

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 36 | SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4 | | File No.* SR - 2015 - * 004 | 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"/> |
| Pilot <input type="checkbox"/> | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> | 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"/> | | | 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 *). A proposal to amend Chapter XV, entitled Options Pricing and Section 2, entitled Options Market – Fees and Rebates. | | | | | |
| 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 * Jurij Last Name * Trypupenko Title * Associate General Counsel E-mail * jurij.trypupenko@nasdaq.com Telephone * (301) 978-8132 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. (Title *) Date 01/09/2015 Executive Vice President and General Counsel By Edward S. Knight (Name *) edward.knight@nasdaq.com 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) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² NASDAQ OMX BX, Inc. (“BX” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Chapter XV, entitled “Options Pricing” and Section 2, entitled “Options Market – Fees and Rebates”. Specifically, the Exchange proposes to: (1) add the definition of Lead Market Maker (“LMM”) and amend the definition of Common Ownership in Chapter XV; (2) adopt three Monthly Volume Tiers in Section 2 that apply to LMMs in their specifically allocated options classes when adding liquidity in Penny Pilot options; (3) indicate in Section 2 that BAC, IWM, QQQ, SPY, and VXX are priced like all other Penny Pilot options; and (4) update the numbering of notes in Section 2.

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 is attached hereto 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 any action taken pursuant to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Jurij Trypupenko, Associate General Counsel, The NASDAQ OMX Group, at (301) 978-8132.

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

a. Purpose

The purpose of the proposed rule change is to amend Chapter XV, entitled “Options Pricing” and Section 2, entitled “Options Market – Fees and Rebates”. Specifically, the Exchange proposes to: (1) add the definition of Lead Market Maker and amend the definition of Common Ownership in Chapter XV; (2) adopt three Monthly Volume Tiers in Section 2 that apply to LMMs (also known as “BX LMMs”) in their specifically allocated options classes when adding liquidity in Penny Pilot options; (3) indicate in Section 2 that BAC, IWM, QQQ, SPY, and VXX³ are priced like all other Penny Pilot options; and (4) update the numbering of notes in Section 2.

Lead Market Maker

BX introduced LMMs this year on the Exchange,⁴ such that with respect to each class of options in an LMM’s appointment, an LMM is expected to engage, to a

³ BAC is the symbol for Bank of America Corporation, IWM is the symbol for iShares Russell 200 ETF, QQQ is the symbol for PowerShares QQQ Trust Series 1 ETF, SPY is the symbol for SPDR S&P 500 ETF, and VXX is the symbol for iPath S&P 500 VIX Short Term Futures ETN.

⁴ See Securities Exchange Act Release No. 72883 (August 20, 2014), 79 FR 50971 (August 26, 2014)(SR-BX-2014-035)(order approving introduction of LMMs on BX)(the “LMM approval order”).

reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.⁵ Approved BX Options Market Makers⁶ may become an LMM in one or more listed options. Initial application(s) to become an LMM shall be in a form and/or format prescribed by the Exchange and shall include the following: (1) Background information on the LMM including experience in trading options; (2) the LMM's clearing arrangements; (3) adequacy of capital; and (4) adherence to Exchange rules and ability to meet obligations of an LMM.⁷ Once an applicant is approved by the Exchange as an LMM, any material change in capital shall be reported in writing to the Exchange within two business days after the change. The Exchange will not place any limit on the number of entities that may become LMMs, however the Exchange notes that there will only be one LMM per class.

The Exchange is not, in this proposal, making any changes, substantive or otherwise, to how LMMs function. Rather, in that the proposed new volume tiers in Chapter XV, Section 2 refer to LMMs, the Exchange is adding to Chapter XV a definition of LMM that refers back to Chapter VII, Section 13. Specifically, the Exchange proposes to state in Chapter XV: “The term “Lead Market Maker” or

⁵ LMM obligations and prohibitions are further described in Chapter VII, Section 14.

⁶ See BX Chapter VII, Section 2.

⁷ See BX Chapter VII, Section 13(A)(b). Subsequent applications are discussed in Section 13(A)(c).

(“LMM”) applies to a registered BX Options Market Maker that is approved pursuant to Chapter VII, Section 13 to be the LMM in an options class (options classes).” This makes the proposed volume tiers language easier to understand and read within Chapter XV, Section 2.

Common Ownership

The concept of common ownership is present in Exchange rules. Currently, Chapter XV states that the term “Common Ownership” shall mean Participants under 75% common ownership or control. The Exchange is, as discussed below, proposing Monthly Volume Tiers for execution of options on BX that meet certain volume thresholds. As such, the Exchange simply proposes to incorporate volume tiers into the definition of “Common Ownership” in Chapter XV by adding the language: “Common Ownership shall apply to all pricing in Chapter XV, Section 2 for which a volume threshold or volume percentage is required to obtain the pricing.” This conforms Chapter XV internally and reduces the possibility of confusion. It also conforms the definition of Common Ownership in BX Chapter XV with a similar definition in the rules of the NASDAQ Options Market (“NOM”).⁸

Fees and Rebates for Penny Pilot Options

The Penny Pilot, an industry-wide program, has been in place on the Exchange for well over a year and has allowed options to quote and trade in penny increments.⁹

⁸ See NOM Chapter XV. NOM is a facility of The NASDAQ Stock Market LLC (“NASDAQ”). NASDAQ, NASDAQ OMX PHLX LLC (“Phlx”) and the Exchange are self-regulatory organizations (“SROs”) that are wholly owned subsidiaries of The NASDAQ OMX Group, Inc. (“NASDAQ”).

⁹ The Penny Pilot was established in June 2012 and last extended in December 2014. See Securities Exchange Act Release Nos. 67256 (June 26, 2012), 77 FR 39277 (July 2, 2012)(SR-BX-2012-030)(order approving BX option rules and

The Exchange's options pricing for execution on the BX Options Market currently has a separate section for fees and rebates¹⁰ for Penny Pilot options on BAC, IWM, QQQ, SPY, and VXX (known as "special rates") - as opposed to All Other Penny Pilot Options.¹¹ The Exchange proposes to delete the special rates for BAC, IWM, QQQ, SPY, and VXX. By doing so, BAC, IWM, QQQ, SPY, and VXX would have the same fees and rebates as all other Penny Pilot options. Thus, as a result of this filing deleting the special rates, the rebate to add liquidity for a BX Options Market Maker¹² when contra to a Non-Customer, BX Options Market Maker, or BX LMM would increase from \$0.00 to \$0.10 (per executed contract); the rebate to remove liquidity for Customer¹³ would increase from \$0.00 to \$0.35; the fee to add liquidity for Customer when contra to a Customer would increase from \$0.10 to \$0.40; and the fee to add liquidity for BX Options Market Maker when contra to a Customer would increase from \$0.00 to as much as \$0.40 – according to three Monthly Volume Tiers in new note 4 applicable to LMMs

establishing Penny Pilot); and 73689 (November 25, 2014), 79 FR 71488 (December 2, 2014)(SR-BX-2014-057)(notice of filing and immediate effectiveness extending the Penny Pilot through June 30, 2015).

- ¹⁰ 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.
- ¹¹ See Securities Exchange Act Release No. 70539 (September 27, 2013), 78 FR 61418 (October 3, 2013)(SR-BX-2013-052)(notice of filing and immediate effectiveness regarding special rates for BAC, IWM, QQQ, SPY, and VXX).
- ¹² 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.
- ¹³ The term "Customer" means a Public Customer or a broker-dealer, and the term "Public Customer" means a person that is not a broker or dealer in securities. See Chapter I, Section 1(a)(22) and 1(a)(50).

as discussed below. As such, all Penny Pilot Options, including BAC, IWM, QQQ, SPY, and VXX, would have the same fees and rebates.

The fee schedule after the filing will reflect Penny Pilot Options fees and rebates for Customer, BX Options Market Maker, and Non Customer¹⁴ as follows:

| Fees and Rebates (per executed contract) | | | |
|---|---------------------|------------------------------------|---------------------------------|
| | Customer | BX Options Market Maker | Non-Customer¹ |
| Penny Pilot Options: | | | |
| Rebate to Add Liquidity | \$0.00 ² | \$0.10 ² | N/A |
| Fee to Add Liquidity | \$0.40 ³ | \$0.40 ⁴ | \$0.45 |
| Rebate to Remove Liquidity | \$0.35 | N/A | N/A |
| Fee to Remove Liquidity | N/A | \$0.46 | \$0.46 |

There are three notes applicable to this Fees and Rebates section, which do not change.¹⁵

The Exchange is adding new note 4 in respect of volume tiers applicable to LMMs.

New note 4 adds Monthly Volume Tiers A, B, and C applicable to BX LMMs in their specifically allocated options classes. These tiers apply to the Fee to add Liquidity for BX LMMs for Penny Pilot Options.¹⁶ The fee is indicated at \$0.40, \$0.38, and \$0.37

¹⁴ A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker.

¹⁵ These unchanged notes are: ¹A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker. ²The 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. ³The 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.”

¹⁶ For the Fee to add Liquidity for Customer for Penny Pilot Options, note 3 continues to apply. Note 3 states: “The Fee to Add Liquidity will be assessed to a

depending on Monthly Volume Tier thresholds. Tier A indicates a fee of \$0.40 for Total Volume up to 0.20% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day. Tier B indicates a fee of \$0.38 for Total Volume above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month. And Tier C indicates a fee of \$0.37 for a Total Volume 0.31% or more of total industry customer equity and ETF option ADV contracts per day in a month. In addition, because new tiers A, B, and C refer to Total Volume, this term is defined as follows: ““Total Volume” shall be defined as Customer, BX Options Market Maker, LMM, and Non-Customer volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on BX Options. For purposes of determining Monthly Volume Tiers, any day that the market is not open for the entire trading day will be excluded from such calculation.”¹⁷

Finally, in the rebates and fees section for Non-Penny Pilot Options, note 4 is renumbered to note 5.¹⁸ There are no other changes to this section.

The Exchange believes that having the same fees and rebates across the board for all Penny Pilot Options will incentivize BX Options Market Makers, Customers, and non-Customers to interact with a greater number of Penny Pilot Options orders on the Exchange. The proposed differentiation between BX LMMs and other market

Customer or BX Options Market Maker only when the Customer or BX Options Market Maker is contra to a Customer.”

¹⁷ The Exchange notes that NOM also has a tiered system for fees and rebates, albeit a different one than proposed by the Exchange.

¹⁸ Renumbered note 5 is unchanged and states: “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.”

participants in terms of tiers recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. LMMs have heightened quoting obligations. Chapter VII, Section 14(a) indicates that transactions of an LMM should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no LMM should enter into transactions or make bids or offers that are inconsistent with such a course of dealings. Section 14(b) indicates that obligations of LMMs with respect to each class of options in his or her appointment specifically include the following: (i) To compete with other LMMs and Market Makers to improve the market in all series of options classes to which the LMM is appointed; (ii) To make markets that will be honored for the number of contracts entered into the Trading System in all series of options classes within the LMM's appointment; (iii) To update market quotations in response to changed market conditions in all series of options classes within the LMM's appointment; (iv) Options traded on the Trading System may be quoted with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid; (v) BX Regulation may establish quote width differences other than as provided in subparagraph (iv) for one or more options series.¹⁹

¹⁹ In addition, Chapter VII, Section 14(b)(vi) requires, in part, that in the event the bid/ask differential in the underlying security is greater than the bid/ask differential set forth in subsections (b)(iv)-(v), the permissible price differential for any in-the-money option series may be identical to those in the underlying security market. In the case of the at-the-money and out-of-the-money series, BX Regulation may waive the requirements of subsections (b)(iv)-(v) on a case-by-case basis when the bid/ask differential for the underlying security is greater than .50. In such instances, the bid/ask differentials for the at-the-money series and the out-of-the-money series may be half as wide as the bid/ask differential in the underlying security in the primary market. For obligations with respect to unusual conditions, see Section 14(c). In the LMM approval order (Securities Exchange Act Release No. 72883), the Commission noted that the proposed rules regarding LMMs are substantially similar to the rules of other exchanges such as,

The Exchange believes that the proposed changes are consistent with the Act and raise no novel issues.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act²⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act²¹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. BX Options operates in an intensely competitive environment and seeks to offer the same services that its competitors offer and in which its customers find value.

The Exchange believes that applying the same Rebates and Fees to all Customers, BX Options Market Makers, and Non-Customers in all Penny Pilot Options promotes just and equitable principles of trade, and fosters cooperation and coordination with persons engaged in facilitating transactions in Penny Pilot Options. The Exchange will uniformly apply the same Fees and Rebates to all Customer, Market Maker and non-Customer Penny Pilot Options and will no longer differentiate Fees and Rebates for BAC, IWM, QQQ, SPY, and VXX.

for example, NASDAQ OMX PHLX Rules 501, 505, 506 and 511 and NYSE Arca Rules 6.37A and 6.37B.

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

The proposed rule change also protects investors and the public interest and seeks to establish and promote just and equitable principles of trade by creating more uniformity and consistency among the Exchange's rules related to Fees and Rebates for all Penny Pilot Options. The Exchange believes that the proposal will not diminish and in fact may increase, market making activity on the Exchange by ensuring fees and rebates that are reasonable and already in place for Penny Pilot Options. With this proposal, the same rebates and fees will apply across the board to all Penny Pilot options.

The proposal is reasonable, equitable, and not unfairly discriminatory. The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to treat fees and rebates regarding all Penny Pilot Options, including BAC, IWM, QQQ, SPY and VXX, exactly the same. This would, for BAC, IWM, QQQ, SPY and VXX, effectively increase the Rebate to Add Liquidity for BX Options Market Makers when contra to a Non-Customer, BX Options Market Maker, or BX LMM from \$0.00 to \$0.10;²² would increase the Fee to Add Liquidity for Customers when contra to a Customer from \$0.10 to \$0.40, and for BX Options Market Makers when contra to a Customer from \$0.00 to as much as \$0.40 per Tiers A, B, and C; and would increase the Rebate to Remove Liquidity for Customers from \$0.00 to \$0.35. As noted, the proposal would make all Penny Pilot Options exactly the same in terms of fees and rebates. The Exchange's model would thus assess a fee to add liquidity – across the board for all Penny Pilot Options for Customer, BX Options Market Maker and BX LMM, and Non-Customer. The proposed differentiation between BX Options Market Makers according to LMM tiers recognizes

²² Per note 2, 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.

the differing contributions made to the liquidity and trading environment on the Exchange by BX Options Market Makers. In all Penny Pilot Options, Customer would continue to be assessed a smaller fee of \$0.40 to Add Liquidity as opposed to a fee of \$0.45 for non-Customer to Add Liquidity; and the Exchange would continue to uniformly assess, without tiers, the Fee to Add Liquidity in all Penny Pilot Options to all Customers and Non-Customers.²³ In all Penny Pilot Options, Customers would continue to not be assessed a Fee to Remove Liquidity while BX Options Market Makers and Non-Customers are assessed a \$0.46 per contract Fee to Remove Liquidity. All fees and rebates would be applied uniformly by category of market participant per fee schedule. Moreover, the Exchange believes that adding the definition of LMM and amending the definition of Common Ownership in Chapter XV and updating the numbering of notes in Section 2 clarifies the uniformly applicable rebates and fees for Penny Pilot Options.

The Exchange further believes the previous pricing scheme employed in the above referenced symbols to incentivize BX Options Market Makers to provide liquidity is no longer necessary in light of the LMM changes and proposed rates discussed herein. The proposed differentiation between BX LMMs and other market participants in terms of tiers recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. The Exchange believes that this is reasonable, equitable, and not unfairly discriminatory. The Exchange notes that as a result of this proposal all rebates and fees would be applied uniformly to all market participants (Customers, BX Options Market Makers, and non-Customers).

²³ In all Penny Pilot Options, Customer continues to be entitled to a Rebate to Remove Liquidity in Penny Pilot Options; BX Options Market Maker continues to be entitled to a Rebate to Add Liquidity; and BX Options Market Maker and non-Customer continues to be assessed a Fee to Remove Liquidity.

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

The proposed rule change does not impose any burden on competition that is 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 Penny Pilot Options contracts on the Exchange.

The Exchange believes that the proposed amended fees and rebates will attract market participants and 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. Moreover, BX Options Market Makers have obligations to the market and regulatory requirements, which normally do not apply to other market participants.²⁴ While BX Options Market Makers will be paying a Fee to Add Liquidity in all Penny Pilot Options that will not be higher than for Customers, 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, BX LMMs, and other market participants, which includes Tiers A, B, and C for BX LMMs, recognizes the differing

²⁴ For example, 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.

above-discussed contributions made to the liquidity and trading environment on the Exchange by these market participants.

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,²⁵ the Exchange 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.

²⁵ 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

The proposed rule change is, in part, based on Chapter XV of NOM as discussed.²⁶

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. Applicable portion of the rule text.

²⁶ See NOM Chapter XV regarding definition of “Common Ownership”.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____; File No. SR-BX-2015-004)

January ____, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding BX LMM and Penny Pilot Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 9, 2015, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Chapter XV, entitled “Options Pricing” and Section 2, entitled “Options Market – Fees and Rebates”. Specifically, the Exchange proposes to: (1) add the definition of Lead Market Maker (“LMM”) and amend the definition of Common Ownership in Chapter XV; (2) adopt three Monthly Volume Tiers in Section 2 that apply to LMMs in their specifically allocated options classes when adding liquidity in Penny Pilot options; (3) indicate in Section 2 that BAC, IWM, QQQ, SPY, and VXX are priced like all other Penny Pilot options; and (4) update the numbering of notes in Section 2.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaqomxbx.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in 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 the proposed rule change is to amend Chapter XV, entitled "Options Pricing" and Section 2, entitled "Options Market – Fees and Rebates". Specifically, the Exchange proposes to: (1) add the definition of Lead Market Maker and amend the definition of Common Ownership in Chapter XV; (2) adopt three Monthly Volume Tiers in Section 2 that apply to LMMs (also known as "BX LMMs") in their specifically allocated options classes when adding liquidity in Penny Pilot options; (3) indicate in Section 2 that BAC, IWM, QQQ, SPY, and VXX³ are priced like all other Penny Pilot options; and (4) update the numbering of notes in Section 2.

³ BAC is the symbol for Bank of America Corporation, IWM is the symbol for iShares Russell 200 ETF, QQQ is the symbol for PowerShares QQQ Trust Series 1 ETF, SPY is the symbol for SPDR S&P 500 ETF, and VXX is the symbol for iPath S&P 500 VIX Short Term Futures ETN.

Lead Market Maker

BX introduced LMMs this year on the Exchange,⁴ such that with respect to each class of options in an LMM's appointment, an LMM is expected to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.⁵ Approved BX Options Market Makers⁶ may become an LMM in one or more listed options. Initial application(s) to become an LMM shall be in a form and/or format prescribed by the Exchange and shall include the following: (1) Background information on the LMM including experience in trading options; (2) the LMM's clearing arrangements; (3) adequacy of capital; and (4) adherence to Exchange rules and ability to meet obligations of an LMM.⁷ Once an applicant is approved by the Exchange as an LMM, any material change in capital shall be reported in writing to the Exchange within two business days after the change. The Exchange will not place any limit on the number of entities that may become LMMs, however the Exchange notes that there will only be one LMM per class.

⁴ See Securities Exchange Act Release No. 72883 (August 20, 2014), 79 FR 50971 (August 26, 2014)(SR-BX-2014-035)(order approving introduction of LMMs on BX)(the "LMM approval order").

⁵ LMM obligations and prohibitions are further described in Chapter VII, Section 14.

⁶ See BX Chapter VII, Section 2.

⁷ See BX Chapter VII, Section 13(A)(b). Subsequent applications are discussed in Section 13(A)(c).

The Exchange is not, in this proposal, making any changes, substantive or otherwise, to how LMMs function. Rather, in that the proposed new volume tiers in Chapter XV, Section 2 refer to LMMs, the Exchange is adding to Chapter XV a definition of LMM that refers back to Chapter VII, Section 13. Specifically, the Exchange proposes to state in Chapter XV: “The term “Lead Market Maker” or (“LMM”) applies to a registered BX Options Market Maker that is approved pursuant to Chapter VII, Section 13 to be the LMM in an options class (options classes).” This makes the proposed volume tiers language easier to understand and read within Chapter XV, Section 2.

Common Ownership

The concept of common ownership is present in Exchange rules. Currently, Chapter XV states that the term “Common Ownership” shall mean Participants under 75% common ownership or control. The Exchange is, as discussed below, proposing Monthly Volume Tiers for execution of options on BX that meet certain volume thresholds. As such, the Exchange simply proposes to incorporate volume tiers into the definition of “Common Ownership” in Chapter XV by adding the language: “Common Ownership shall apply to all pricing in Chapter XV, Section 2 for which a volume threshold or volume percentage is required to obtain the pricing.” This conforms Chapter XV internally and reduces the possibility of confusion. It also conforms the definition of Common Ownership in BX Chapter XV with a similar definition in the rules of the NASDAQ Options Market (“NOM”).⁸

⁸ See NOM Chapter XV. NOM is a facility of The NASDAQ Stock Market LLC (“NASDAQ”). NASDAQ, NASDAQ OMX PHLX LLC (“Phlx”) and the

Fees and Rebates for Penny Pilot Options

The Penny Pilot, an industry-wide program, has been in place on the Exchange for well over a year and has allowed options to quote and trade in penny increments.⁹ The Exchange's options pricing for execution on the BX Options Market currently has a separate section for fees and rebates¹⁰ for Penny Pilot options on BAC, IWM, QQQ, SPY, and VXX (known as "special rates") - as opposed to All Other Penny Pilot Options.¹¹ The Exchange proposes to delete the special rates for BAC, IWM, QQQ, SPY, and VXX. By doing so, BAC, IWM, QQQ, SPY, and VXX would have the same fees and rebates as all other Penny Pilot options. Thus, as a result of this filing deleting the special rates, the rebate to add liquidity for a BX Options Market Maker¹² when contra to a Non-Customer, BX Options Market Maker, or BX LMM would increase from

Exchange are self-regulatory organizations ("SROs") that are wholly owned subsidiaries of The NASDAQ OMX Group, Inc. ("NASDAQ").

⁹ The Penny Pilot was established in June 2012 and last extended in December 2014. See Securities Exchange Act Release Nos. 67256 (June 26, 2012), 77 FR 39277 (July 2, 2012)(SR-BX-2012-030)(order approving BX option rules and establishing Penny Pilot); and 73689 (November 25, 2014), 79 FR 71488 (December 2, 2014)(SR-BX-2014-057)(notice of filing and immediate effectiveness extending the Penny Pilot through June 30, 2015).

¹⁰ 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.

¹¹ See Securities Exchange Act Release No. 70539 (September 27, 2013), 78 FR 61418 (October 3, 2013)(SR-BX-2013-052)(notice of filing and immediate effectiveness regarding special rates for BAC, IWM, QQQ, SPY, and VXX).

¹² 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.

\$0.00 to \$0.10 (per executed contract); the rebate to remove liquidity for Customer¹³ would increase from \$0.00 to \$0.35; the fee to add liquidity for Customer when contra to a Customer would increase from \$0.10 to \$0.40; and the fee to add liquidity for BX Options Market Maker when contra to a Customer would increase from \$0.00 to as much as \$0.40 – according to three Monthly Volume Tiers in new note 4 applicable to LMMs as discussed below. As such, all Penny Pilot Options, including BAC, IWM, QQQ, SPY, and VXX, would have the same fees and rebates.

The fee schedule after the filing will reflect Penny Pilot Options fees and rebates for Customer, BX Options Market Maker, and Non Customer¹⁴ as follows:

| | Fees and Rebates (per executed contract) | | |
|---------------------------------------|---|------------------------------------|---------------------------------|
| | Customer | BX Options Market Maker | Non-Customer¹ |
| Penny Pilot Options: | | | |
| Rebate to Add Liquidity | \$0.00 ² | \$0.10 ² | N/A |
| Fee to Add Liquidity | \$0.40 ³ | \$0.40 ⁴ | \$0.45 |
| Rebate to Remove Liquidity | \$0.35 | N/A | N/A |
| Fee to Remove Liquidity | N/A | \$0.46 | \$0.46 |

There are three notes applicable to this Fees and Rebates section, which do not change.¹⁵

The Exchange is adding new note 4 in respect of volume tiers applicable to LMMs.

¹³ The term “Customer” means a Public Customer or a broker-dealer, and the term “Public Customer” means a person that is not a broker or dealer in securities. See Chapter I, Section 1(a)(22) and 1(a)(50).

¹⁴ A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker.

¹⁵ These unchanged notes are: ¹A Non-Customer includes a Professional, Firm, Broker-Dealer and Non-BX Options Market Maker. ²The Rebate to Add Liquidity will be paid to a Customer or BX Options Market Maker only when the Customer

New note 4 adds Monthly Volume Tiers A, B, and C applicable to BX LMMs in their specifically allocated options classes. These tiers apply to the Fee to add Liquidity for BX LMMs for Penny Pilot Options.¹⁶ The fee is indicated at \$0.40, \$0.38, and \$0.37 depending on Monthly Volume Tier thresholds. Tier A indicates a fee of \$0.40 for Total Volume up to 0.20% of total industry customer equity and ETF option average daily volume (“ADV”) contracts per day. Tier B indicates a fee of \$0.38 for Total Volume above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month. And Tier C indicates a fee of \$0.37 for a Total Volume 0.31% or more of total industry customer equity and ETF option ADV contracts per day in a month. In addition, because new tiers A, B, and C refer to Total Volume, this term is defined as follows: ““Total Volume” shall be defined as Customer, BX Options Market Maker, LMM, and Non-Customer volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on BX Options. For purposes of determining Monthly Volume Tiers, any day that the market is not open for the entire trading day will be excluded from such calculation.”¹⁷

or BX Options Market Maker is contra to a Non-Customer or BX Options Market Maker.³The 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.”

¹⁶ For the Fee to add Liquidity for Customer for Penny Pilot Options, note 3 continues to apply. Note 3 states: “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.”

¹⁷ The Exchange notes that NOM also has a tiered system for fees and rebates, albeit a different one than proposed by the Exchange.

Finally, in the rebates and fees section for Non-Penny Pilot Options, note 4 is renumbered to note 5.¹⁸ There are no other changes to this section.

The Exchange believes that having the same fees and rebates across the board for all Penny Pilot Options will incentivize BX Options Market Makers, Customers, and non-Customers to interact with a greater number of Penny Pilot Options orders on the Exchange. The proposed differentiation between BX LMMs and other market participants in terms of tiers recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. LMMs have heightened quoting obligations. Chapter VII, Section 14(a) indicates that transactions of an LMM should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no LMM should enter into transactions or make bids or offers that are inconsistent with such a course of dealings. Section 14(b) indicates that obligations of LMMs with respect to each class of options in his or her appointment specifically include the following: (i) To compete with other LMMs and Market Makers to improve the market in all series of options classes to which the LMM is appointed; (ii) To make markets that will be honored for the number of contracts entered into the Trading System in all series of options classes within the LMM's appointment; (iii) To update market quotations in response to changed market conditions in all series of options classes within the LMM's appointment; (iv) Options traded on the Trading System may be quoted with a difference not to exceed \$5 between the bid and

¹⁸ Renumbered note 5 is unchanged and states: "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."

offer regardless of the price of the bid; (v) BX Regulation may establish quote width differences other than as provided in subparagraph (iv) for one or more options series.¹⁹

The Exchange believes that the proposed changes are consistent with the Act and raise no novel issues.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act²⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act²¹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. BX Options operates in an intensely

¹⁹ In addition, Chapter VII, Section 14(b)(vi) requires, in part, that in the event the bid/ask differential in the underlying security is greater than the bid/ask differential set forth in subsections (b)(iv)-(v), the permissible price differential for any in-the-money option series may be identical to those in the underlying security market. In the case of the at-the-money and out-of-the-money series, BX Regulation may waive the requirements of subsections (b)(iv)-(v) on a case-by-case basis when the bid/ask differential for the underlying security is greater than .50. In such instances, the bid/ask differentials for the at-the-money series and the out-of-the-money series may be half as wide as the bid/ask differential in the underlying security in the primary market. For obligations with respect to unusual conditions, see Section 14(c). In the LMM approval order (Securities Exchange Act Release No. 72883), the Commission noted that the proposed rules regarding LMMs are substantially similar to the rules of other exchanges such as, for example, NASDAQ OMX PHLX Rules 501, 505, 506 and 511 and NYSE Arca Rules 6.37A and 6.37B.

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

competitive environment and seeks to offer the same services that its competitors offer and in which its customers find value.

The Exchange believes that applying the same Rebates and Fees to all Customers, BX Options Market Makers, and Non-Customers in all Penny Pilot Options promotes just and equitable principles of trade, and fosters cooperation and coordination with persons engaged in facilitating transactions in Penny Pilot Options. The Exchange will uniformly apply the same Fees and Rebates to all Customer, Market Maker and non-Customer Penny Pilot Options and will no longer differentiate Fees and Rebates for BAC, IWM, QQQ, SPY, and VXX.

The proposed rule change also protects investors and the public interest and seeks to establish and promote just and equitable principles of trade by creating more uniformity and consistency among the Exchange's rules related to Fees and Rebates for all Penny Pilot Options. The Exchange believes that the proposal will not diminish and in fact may increase, market making activity on the Exchange by ensuring fees and rebates that are reasonable and already in place for Penny Pilot Options. With this proposal, the same rebates and fees will apply across the board to all Penny Pilot options.

The proposal is reasonable, equitable, and not unfairly discriminatory. The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to treat fees and rebates regarding all Penny Pilot Options, including BAC, IWM, QQQ, SPY and VXX, exactly the same. This would, for BAC, IWM, QQQ, SPY and VXX, effectively increase the Rebate to Add Liquidity for BX Options Market Makers when contra to a

Non-Customer, BX Options Market Maker, or BX LMM from \$0.00 to \$0.10;²² would increase the Fee to Add Liquidity for Customers when contra to a Customer from \$0.10 to \$0.40, and for BX Options Market Makers when contra to a Customer from \$0.00 to as much as \$0.40 per Tiers A, B, and C; and would increase the Rebate to Remove Liquidity for Customers from \$0.00 to \$0.35. As noted, the proposal would make all Penny Pilot Options exactly the same in terms of fees and rebates. The Exchange's model would thus assess a fee to add liquidity – across the board for all Penny Pilot Options for Customer, BX Options Market Maker and BX LMM, and Non-Customer. The proposed differentiation between BX Options Market Makers according to LMM tiers recognizes the differing contributions made to the liquidity and trading environment on the Exchange by BX Options Market Makers. In all Penny Pilot Options, Customer would continue to be assessed a smaller fee of \$0.40 to Add Liquidity as opposed to a fee of \$0.45 for non-Customer to Add Liquidity; and the Exchange would continue to uniformly assess, without tiers, the Fee to Add Liquidity in all Penny Pilot Options to all Customers and Non-Customers.²³ In all Penny Pilot Options, Customers would continue to not be assessed a Fee to Remove Liquidity while BX Options Market Makers and Non-Customers are assessed a \$0.46 per contract Fee to Remove Liquidity. All fees and rebates would be applied uniformly by category of market participant per fee schedule. Moreover, the Exchange believes that adding the definition of LMM and amending the

²² Per note 2, 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.

²³ In all Penny Pilot Options, Customer continues to be entitled to a Rebate to Remove Liquidity in Penny Pilot Options; BX Options Market Maker continues to be entitled to a Rebate to Add Liquidity; and BX Options Market Maker and non-Customer continues to be assessed a Fee to Remove Liquidity.

definition of Common Ownership in Chapter XV and updating the numbering of notes in Section 2 clarifies the uniformly applicable rebates and fees for Penny Pilot Options.

The Exchange further believes the previous pricing scheme employed in the above referenced symbols to incentivize BX Options Market Makers to provide liquidity is no longer necessary in light of the LMM changes and proposed rates discussed herein. The proposed differentiation between BX LMMs and other market participants in terms of tiers recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. The Exchange believes that this is reasonable, equitable, and not unfairly discriminatory. The Exchange notes that as a result of this proposal all rebates and fees would be applied uniformly to all market participants (Customers, BX Options Market Makers, and non-Customers).

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

The proposed rule change does not impose any burden on competition that is 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 Penny Pilot Options contracts on the Exchange.

The Exchange believes that the proposed amended fees and rebates will attract market participants and 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. Moreover, BX Options Market Makers have obligations to the market and regulatory requirements, which normally do not apply to other market participants.²⁴ While BX Options Market Makers will be paying a Fee to Add Liquidity

²⁴ For example, pursuant to Chapter VII (Market Participants), Section 5 (Obligations of Market Makers), in registering as a Market Maker, an Options

in all Penny Pilot Options that will not be higher than for Customers, 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, BX LMMs, and other market participants, which includes Tiers A, B, and C for BX LMMs, recognizes the differing above-discussed contributions made to the liquidity and trading environment on the Exchange by these market participants.

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.

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.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁵ the Exchange 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.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2015-004 on the subject line.

Paper comments:

²⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

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

All submissions should refer to File Number SR-BX-2015-004. 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-2015-004 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.²⁶

Kevin M. O'Neill
Deputy Secretary

²⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new text is underlined. Deleted text is [bracketed].

**NASDAQ OMX BX Rules
Options Rules**

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Chapter XV Options Pricing

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BX Options Participants may be subject to the Charges for Membership, Services and Equipment in the Rule 7000 Series as well as the fees in this Chapter XV. For purposes of assessing fees and paying rebates, the following references should serve as guidance.

The term "**Customer**" or ("C") applies to any transaction that is identified by a Participant for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Chapter I, Section 1(a)(48)).

The term "**BX Options Market Maker**" or ("M") is a Participant that has registered as a Market Maker on BX Options pursuant to Chapter VII, Section 2, and must also remain in good standing pursuant to Chapter VII, Section 4. In order to receive Market Maker pricing in all securities, the Participant must be registered as a BX Options Market Maker in at least one security.

The term "**Lead Market Maker**" or ("LMM") applies to a registered BX Options Market Maker that is approved pursuant to Chapter VII, Section 13 to be the LMM in an options class (options classes).

The term "**Non-BX Options Market Maker**" or ("O") is a registered market maker on another options exchange that is not a BX Options Market Maker. A Non-BX Options Market Maker must append the proper Non-BX Options Market Maker designation to orders routed to BX Options.

The term "**Firm**" or ("F") applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

The term "**Professional**" or ("P") means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s) pursuant to Chapter I, Section 1(a)(48). All Professional orders shall be appropriately marked by Participants.

The term "**Broker-Dealer**" or ("B") applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

The term "**Common Ownership**" shall mean Participants under 75% common ownership or control. Common Ownership shall apply to all pricing in Chapter XV, Section 2 for which a volume threshold or volume percentage is required to obtain the pricing.

- (a) For purposes of applying any options transaction fee or rebate where the fee assessed, or rebate provided by BX depends upon the volume of an Options Participant's activity, an Options Participant may request that BX aggregate its activity with the activity of its affiliates.
- (1) An Options Participant requesting aggregation of affiliate activity shall be required to certify to BX the affiliate status of entities whose activity it seeks to aggregate prior to receiving approval for aggregation, and shall be required to inform BX immediately of any event that causes an entity to cease to be an affiliate. BX shall review available information regarding the entities, and reserves the right to request additional information to verify the affiliate status of an entity. BX shall approve a request unless it determines that the certification is not accurate.
- (2) If two or more Options Participants become affiliated on or prior to the sixteenth day of a month, and submit the required request for aggregation on or prior to the twenty-second day of the month, an approval of the request by BX shall be deemed to be effective as of the first day of that month. If two or more Options Participants become affiliated after the sixteenth day of a month, or submit a request for aggregation after the twenty-second day of the month, an approval of the request by BX shall be deemed to be effective as of the first day of the next calendar month.
- (b) For purposes of applying any options transaction fee or rebate where the fee assessed, or rebate provided, by BX depends upon the volume of an Options Participant's activity, references to an entity (including references to a "Options Participant") shall be deemed to include the entity and its affiliates that have been approved for aggregation.
- (c) For purposes of options pricing, the term "affiliate" of an Options Participant shall mean any Options Participant under 75% common ownership or control of that Options Participant.

The term "**Joint Back Office**" or "**JBO**" applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC and is identified with an origin code as a JBO. A JBO will be priced the same as a Broker-Dealer as of September 1, 2014. A JBO participant is a Participant that maintains a JBO arrangement with a clearing broker-dealer ("JBO Broker") subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System as further discussed in Chapter XIII, Section 5.

With respect to Chapter XV, Sections 2(1) and (2) the order that is received by the trading system first in time shall be considered an order adding liquidity and an order that trades against that order shall be considered an order removing liquidity.

Sec. 1 No Change.

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:

| Fees and Rebates (per executed contract) | | | |
|---|-------------------------------|------------------------------------|--------------------------------------|
| | Customer | BX Options Market Maker | Non- Customer¹ |
| [BAC, IWM, QQQ, SPY and VXX:] | | | |
| [Rebate to Add Liquidity] | [\$0.00 ²] | [\$0.00 ²] | [N/A] |
| [Fee to Add Liquidity] | [\$0.10 ³] | [\$0.00 ³] | [\$0.45] |
| [Rebate to Remove Liquidity] | [\$0.00] | [N/A] | [N/A] |
| [Fee to Remove Liquidity] | [N/A] | [\$0.46] | [\$0.46] |
| [All Other]Penny Pilot Options: | | | |
| Rebate to Add Liquidity | \$0.00 ² | \$0.10 ² | N/A |
| Fee to Add Liquidity | \$0.40 ³ | \$0.40 ^{3 4} | \$0.45 |
| Rebate to Remove Liquidity | \$0.35 | N/A | N/A |
| Fee to Remove Liquidity | N/A | \$0.46 | \$0.46 |
| Non-Penny Pilot Options: | | | |
| Fee to Add Liquidity | \$0.25/\$0.85 ^{[4]5} | \$0.50/\$0.85 ^{[4]5} | \$0.88 |
| Rebate to Remove Liquidity | \$0.70 | N/A | N/A |
| Fee to Remove Liquidity | N/A | \$0.89 | \$0.89 |

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

²The 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.

³The 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.

⁴The following Monthly Volume Tiers and fees apply to LMMs in their specifically allocated options classes when adding liquidity and contra to a Customer.

| | | |
|---------------|--|---------------|
| <u>Tier A</u> | <u>Total Volume up to 0.20% of total industry customer equity and ETF option average daily volume ("ADV") contracts per day in a month</u> | <u>\$0.40</u> |
| <u>Tier B</u> | <u>Total Volume above 0.20% to 0.30% of total industry customer equity and ETF option ADV contracts per day in a month</u> | <u>\$0.38</u> |
| <u>Tier C</u> | <u>Total Volume 0.31% or more of total industry customer equity and ETF option ADV contracts per day in a month.</u> | <u>\$0.37</u> |

"Total Volume" shall be defined as Customer, BX Options Market Maker, LMM, and Non-Customer volume in Penny Pilot Options and/or Non-Penny Pilot Options which either adds or removes liquidity on BX Options.

For purposes of determining Monthly Volume Tiers under this rule, any day that the market is not open for the entire trading day will be excluded from such calculation.

[⁴]⁵The 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.

* * * * *