

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="20"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2014"/> - * <input type="text" value="059"/>	Amendment No. (req. for Amendments *) <input type="text"/>
---	--	---	--

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		
			<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 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
--	---

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

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

Proposed changes to amend BX Rule 7018 to establish fees and rebates in connection with BX s Retail Price Improvement Program.

**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 action.

First Name * <input type="text" value="Jonathan"/>	Last Name * <input type="text" value="Cayne"/>
Title * <input type="text" value="Senior Associate General Counsel"/>	
E-mail * <input type="text" value="jonathan.cayne@nasdaq.com"/>	
Telephone * <input type="text" value="(301) 978-8493"/>	Fax <input type="text" value="(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.

(Title \*)

Date <input type="text" value="12/03/2014"/>	Executive Vice President and General Counsel
By <input type="text" value="Edward S. Knight"/>	<input type="text"/>
(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 \***

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NASDAQ OMX BX, Inc. (“BX” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) proposed changes to amend BX Rule 7018 to establish fees and rebates in connection with BX’s Retail Price Improvement (“RPI”) Program.

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

(b) Not applicable.

(c) Not applicable.

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 16, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change. The Exchange proposes to implement the proposed rule change on December 1, 2014, contemporaneously with the launch of the RPI Program.

Questions regarding this rule filing may be directed to Jonathan F. Cayne, Senior Associate General Counsel, at (301) 978-8493.

---

<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

The purpose of this proposal is to amend BX Rule 7018 to establish fees and rebates for execution of orders under BX's recently filed RPI Program.<sup>3</sup> Under the RPI Program, a member (or a division thereof) approved by the Exchange to participate in the program (a "Retail Member Organization" or "RMO") may submit designated "Retail Orders"<sup>4</sup> for the purpose of seeking price improvement. All BX members may enter retail price improvement orders ("RPI Orders"),<sup>5</sup> a form of non-displayed orders that are priced more aggressively than the Protected National Best Bid or Offer ("NBBO") by at least \$0.001 per share, for the purpose of offering such price improvement. RMOs may use two types of Retail Orders. A Type 1 Retail Order is eligible to execute only against RPI Orders and other orders (such as midpoint pegged orders) that will provide price improvement. Type 2 Retail Orders interact first with available RPI Orders and other

---

<sup>3</sup> Securities Exchange Act Release No. 73410 (October 23, 2014), 79 FR 64447 (October 29, 2014) (SR-BX-2014-048) (proposing RPI program and exemption from SEC Rule 612 under Regulation NMS, 17 CFR 242.612, in connection therewith).

<sup>4</sup> A Retail Order is defined in BX Rule 4780(a)(2), in part, as "an agency or riskless principal order that satisfies the criteria of FINRA Rule 5320.03, that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price (except in the case that a market order is changed to a marketable limit order) or side of market and the order does not originate from a trading algorithm or any other computerized methodology."

<sup>5</sup> A Retail Price Improvement Order is defined in BX Rule 4780(a)(3), in part, as consisting of "non-displayed liquidity on the Exchange that is priced better than the Protected NBBO by at least \$0.001 and that is identified as such."

price improving orders, and then are eligible to access non-price improving liquidity on the BX book and to route to other trading venues if so designated.

BX proposes to offer a rebate of \$0.0025 per share executed to RMOs with respect to Retail Orders that execute against RPI Orders. RMO orders that execute against other orders providing price improvement with respect to the NBBO will receive a rebate otherwise applicable to executions of orders that access liquidity. For Type 2 Retail Orders that execute against non-price improving orders on the BX book, BX will offer a rebate otherwise applicable to execution of orders that access liquidity. Similarly, when Type 2 Retail Orders are routed and execute at another trading venue, BX will charge the fee otherwise applicable to execution of routed orders. For RPI orders that provide liquidity, BX will charge a fee of \$0.0025 per share executed. Other orders that provide liquidity to Retail Orders will receive the credit or pay the fee otherwise applicable to orders that provide liquidity.

b. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>6</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</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.

---

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

The proposed fees with respect to the RPI program are reflective of BX's ongoing efforts to use pricing incentive programs to attract orders of retail customers to BX and improve market quality. The goal of this program and similar pricing incentives is to provide meaningful incentives for members that represent the orders of retail customers to increase their participation on BX.

The proposed credit of \$0.0025 per share executed with respect to Retail Orders that access Retail Price Improvement Order liquidity offering price improvement is reasonable because it will result in a significant increase of rebates with respect to such orders, thereby reducing the costs of members that represent retail customers and that take advantage of the program, and potentially also reducing costs to the customers themselves. The change is consistent with an equitable allocation of fees because BX believes that it is reasonable to use rebate increases as a means to encourage greater retail participation in BX. Because retail orders are likely to reflect long-term investment intentions, they promote price discovery. Accordingly, their presence in the BX market has the potential to benefit all market participants. For this reason, BX believes that it is equitable to provide significant financial incentives to encourage greater retail participation in the market. BX further believes that the proposed program is not unreasonably discriminatory because it is offered to firms representing retail customers without regard to the firm's trading volumes, and is therefore complementary to existing programs, such as the Routable Order Program that already aim to encourage greater retail participation, but that have minimum volume requirements associated with them. The proposed fees and credits with respect to Retail Orders that execute against liquidity other than that provided by Retail Price Improvement Orders or by routing to other

trading venues are reasonable, equitably allocated, and not unreasonably discriminatory because they do not reflect a change from the fees and credits currently in effect with respect to orders that access liquidity on BX or route.

The proposed fee with respect to a Retail Price Improvement Order that provides liquidity is reasonable because, as previously recognized by the Commission, it reflects the fact that markets often seek to distinguish between orders of individual retail investors and orders of professional traders.<sup>8</sup> In this instance, the RPI seeks to balance the consideration that “retail investors may on average be less informed about short-term price movements ... [than] professional traders”<sup>9</sup> with a fee charged to liquidity providers and a program designed to provide retail investors with price improvement and favorable execution prices. BX further believes that the fee charged with respect to Retail Price Improvement Orders is equitable and not unreasonably discriminatory for this same reason, and also because the use of such orders by liquidity providers is voluntary. Firms that believe that potential advantages of interacting with Retail Orders outweigh the costs of price improvement and the fee charged by BX will employ this new order type. Those that do not are free to forego involvement in the program and pay a fee under BX’s standard price schedule when providing liquidity.

Finally, BX notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have

---

<sup>8</sup> Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40763, 40769-40680 (July 10, 2012) (SR-NYSE-2011-55; SR-NYSEAmex-2011-84).

<sup>9</sup> Id.

been exempted from compliance with the statutory standards applicable to exchanges. BX believes that the proposed rule change reflects this competitive environment because it is designed to allow BX to compete with other exchanges and that offer similar price improvement programs for retail orders.

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

BX 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. In this instance, the introduction of the RPI program is designed to allow BX to compete more effectively with the New York Stock Exchange ("NYSE"), NYSE MKT LLC ("MKT"), NYSE Arca, Inc. ("Arca") and the BATS-Y Exchange, all of which offer similar programs designed to attract retail order flow. BX has structured its fees in a manner similar to these exchanges, but as a new "entrant" in the field of those exchanges offering such programs. Specifically, BX will offer a higher credit to Retail Orders than NYSE, MKT, or Arca and will offer the credit with respect to all securities priced above \$1 that it trades. BX will, however, offset these higher credits for retail orders by charging a higher fee to liquidity providers than is the case with some of its competitors. BX believes that the proposed higher credits with respect to Retail Orders will enhance competition by drawing additional retail order flow to BX and possibly encouraging other trading venues to make competitive pricing changes.

With respect to the proposed fees for Retail Price Improvement Orders, because the market for order execution is extremely competitive, members that provide liquidity may readily opt to forego participation in the BX program if they believe that alternatives offer them better value. For these reasons and the reasons discussed in connection with the statutory basis for the proposed rule change, BX does not believe that the proposed

changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

5. 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.

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>10</sup> BX has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization 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.

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

The proposed fees are similar in structure to the fees established by The NASDAQ Stock Market LLC,<sup>11</sup> as well as the BATS-Y Exchange with respect to its Retail Price Improvement Program<sup>12</sup> and NYSE<sup>13</sup>, MKT<sup>14</sup> and Arca<sup>15</sup> with respect to

---

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>11</sup> See NASDAQ Rule 7018.

<sup>12</sup> See  
[http://cdn.batstrading.com/resources/regulation/rule\\_book/BYX\\_Fee\\_Schedule.pdf](http://cdn.batstrading.com/resources/regulation/rule_book/BYX_Fee_Schedule.pdf).

<sup>13</sup> <http://usequities.nyx.com/markets/nyse-equities/trading-fees>.

<sup>14</sup> <https://www.nyse.com/markets/nyse-mkt/trading-info>

<sup>15</sup> <https://www.nyse.com/markets/nyse-arca/trading-info>

their Retail Liquidity Programs. BX will offer a higher credit to Retail Orders than NYSE, MKT, or Arca and will offer the credit with respect to all securities priced above \$1 that it trades.

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

5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-BX-2014-059)

December \_\_, 2014

Self-Regulatory Organizations; NASDAQ OMX BX; Notice of Filing and Immediate Effectiveness of a Proposed Rule Changes to Amend Rule 7018 to establish Fees and Rebates in Connection with BX's Retail Price Improvement ("RPI") Program

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 December 3, 2014, NASDAQ OMX BX, Inc. ("BX" or the "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 is proposing changes to amend BX Rule 7018 to establish fees and rebates in connection with BX's Retail Price Improvement ("RPI") Program. The Exchange proposes to implement the proposed rule change on December 1, 2014, contemporaneously with the launch of the RPI Program.

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.

---

<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. 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 purpose of this proposal is to amend BX Rule 7018 to establish fees and rebates for execution of orders under BX's recently filed RPI Program.<sup>3</sup> Under the RPI Program, a member (or a division thereof) approved by the Exchange to participate in the program (a "Retail Member Organization" or "RMO") may submit designated "Retail Orders"<sup>4</sup> for the purpose of seeking price improvement. All BX members may enter retail price improvement orders ("RPI Orders"),<sup>5</sup> a form of non-displayed orders that are

---

<sup>3</sup> Securities Exchange Act Release No. 73410 (October 23, 2014), 79 FR 64447 (October 29, 2014) (SR-BX-2014-048) (proposing RPI program and exemption from SEC Rule 612 under Regulation NMS, 17 CFR 242.612, in connection therewith).

<sup>4</sup> A Retail Order is defined in BX Rule 4780(a)(2), in part, as "an agency or riskless principal order that satisfies the criteria of FINRA Rule 5320.03, that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price (except in the case that a market order is changed to a marketable limit order) or side of market and the order does not originate from a trading algorithm or any other computerized methodology."

<sup>5</sup> A Retail Price Improvement Order is defined in BX Rule 4780(a)(3), in part, as consisting of "non-displayed liquidity on the Exchange that is priced better than the Protected NBBO by at least \$0.001 and that is identified as such."

priced more aggressively than the Protected National Best Bid or Offer (“NBBO”) by at least \$0.001 per share, for the purpose of offering such price improvement. RMOs may use two types of Retail Orders. A Type 1 Retail Order is eligible to execute only against RPI Orders and other orders (such as midpoint pegged orders) that will provide price improvement. Type 2 Retail Orders interact first with available RPI Orders and other price improving orders, and then are eligible to access non-price improving liquidity on the BX book and to route to other trading venues if so designated.

BX proposes to offer a rebate of \$0.0025 per share executed to RMOs with respect to Retail Orders that execute against RPI Orders. RMO orders that execute against other orders providing price improvement with respect to the NBBO will receive a rebate otherwise applicable to executions of orders that access liquidity. For Type 2 Retail Orders that execute against non-price improving orders on the BX book, BX will offer a rebate otherwise applicable to execution of orders that access liquidity. Similarly, when Type 2 Retail Orders are routed and execute at another trading venue, BX will charge the fee otherwise applicable to execution of routed orders. For RPI orders that provide liquidity, BX will charge a fee of \$0.0025 per share executed. Other orders that provide liquidity to Retail Orders will receive the credit or pay the fee otherwise applicable to orders that provide liquidity.

## 2. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>6</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</sup> in

---

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

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 proposed fees with respect to the RPI program are reflective of BX's ongoing efforts to use pricing incentive programs to attract orders of retail customers to BX and improve market quality. The goal of this program and similar pricing incentives is to provide meaningful incentives for members that represent the orders of retail customers to increase their participation on BX.

The proposed credit of \$0.0025 per share executed with respect to Retail Orders that access Retail Price Improvement Order liquidity offering price improvement is reasonable because it will result in a significant increase of rebates with respect to such orders, thereby reducing the costs of members that represent retail customers and that take advantage of the program, and potentially also reducing costs to the customers themselves. The change is consistent with an equitable allocation of fees because BX believes that it is reasonable to use rebate increases as a means to encourage greater retail participation in BX. Because retail orders are likely to reflect long-term investment intentions, they promote price discovery. Accordingly, their presence in the BX market has the potential to benefit all market participants. For this reason, BX believes that it is equitable to provide significant financial incentives to encourage greater retail participation in the market. BX further believes that the proposed program is not unreasonably discriminatory because it is offered to firms representing retail customers without regard to the firm's trading volumes, and is therefore complementary to existing

programs, such as the Routable Order Program that already aim to encourage greater retail participation, but that have minimum volume requirements associated with them. The proposed fees and credits with respect to Retail Orders that execute against liquidity other than that provided by Retail Price Improvement Orders or by routing to other trading venues are reasonable, equitably allocated, and not unreasonably discriminatory because they do not reflect a change from the fees and credits currently in effect with respect to orders that access liquidity on BX or route.

The proposed fee with respect to a Retail Price Improvement Order that provides liquidity is reasonable because, as previously recognized by the Commission, it reflects the fact that markets often seek to distinguish between orders of individual retail investors and orders of professional traders.<sup>8</sup> In this instance, the RPI seeks to balance the consideration that “retail investors may on average be less informed about short-term price movements ... [than] professional traders”<sup>9</sup> with a fee charged to liquidity providers and a program designed to provide retail investors with price improvement and favorable execution prices. BX further believes that the fee charged with respect to Retail Price Improvement Orders is equitable and not unreasonably discriminatory for this same reason, and also because the use of such orders by liquidity providers is voluntary. Firms that believe that potential advantages of interacting with Retail Orders outweigh the costs of price improvement and the fee charged by BX will employ this new order type. Those that do not are free to forego involvement in the program and pay a fee under BX’s standard price schedule when providing liquidity.

---

<sup>8</sup> Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40763, 40769-40680 (July 10, 2012) (SR-NYSE-2011-55; SR-NYSEAmex-2011-84).

<sup>9</sup> Id.

Finally, BX notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. BX believes that the proposed rule change reflects this competitive environment because it is designed to allow BX to compete with other exchanges and that offer similar price improvement programs for retail orders.

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

BX 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. In this instance, the introduction of the RPI program is designed to allow BX to compete more effectively with the New York Stock Exchange (“NYSE”), NYSE MKT LLC (“MKT”), NYSE Arca, Inc. (“Arca”) and the BATS-Y Exchange, all of which offer similar programs designed to attract retail order flow. BX has structured its fees in a manner similar to these exchanges, but as a new “entrant” in the field of those exchanges offering such programs. Specifically, BX will offer a higher credit to Retail Orders than NYSE, MKT, or Arca and will offer the credit with respect to all securities priced above \$1 that it trades. BX will, however, offset these higher credits for retail orders by charging a higher fee to liquidity providers than is the case with some of its competitors. BX believes that the proposed higher credits with respect to Retail Orders will enhance competition by drawing additional retail order flow to BX and possibly encouraging other trading venues to make competitive pricing changes.

With respect to the proposed fees for Retail Price Improvement Orders, because the market for order execution is extremely competitive, members that provide liquidity may readily opt to forego participation in the BX program if they believe that alternatives offer them better value. For these reasons and the reasons discussed in connection with the statutory basis for the proposed rule change, BX does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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) of the Act<sup>10</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>11</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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

---

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2014-059 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-2014-059. 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-2014-059 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>12</sup>

Kevin M. O'Neill  
Deputy Secretary

---

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

**EXHIBIT 5**

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

**7018. NASDAQ OMX BX Equities System Order Execution and Routing**

(a) – (d) No change.

(e) Retail Price Improvement Program Pricing for Retail Orders and Retail Price Improvement Orders

Notwithstanding the foregoing, the following fees and credits shall apply to execution of Retail Orders and Retail Price Improvement Orders under Rule 4780:

<u>Charge for Retail Price Improvement Order that provides liquidity:</u>	<u>\$0.0025 per share executed</u>
---	------------------------------------

Charge or Credit for Retail Orders that access liquidity:

<u>Retail Order that accesses liquidity provided by a Retail Price Improvement Order:</u>	<u>Credit of \$0.0025 per share executed</u>
---	--

<u>Retail Order that accesses other liquidity at a price better than the national best bid or best offer:</u>	<u>The charge otherwise applicable to orders that access liquidity under Rules 7018(a) or 7018(b)</u>
---	---

<u>Type 2 Retail Order that accesses other liquidity from the Exchange book:</u>	<u>The charge otherwise applicable to orders that access liquidity under Rule 7018(a) or 7018(b)</u>
--	--

<u>Type 2 Retail Order that is routed to another trading venue for execution:</u>	<u>The charge or credit otherwise applicable to routed orders under Rule 7018(a) or 7018(b)</u>
---	---

\* \* \* \* \*