Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

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

19b-4(f)(6)

19b-4(f)(5)

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

A proposal to implement an order exposure alert.

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 * Carla 

Last Name * Behnfeldt 

Title * Associate General Counsel 

E-mail * carla.behnfeldt@nasdaq.com 

Telephone * (215) 496-5208 

Fax 

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.

(Date *)

Executive Vice President and General Counsel

(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
**Form 19b-4 Information**

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**

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**

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**

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**

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**

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**

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**

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

   (a) NASDAQ OMX BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4 thereunder, is filing with the Securities and Exchange Commission (“Commission”) a proposal to implement an order exposure alert to be disseminated by the Exchange when a marketable order is placed on the book at a price that locks or crosses the national best bid or offer (“NBBO”) when the Exchange is not part of the NBBO.

   A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. 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 (the “Board”) on July 1, 2015. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

   Questions and comments on the proposed rule change may be directed to Carla Behnfeldt, Associate General Counsel, Nasdaq, Inc., at 215-496-5208.

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

   a. **Purpose**

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

      The Trading System provides two routing options, SEEK\(^4\) and SRCH\(^5\), pursuant to which orders are sent to other available market centers for potential execution per the

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

\(^5\) SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(C) of Chapter VI, Section 11. If contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will re-route. See Chapter VI, Section 11(a)(1)(B).
entering market participant's instructions. With SEEK and SRCH, an order will first check the System for available contracts for execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm's instructions. Alternatively, Participants can designate orders as not available for routing.

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

The Exchange is now proposing to amend rulebook Chapter VI, Section 11 to implement an order exposure alert in order to provide marketable orders an additional opportunity for execution on the Exchange when the Exchange is not part of the NBBO and the order locks or crosses the ABBO. The order exposure alert will apply to both SEEK and SRCH orders and is similar to the order exposure alert process already in place on NASDAQ OMX PHLX (“Phlx”).⁷ The Exchange has recently amended its rules to specify that after an order is initially routed, the order will post to the book and will be routed after a time period (“Route Timer”) not to exceed one second as specified by the Exchange on its website, provided that the order’s price would not lock or cross other

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

⁷ See Phlx Rule 1080(m), Away Markets and Order Routing, Section (iv).
market centers. The proposed amendments would permit the Exchange to apply the Route Timer prior to the initial routing of the order.

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

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

9 The rule currently states that “[a]fter checking the System for available contracts, orders are sent to other available market centers for potential execution per the entering firm’s instructions.” This general sentence is being deleted in view of the greater specificity of the proposed new language, and to conform the Exchange’s rule language more closely to that of Phlx. The preceding sentence, for clarity, is then amended to provide that after checking the System an order is sent to other available market centers for potential execution.
The Exchange also proposes to amend Chapter VI, Section 11(1)(B), to provide that a SRCH order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.\textsuperscript{10} Once on the book, should a SRCH order subsequently be locked or crossed by another market center, it will be re-exposed, provided it is not on the book at its limit price, and re-route. An order exposure alert may be sent if the order size is modified.

The Exchange proposes to redesignate existing Section 11(a)(1)(C) as Section 11(a)(1)(D) and to add new Section 11(a)(1)(C) dealing with Do Not Route or “DNR” Orders. Currently, Section 11(a) provides that Participants can designate orders as not available for routing. The new rule provides additional specificity regarding the Exchange’s treatment of such orders, known as DNR orders, tracking language regarding DNR orders from the Phlx rules.\textsuperscript{11} The new language clarifies that DNR orders will never be routed outside of the Exchange regardless of the prices displayed by away markets. It specifies that a DNR order may execute on the Exchange at a price equal to or

\textsuperscript{10} Id.

\textsuperscript{11} See Phlx Rule 1080(m)(iv)(a).
better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Exchange book and be displayed at the better of a price one minimum price variation away from that away best bid/offer or the established Exchange BBO. The new rule states that a DNR order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the Exchange BBO will be exposed at the NBBO to market participants and that any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation away from the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to market participants only if the re-priced order locks or crosses the ABBO and is not already displayed at its limit price. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price. An order exposure alert may be sent if the order size is modified.

The Exchange proposes to amend existing paragraph 11(a)(1)(C) which is being redesignated as paragraph 11(a)(1)(D). The amendments state that SEEK and SRCH orders will also be exposed prior to being re-routed at the end of the Route Timer provided for in that paragraph. Thus, the first sentence of that paragraph will be revised to provide that after an order is initially routed, pursuant to either the SEEK or SRCH routing option the order will post to the book and will be exposed and routed after a time
period ("Route Timer") not to exceed one second as specified by the Exchange on its website provided that the order's limit price would lock or cross other market center(s).

Similarly, the final sentence of the paragraph will be amended to state that if an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and be exposed and route again pursuant to the process described above, if applicable, if the order's limit price would lock or cross another market center(s).

Finally, the Exchange is amending Chapter VI, Trading Systems, Section 1, Definitions, subsection (g)(2) which defines “Immediate or Cancel” or “IOC” as a time in force which means, for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof, is canceled and returned to the entering participant. The Exchange is deleting the last sentence of the definition, which currently states that “IOC orders can be routed if designated as routable.” The Exchange has determined that IOC orders will be cancelled immediately if not executed, and will not be routed. IOC orders are currently handled in this manner on Phlx.12

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to promote just and equitable principles of trade, to remove

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


impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that exposing certain orders has the potential to result in more efficient executions for customers as responses to exposed orders could result in faster executions. Exposing the order to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions, facilitating the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the time the order was received. The Exchange believes that because all Exchange participants have the ability to subscribe to a data feed to provide them with the notifications exposing the orders, all market participants may avail themselves of the same information.

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

   The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposal should facilitate the ability of the Exchange to bring together market participants and encourage more robust competition.

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)**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)\(^{15}\) of the Act and Rule 19b-4(f)(6) thereunder\(^{16}\) in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange believes this filing is noncontroversial because the Exchange is proposing only to add clarity regarding the treatment of DNR, SEEK and SRCH orders, to adopt order exposure alert and route timer functionality already in place on Phlx, and to specify that IOC orders are not routable as is the case already on Phlx.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

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

The proposal is based largely upon Phlx Rule 1080(m)(iv). The Exchange’s proposed rule text differs in certain respects from the Phlx rule text. However, the differences are intended only to provide additional clarity and not to describe any differences in functionality.

In the language describing SEEK and SRCH, the Exchange has specified that a route timer can be initiated not only when an order is received during open trading but also when an order remains on the book after the opening process. It has also clarified that an order will be exposed if it is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO and, similarly, that the order will be included in the Exchange’s displayed BBO. Finally, the language specifies that the orders will be included in the displayed Exchange BBO not at one MPV away from the ABBO (as provided in the Phlx rule) but at the better of a price one MPV away from the ABBO or the established Exchange BBO.

With respect to DNR orders, the Exchange’s proposed language specifies that the orders will be displayed not at one MPV inferior to the ABBO (as provided in the Phlx rule) but at the better of a price one MPV away from the ABBO or the established Exchange BBO. Further, rather than tracking the Phlx language which states that the Exchange shall immediately upon receipt of the DNR order expose the order at the NBBO, the BX DNR rule will provide that a DNR order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the Exchange BBO will be exposed at the NBBO. This language tracks the SEEK and SRCH order exposure language more closely. Unlike the
Phlx rule, the proposed DNR rule does not state that once priced at its original limit price a DNR order will remain at that price until executed or cancelled because an order, even if posted at its limit price, must adhere to Chapter XII, Options Order Protection and Locked and Crossed Market Rules, and as such will be repriced as necessary to adhere to those requirements. Finally, the proposed language specifies in the last sentence that a repriced DNR order will be exposed at the NBBO when it locks or crosses the ABBO only if it is not already displayed at its limit price.

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
    5. Text of the proposed rule change.
SECURITIES AND EXCHANGE COMMISSION

October __, 2015

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)

1, and Rule 19b-4 thereunder, notice is hereby given that on October 6, 2015, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

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

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

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

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

The Exchange is now proposing to amend rulebook Chapter VI, Section 11 to implement an order exposure alert in order to provide marketable orders an additional opportunity for execution on the Exchange when the Exchange is not part of the NBBO series is subject to a new opening or reopening. See Chapter VI, Section 11(a)(1)(A).

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

Because the System routes the lesser of the disseminated size of the away markets or the order size, it is possible for a portion of an order to be routed rather than the entire order. Also, respecting the part of an order that is routed, that order can either be executed in full, in part, or not at all on the destination exchange.
and the order locks or crosses the ABBO. The order exposure alert will apply to both SEEK and SRCH orders and is similar to the order exposure alert process already in place on NASDAQ OMX PHLX (“Phlx”). The Exchange has recently amended its rules to specify that after an order is initially routed, the order will post to the book and will be routed after a time period (“Route Timer”) not to exceed one second as specified by the Exchange on its website, provided that the order’s price would not lock or cross other market centers. The proposed amendments would permit the Exchange to apply the Route Timer prior to the initial routing of the order.

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

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

8 See Securities Exchange Act Release No. 73541 (November 6, 2014 ) 79 FR 67526 (November 13, 2014) (SR-BX-2014-055). The Exchange is proposing to amend Section (a)(1)(C) by redesignating it as Section (a)(1)(D), and by clarifying in the first and last sentences of that Section that the order will be exposed prior to routing pursuant to that Section. This amendment reflects the fact that order exposure occurs (during open trading) every time an order becomes marketable against the ABBO.
such new interest at the ABBO price. While on the book at the limit price, should a SEEK order subsequently be locked or crossed by another market center, the System will not re-expose the order. An order exposure alert may be sent if the order size is modified.

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

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

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

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

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11 See Phlx Rule 1080(m)(iv)(a).
routed from the away market that locked or crossed the DNR order limit price. An order exposure alert may be sent if the order size is modified.

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

Finally, the Exchange is amending Chapter VI, Trading Systems, Section 1, Definitions, subsection (g)(2) which defines “Immediate or Cancel” or “IOC” as a time in force which means, for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof), is canceled and returned to the entering participant. The Exchange is deleting the last sentence of the definition, which currently states that “IOC orders can be routed if designated as routable.” The Exchange has determined that IOC
orders will be cancelled immediately if not executed, and will not be routed. IOC orders are currently handled in this manner on Phlx.12

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act13 in general, and furthers the objectives of Section 6(b)(5) of the Act14 in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that exposing certain orders has the potential to result in more efficient executions for customers as responses to exposed orders could result in faster executions. Exposing the order to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions, facilitating the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the time the order was received. The Exchange believes that because all Exchange participants have the ability to subscribe to a data feed to provide them with the notifications exposing the orders, all market participants may avail themselves of the same information.

12 See Phlx Rule 1080(m), Away Markets and Order Routing, the second sentence of the introductory paragraph.
B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposal should facilitate the ability of the Exchange to bring together market participants and encourage more robust competition.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act\(^\text{15}\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^\text{16}\)

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If


\(^{16}\) 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
the Commission takes such action, the Commission shall institute proceedings to
determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission’s Internet comment form
  (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-
  2015-057 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BX-2015-057. This file number should
be included on the subject line if e-mail is used. To help the Commission process and
review your comments more efficiently, please use only one method. The Commission
will post all comments on the Commission’s Internet Web site

Copies of the submission, all subsequent amendments, all written statements with
respect to the proposed rule change that are filed with the Commission, and all written
communications relating to the proposed rule change between the Commission and any
person, other than those that may be withheld from the public in accordance with the
provisions of 5 U.S.C. 552, will be available for website viewing and printing in the
Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BX-2015-057 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Robert W. Errett
Deputy Secretary

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Exhibit 5

New text is underlined; deleted text is in brackets

NASDAQ OMX BX Rules

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Options Rules

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Chapter VI Trading Systems

Sec. 1 Definitions

The following definitions apply to Chapter VI for the trading of options listed on BX Options.

(a) – (f) No change.

(g) The term "Time in Force" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1) No change.

(2) "Immediate Or Cancel" or "IOC" shall mean for orders so designated, that if after entry into the System a marketable order (or unexecuted portion thereof) becomes non-marketable, the order (or unexecuted portion thereof) shall be canceled and returned to the entering participant. IOC Orders shall be available for entry from the time prior to market open specified by the Exchange on its website until market close and for potential execution from 9:30 a.m. until market close. IOC Orders entered between the time specified by the Exchange on its website and 9:30 a.m. Eastern Time will be held within the System until 9:30 a.m. at which time the System shall determine whether such orders are marketable. [IOC orders can be routed if designated as routable.]

(3) – (5) No change.

(h) No change.

Sec. 2 – Sec. 10 No Change.

Sec. 11 Order Routing
(a) For System securities, the order routing process shall be available to Participants from 9:30 a.m. Eastern Time until market close and shall route orders as described below. Participants can designate orders as either available for routing or not available for routing. All routing of orders shall comply with Chapter XII, Options Order Protection and Locked and Crossed Market Rules.

(b) The system provides a number of routing options pursuant to which orders are sent to other available market centers for potential execution, per the entering firm’s instructions. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The system routing options are:

(A) SEEK is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm’s instructions. A SEEK order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SEEK order at the NBBO to allow market participants an opportunity to interact with the remainder of the SEEK order. During the Route Timer, the SEEK order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SEEK order that is equal to or better than the ABBO price, the SEEK order will trade against such new interest at the ABBO price. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)(C)D. If contracts remain un-executed after routing, they are posted on the book. While on the book at the limit price, should the order subsequently be locked or crossed by another market center, the System will not re-expose or route the order to the locking or crossing market center. SEEK orders will not be eligible for routing until the next time the option series is subject to a new opening or reopening. An order exposure alert may be sent if the order size is modified.

(B) SRCH is a routing option pursuant to which an order will first check the System for available contracts for execution, and then is sent to other available market centers for potential execution. After checking the System for available contracts, orders are sent to other available market centers for potential execution, per the entering firm’s instructions. A SRCH order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the displayed Exchange BBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the displayed Exchange BBO at the better of a price one MPV away from the ABBO or the established Exchange BBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the
SRCH order will trade against such new interest at the ABBO price. When checking the book, the System will seek to execute at the price at which it would send the order to a destination market center. Eligible unexecuted orders will continue to be routed as described in paragraph (a)(1)([C][D]). If contracts remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, it will be re-exposed, provided it is not on the book at its limit price, and re-route. An order exposure alert may be sent if the order size is modified.

(C) DNR Order. A DNR order will never be routed outside of the Exchange regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Exchange book and be displayed at the better of a price one minimum price variation away from that ABBO or the established Exchange BBO. A DNR order remaining on the book after the opening process or received during open trading that is marketable against the ABBO when the ABBO is better than the Exchange BBO will be exposed at the NBBO to market participants. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation away from the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to market participants only if the re-priced order locks or crosses the ABBO and is not already displayed at its limit price. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price. An order exposure alert may be sent if the order size is modified.

([C][D]) After an order is initially routed, pursuant to either the SEEK or SRCH routing option the order will post to the book and will be exposed and routed after a time period ("Route Timer") not to exceed one second as specified by the Exchange on its website provided that the order's limit price would lock or cross other market center(s). If, during the Route Timer, any new interest arrives opposite the order that is equal to or better than the ABBO price, the order will trade against such new interest at the ABBO price. Eligible unexecuted orders will be routed at the end of the Route Timer provided the order was not filled and the order's limit price would continue to lock or cross the ABBO. If an order was routed with either the SEEK or SRCH routing option, and has size after such routing, it will execute against contra side interest in the book, post in the book, and be exposed and route again pursuant to the process described above, if applicable, if the order's limit price would lock or cross another market center(s).

(b) – (g) No change.

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