12</sup>

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<sup>11</sup> Phlx pays a Simple Order Rebate for Adding Liquidity to Market Makers but not Customers and assesses a Simple Order Fee for Removing Liquidity to all market participants thereby creating a \$0.24 per contract fee differential as between Customers and Market Makers in Simple Orders. See Section I of Phlx's Pricing Schedule.

<sup>12</sup> No market participant is entitled to a Rebate to Remove Liquidity in the Specified Penny Pilot Options.



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

BX 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. To the contrary, BX has designed its fees and rebates to compete effectively for the execution and routing of options contracts.

The Exchange believes that the proposed amended fees and rebates to add liquidity for the Specified Penny Pilot Options will attract BX Options Market Makers to engage in market making activities at the Exchange which results in tighter markets and order interaction and benefits all market participants. As described herein, BX Options Market Makers have obligations to the market and regulatory requirements,<sup>13</sup> which normally do not apply to other market participants. While BX Options Market Makers will not be paying a Fee to Add Liquidity in the Specified Penny Pilot Options, Customers will pay a fee which is lower than that assessed to Non-Customers. The Exchange believes that this does not present an undue burden on competition because the pricing seeks to reward liquidity providers, which in turn benefits all market participants. The proposed differentiation between BX Options Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants.

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<sup>13</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on BX for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

Additionally, since the fees and rebates are comparable to those present at other options venues,<sup>14</sup> the Exchange believes the proposals discussed herein do not pose an undue burden on intermarket competition. The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which sophisticated and knowledgeable market participants can and do send order flow to competing exchanges if they deem fee levels at a particular exchange to be excessive. The Exchange believes that the proposed fee and rebate scheme discussed herein is competitive. The Exchange believes that this competitive marketplace materially impacts the fees and rebates present on the Exchange today and substantially influences the proposal set forth above.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>15</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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<sup>14</sup> See PHLX's Pricing Schedule.

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

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Proposed rule language at Chapter XV, Section 2(1).

Exhibit 1SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-BX-2013-052)

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Pricing for Certain Options Symbols

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 23, 2013, 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 BX Options Rules, Chapter XV, Section 2 entitled “BX Options Market – Fees and Rebates” to amend fees and rebates for various options.

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on October 1, 2013.

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

BX proposes to amend certain rebates and fees in Chapter XV, Section 2(1) pertaining to Penny Pilot<sup>3</sup> Options overlying the following stocks: Bank of America Corporation (“BAC”), iShares Russell 2000 Index (“IWM”), PowerShares QQQ (“QQQ”), SPDR S&P 500 (“SPY”), and iPath S&P 500 VIX St Futures ETN (“VXX”) (collectively the “Specified Penny Pilot Options”). Specifically, the Exchange proposes to amend the BX Options Market Maker<sup>4</sup> Rebate to Add Liquidity and the Fee to Add Liquidity in the Specified Penny Pilot Options.

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<sup>3</sup> The Penny Pilot on BX Options was established in June 2012, and was expanded and extended through December 31, 2013. See Securities Exchange Act Release Nos. 67256 (June 26, 2012), 77 FR 39277 (July 2, 2012) (SR-BX-2012-030) (order approving BX Options rules and establishing Penny Pilot); 67342 (July 3, 2012), 77 FR 40666 (July 10, 2012) (SR-BX-2012-046) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 68518 (December 21, 2012), 77 FR 77152 (December 31, 2012) (SR-BX-2012-076) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 69784 (June 18, 2013), 78 FR 37873 (June 24, 2013) (SR-BX-2013-039).

<sup>4</sup> A BX Options Market Maker must be registered as such pursuant to Chapter VII, Section 2 of the BX Options Rules, and must also remain in good standing pursuant to Chapter VII, Section 4.

The Exchange proposes to decrease the BX Options Market Maker Rebate to Add Liquidity in the Specified Penny Pilot Options from \$0.20 to \$0.00 per contract.<sup>5</sup> The Exchange also proposes to decrease the BX Options Market Maker Fee to Add Liquidity in the Specified Penny Pilot Options from \$0.10 to \$0.00 per contract.<sup>6</sup> The fee schedule after the proposed rule change will reflect the fees and rebates as follows:

**Fees and Rebates (per executed contract)**

	<b>Customer</b>	<b>BX Market Maker</b>	<b>Options Non-Customer<sup>1</sup></b>
<b>BAC, IWM, QQQ and SPY:</b>			
<b>Rebate to Add Liquidity</b>	\$0.00	\$0.00	N/A
<b>Fee to Add Liquidity</b>	\$0.10	\$0.00	\$0.45
<b>Rebate to Remove Liquidity</b>	\$0.00	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.45	\$0.45

The Exchange believes that the proposed amended BX Options Market Maker fee and rebate for the Specified Penny Pilot Options is competitive and will encourage BX members to transact business on the Exchange. While the Exchange is reducing the Rebate to Add Liquidity it is also not assessing a Fee to Add Liquidity to BX Options Market Makers which will enable the Exchange to remain competitive with other options exchanges and encourage BX Options Market Makers to make markets at the Exchange.

<sup>5</sup> The Rebate to Add Liquidity is paid to a BX Options Market Maker only when the BX Options Market Maker is contra to a Non-Customer or BX Options Market Maker. A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker.

<sup>6</sup> The Fee to Add Liquidity is assessed to a BX Options the BX Options Market Maker is contra to a Customer.

## 2. Statutory Basis

BX believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,<sup>7</sup> in general, and with Section 6(b)(4) and 6(b)(5) of the Act,<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which BX operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that pricing by symbol is reasonable, equitable and not unfairly discriminatory because it is not novel as other options exchanges differentiate pricing by security today.<sup>9</sup> Further, the Specified Penny Pilot Options are highly liquid as compared to other Penny Pilot Options and therefore it is reasonable to assess different pricing for these symbols. The Exchange believes that its proposal to assess different fees and rebates for the Specified Penny Pilot Options as compared to all other Penny Pilot Options is equitable and not unfairly discriminatory as described hereafter.

The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Rebate to Add Liquidity for BX Options Market Makers from \$0.20 (available only when they are contra to a Non-Customer or BX Options Market Maker) to \$0.00 per contract is reasonable because the Exchange is also proposing not to assess BX Options Market Makers a Fee to Add Liquidity in the Specified Penny Pilot Options.

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<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>9</sup> See NASDAQ OMX PHLX LLC's ("Phlx") Pricing Schedule, which has different pricing for SPY. See also the Chicago Board Options Exchange, Incorporated's Fees Schedule, which distinguishes index products.

The Exchange believes that BX Options Market Makers will be encouraged to make markets at the Exchange which in turn will benefit other market participants through tighter markets and order interaction. The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Rebate to Add Liquidity for BX Options Market Makers from \$0.20 (available only when they are contra to a Non-Customer or BX Options Market Maker) to \$0.00 per contract is equitable and not unfairly discriminatory because no market participant on BX Options would be entitled to a Rebate to Add Liquidity in the Specified Penny Pilot Options.

The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Fee to Add Liquidity for BX Options Market Makers from \$0.10 (available only when they are contra to a Customer) to \$0.00 per contract is reasonable because the Exchange would no longer assess a fee to BX Options Market Makers which should encourage these participants to offer more aggressive markets at the Exchange. The Exchange believes that for Specified Penny Pilot Options the proposed decrease of the Fee to Add Liquidity for BX Options Market Makers from \$0.10 (available only when they are contra to a Customer) to \$0.00 per contract is equitable and not unfairly discriminatory because BX Options Market Makers, unlike other market participants, have obligations to the market and regulatory requirements,<sup>10</sup> which normally do not

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<sup>10</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on BX for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.



apply to other market participants. A BX Options Market Maker has the obligation to make continuous markets, engage in course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with course of dealings. Non-Customers, including Professionals, Firms, Broker-Dealers and Non-BX Options Market Makers, are assessed a Fee to Add Liquidity of \$0.45 per contract in the Specified Penny Pilot Options. Customers are assessed a Fee to Add Liquidity in the Specified Penny Pilot Options of \$0.10 per contract only when they are contra to a Customer.

Assessing Customers Fees to Add Liquidity in the Specified Penny Pilot Options, which are lower than other Non-Customer market participants, and not assessing BX Options Market Makers the fee is reasonable, equitable and not unfairly discriminatory because the model seeks to reward liquidity providers by assessing takers. Other options exchanges similarly provide benefits to liquidity providers.<sup>11</sup> The Exchange believes that lowering costs will incentivize BX Options Market Makers to interact with a greater number of Specified Penny Pilot Options orders on the Exchange. The proposed differentiation between BX Options Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. Customers would continue to not be assessed a Fee to Remove Liquidity in the Specified Penny Pilot Options while BX Options Market Makers and Non-Customers are assessed a \$0.45 per contract Fee to Remove

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<sup>11</sup> Phlx pays a Simple Order Rebate for Adding Liquidity to Market Makers but not Customers and assesses a Simple Order Fee for Removing Liquidity to all market participants thereby creating a \$0.24 per contract fee differential as between Customers and Market Makers in Simple Orders. See Section I of Phlx's Pricing Schedule.

Liquidity in the Specified Penny Pilot Options. The Exchange would continue to uniformly assess the Fee to Add Liquidity in Specified Penny Pilot Options to all Non-Customers.<sup>12</sup>

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

BX 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. To the contrary, BX has designed its fees and rebates to compete effectively for the execution and routing of options contracts.

The Exchange believes that the proposed amended fees and rebates to add liquidity for the Specified Penny Pilot Options will attract BX Options Market Makers to engage in market making activities at the Exchange which results in tighter markets and order interaction and benefits all market participants. As described herein, BX Options Market Makers have obligations to the market and regulatory requirements,<sup>13</sup> which normally do not apply to other market participants. While BX Options Market Makers will not be paying a Fee to Add Liquidity in the Specified Penny Pilot Options, Customers will pay a fee which is lower than that assessed to Non-Customers. The Exchange believes that this does not present an undue burden on competition because the

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<sup>12</sup> No market participant is entitled to a Rebate to Remove Liquidity in the Specified Penny Pilot Options.

<sup>13</sup> Pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Further, all Market Makers are designated as specialists on BX for all purposes under the Act or rules thereunder. See Chapter VII, Section 5.

pricing seeks to reward liquidity providers, which in turn benefits all market participants. The proposed differentiation between BX Options Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants.

Additionally, since the fees and rebates are comparable to those present at other options venues,<sup>14</sup> the Exchange believes the proposals discussed herein do not pose an undue burden on intermarket competition. The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which sophisticated and knowledgeable market participants can and do send order flow to competing exchanges if they deem fee levels at a particular exchange to be excessive. The Exchange believes that the proposed fee and rebate scheme discussed herein is competitive. The Exchange believes that this competitive marketplace materially impacts the fees and rebates present on the Exchange today and substantially influences the proposal set forth above.

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 rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>15</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

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<sup>14</sup> See PHLX's Pricing Schedule.

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

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

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-2013-052 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-2013-052. 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, 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-2013-052 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>16</sup>

Kevin M O'Neill  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5

*New text is underlined; deleted text is in brackets.*

## Chapter XV Options Pricing

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### Sec. 2 BX Options Market—Fees and Rebates

The following charges shall apply to the use of the order execution and routing services of the BX Options market for all securities.

(1) Fees for Execution of Contracts on the BX Options Market:

<b>Fees and Rebates (per executed contract)</b>			
	<b>Customer</b>	<b>BX Options Market Maker</b>	<b>Non- Customer<sup>1</sup></b>
<b>BAC, IWM, QQQ, SPY and VXX:</b>			
<b>Rebate to Add Liquidity</b>	\$0.00 <sup>2</sup>	\$0.[2]00 <sup>2</sup>	N/A
<b>Fee to Add Liquidity</b>	\$0.10 <sup>3</sup>	\$0.[1]00 <sup>3</sup>	\$0.45
<b>Rebate to Remove Liquidity</b>	\$0.00	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.45	\$0.45
<b>All Other Penny Pilot Options:</b>			
<b>Rebate to Add Liquidity</b>	\$0.00 <sup>2</sup>	\$0.10 <sup>2</sup>	N/A
<b>Fee to Add Liquidity</b>	\$0.40 <sup>3</sup>	\$0.40 <sup>3</sup>	\$0.45
<b>Rebate to Remove Liquidity</b>	\$0.32	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.45	\$0.45
<b>Non-Penny Pilot Options:</b>			
<b>Fee to Add Liquidity</b>	\$0.25/\$0.85 <sup>4</sup>	\$0.50/\$0.85 <sup>4</sup>	\$0.88
<b>Rebate to Remove Liquidity</b>	\$0.70	N/A	N/A
<b>Fee to Remove Liquidity</b>	N/A	\$0.88	\$0.88

<sup>1</sup>A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker.

<sup>2</sup>The Rebate to Add Liquidity will be paid to a Customer or BX Options Market Maker only when the Customer or BX Options Market Maker is contra to a Non-Customer or BX Options Market Maker.

<sup>3</sup>The Fee to Add Liquidity will be assessed to a Customer or BX Options Market Maker only when the Customer or BX Options Market Maker is contra to a Customer.

<sup>4</sup>The higher Fee to Add Liquidity will be assessed to a Customer or BX Options Market Maker only when the Customer or BX Options Market Maker is contra to a Customer.

(2) – (3) No change.

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