

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 53		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2015 - * 079		Amendment No. (req. for Amendments *)	
Filing by NASDAQ OMX BX, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934							
Initial * <input checked="" type="checkbox"/>		Amendment * <input type="checkbox"/>		Withdrawal <input type="checkbox"/>		Section 19(b)(2) * <input type="checkbox"/>	
						Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	
						Section 19(b)(3)(B) * <input type="checkbox"/>	
						Rule	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>		<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)	
						<input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)	
						<input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010				Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934			
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>		Section 3C(b)(2) * <input type="checkbox"/>			
Exhibit 2 Sent As Paper Document <input 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 *).							
<input type="text" value="A proposal to amend Options Pricing at Chapter XV, Section 2, entitled BX 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 * <input type="text" value="Jurij"/>		Last Name * <input type="text" value="Trypupenko"/>					
Title * <input type="text" value="Associate General Counsel"/>							
E-mail * <input type="text" value="jurij.trypupenko@nasdaq.com"/>							
Telephone * <input type="text" value="(301) 978-8132"/>		Fax <input type="text" value="(301) 978-8472"/>					
Signature							
Pursuant to the requirements of the Securities Exchange Act of 1934,							
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.							
(Title *)							
Date <input type="text" value="12/09/2015"/>		<input type="text" value="Executive Vice President and General Counsel"/>					
By <input type="text" value="Edward S. Knight"/>		<input type="text" value="edward.knight@nasdaq.com"/>					
(Name *)							
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.							

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) NASDAQ OMX BX, Inc. (“BX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend its Options Pricing at Chapter XV, Section 2, entitled “BX Options Market – Fees and Rebates,” which governs pricing for BX members using the BX Options Market (“BX Options”). The Exchange proposes to adopt new subsection (5) to add fees and rebates for BX Price Improvement Auction (“PRISM”), which is a mechanism for price improvement on BX Options (“Price Improvement Mechanism”).

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 Jurij Trypupenko, Associate General Counsel, Nasdaq, Inc. at (301) 978-8132.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend its Chapter XV, Section 2 to adopt new subsection (5) to add fees and rebates for PRISM.

Effective on or about November 16, 2015, BX Options is introducing PRISM, which is codified in BX Chapter VI, Section 9 (also known as the “PRISM Rule”).³ PRISM is a Price Improvement Mechanism for all-electronic BX Options whereby a buy and sell order may be submitted in one order message to initiate an auction at a ‘stop price’ and seek potential price improvement. Options are traded electronically on BX Options, and all options participants may respond to a PRISM Auction,⁴ the duration of which will be set at 200 milliseconds.⁵ PRISM includes auto-match functionality in

³ See Securities Exchange Act Release Nos. 76301 (October 29, 2015), 80 FR 68347 (November 4, 2015) (SR-BX-2015-032) (approval order) (“PRISM Approval”); and 75827 (September 3, 2015), 80 FR 54601 (September 10, 2015) (SR-BX-2015-032) (“PRISM Filing”). In the PRISM Approval the Exchange noted that it will file a rule change separately with the Commission to remove Price Improving and Post-Only Order types from its Rules. The Exchange will not commence offering BX PRISM until such time as it has an effective and operative rule in place from the Commission to remove Price Improving and Post-Only Orders and removes the ability to submit Price Improving and Post-Only Orders into the auction. In the event the Exchange determines to amend its order types to allow the entry of non-displayed order types, e.g. Price Improving or Post-Only Orders, the Exchange will file a proposed rule change pursuant to Section 19(b)(2) with the Commission to seek approval for such rule change. See also Options Technical Update #2015-6.

⁴ PRISM Auction eligibility requirements and the early conclusion of the PRISM Auction are, with certain other PRISM features, subject to a pilot program scheduled to expire July 18, 2016. See BX Chapter VI, Section 9.

⁵ Other exchanges that have price improvement auctions have developed different durations. See, e.g., CBOE Rule 6.74A(b)(1)(C) (CBOE’s AIM auction has a duration of one second); and BOX Rule 7150(f)(1) (BOX’s PIP auction has a

which a Participant (an “Initiating Participant”) may electronically submit for execution an order it represents as agent on behalf of customer,⁶ broker dealer, or any other entity (“PRISM Order”) against principal interest or against any other order it represents as agent (an “Initiating Order”) provided it submits the PRISM Order for electronic execution into the PRISM Auction pursuant to Chapter VI, Section 9.⁷ The PRISM Rule describes the circumstances under which an Initiating Participant may initiate an Auction. A PRISM Order that is for a Non-Customer (account of a broker-dealer or any other person or entity that is not a Public Customer) is always required to improve the same side of the BX BBO even if there is no resting limit order on the book. PRISM Orders that do not comply with the requirements set forth in the PRISM Rule are not eligible to initiate an Auction and will be immediately cancelled. Also, PRISM Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected. PRISM Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be immediately cancelled. Finally, an Initiating Order may not be a solicited order for the account of any BX Options Market Maker assigned in the affected series.⁸

duration of one hundred milliseconds, commencing on the dissemination of the PIP broadcast).

⁶ The term "Customer" is defined below for purposes of this fee proposal.

⁷ BX PRISM will only conduct an auction for simple (non-complex) Orders.

⁸ See BX Chapter VI, Section 9(i)(C) through (G).

The Exchange believes that the PRISM Auction will be beneficial to market participants, and in particular will encourage BX Market Makers⁹ to quote at the National Best Bid or Offer (“NBBO”) with additional size and thereby result in tighter and deeper markets, resulting in more liquidity on BX. Specifically, by offering BX Market Makers the ability to receive priority in the proposed allocation during the PRISM Auction up to the size of their quote, a BX Market Maker will be encouraged to quote with additional size outside of the PRISM Auction at the best and most aggressive prices. BX believes that this incentive may result in a narrowing of quotes and thus further enhance BX’s market quality. BX believes that PRISM will encourage BX Market Makers to compete vigorously to provide the opportunity for price improvement in a competitive auction process.¹⁰

This proposal establishes the fee and rebate structure for PRISM (per contract), in particular two new fees and one new rebate. These would apply to Customers,¹¹ BX Options Market Makers,¹² and Non-Customers:

⁹ BX Options Market Makers may also be referred to as “Market Makers”. The term “BX Options Market Maker” means 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.

¹⁰ For purposes of brevity, the Exchange does not endeavor to describe all the nuances of PRISM within this fee proposal. Additional detail regarding PRISM can be found in PRISM Approval, PRISM Filing, and PRISM FAQs at <http://nasdaqtrader.com/content/productsservices/trading/PRISMFAQs.pdf>.

¹¹ 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)).

Change 1. The Exchange proposes to establish fees for Submitted PRISM Order¹³ (Agency Order and Contra-Side Order).

Change 2. The Exchange proposes to establish fees for Responded to PRISM Auction¹⁴ (Penny Classes¹⁵ and non-Penny Classes).

Change 3. The Exchange proposes to establish rebates for PRISM Order Traded With PRISM Response.¹⁶

Each specific change is described in detail below.

Change 1 – Fees for Submitted PRISM Order: Agency Order and Contra-Side Order

¹² BX Options Market Makers may also be referred to as “Market Makers”. The term “BX Options Market Maker” or (“M”) means 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.

¹³ This relates to a market participant submitting an order into the PRISM Auction.

¹⁴ This relates to a market participant responding to a PRISM Auction.

¹⁵ Penny Classes are options listed pursuant to the Penny Pilot, which was established in June 2012 and extended in 2015. 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 75326 (June 29, 2015), 80 FR 38481 (July 6, 2015) (SR-BX-2015-037) (notice of filing and immediate effectiveness extending the Penny Pilot through June 30, 2016).

¹⁶ This relates to a market participant submitting a PRISM Order pursuant to a PRISM Auction and the PRISM Order trading with (or being “contra to”) PRISM Response. The rebate discussed is similar to the Miami International Securities Exchange (“MIAX”) PRIME break-up rebate. MIAX PRIME is, as discussed, similar in nature to PRISM.

For Submitted PRISM Order the Exchange is proposing to establish fees for Agency Order (per contract), and fees for Contra-Side Order (per contract). Currently, the Exchange has no such fees.

The fees for Submitted PRISM Order will range from \$0.00 to \$0.30 for Agency Order. The fees for Submitted PRISM Order will range from \$0.00 to \$0.05 for Contra-Side Order. Specifically, for Submitted PRISM Order proposed Chapter XV, Section 2 subsection (5) will state that for Customer there will be no fee (\$0.00) for Agency Order and no fee (\$0.00) for Contra-Side Order. Subsection (5) will state that for BX Options Market Maker there will be a \$0.30 fee for Agency Order and a \$0.05 fee for Contra-Side Order. Subsection (5) will state that for Non-Customer there will be a \$0.30 fee for Agency Order and a \$0.05 fee for Contra-Side Order.

Change 2 – Fees for Responded to PRISM Auction: Penny Classes and non-Penny Classes

For Responded to PRISM Auction the Exchange is proposing to establish fees for Penny Classes (per contract), and fees for non-Penny Classes (per contract). Currently, the Exchange has no such fees.

The fees for Responded to PRISM Auction will be \$0.49 (per executed contract) for Penny Classes. The fees for Responded to PRISM Auction will be \$0.94 (per executed contract) for non-Penny Classes. Specifically, for Responded to PRISM Auction proposed Chapter XV, Section 2 subsection (5) will state that for Customer there will be a \$0.49 fee for Penny Classes and a \$0.94 fee for non-Penny Classes. Subsection (5) will state that for BX Options Market Maker there will be a \$0.49 fee for Penny Classes and a \$0.94 fee for non-Penny Classes. Subsection (5) will state that for Non-

Customer there will be a \$0.49 fee for Penny Classes and a \$0.94 fee for non-Penny Classes.

Change 3 – Rebates for PRISM Order Traded with PRISM Response: Penny Classes and non-Penny Classes

For PRISM Order Traded with PRISM Response the Exchange is proposing to establish rebates for Penny Classes (per contract), and rebates for non-Penny Classes (per contract). Currently, the Exchange has no such rebates. These rebates would be applied in conjunction with the Agency Order fees that the Submitted PRISM Order is assessed.

The rebates for PRISM Order Traded with PRISM Response will range from \$0.00 to \$0.35 for Penny Classes. The rebates for PRISM Order Traded with PRISM Response will range from \$0.00 to \$0.70 for non-Penny Classes. Only Customers will get rebates. Specifically, for PRISM Order Traded with PRISM Response proposed Chapter XV, Section 2 subsection (5) will state that for Customer there will be a \$0.35 rebate for Penny Classes and a \$0.70 rebate for non-Penny Classes. Subsection (5) will state that for BX Options Market Maker and for Non-Customer there will be no rebate (\$0.00) for Penny Classes and no rebate (\$0.00) for non-Penny Classes.

BX will apply the rebate to market participants that submitted a PRISM Order pursuant to a PRISM Auction and the PRISM Order Traded with PRISM Response. Moreover, the Agency Order fee for Submitted PRISM Order, which is discussed in Change 1 above, will be applicable to any contract(s) for which a rebate is provided (whether \$0.00 or otherwise in the fees and rebates schedule)¹⁷ for PRISM Order Traded with PRISM Response.

¹⁷ Also known as fee and rebate schedule.

Example 1

A Customer PRISM Agency Order in a Penny Class (one contract) trades against a PRISM Response in a Penny Class (one contract). The Customer Agency Order is assessed a fee of \$0.00 and given a rebate of \$0.35 for a total rebate of \$0.35 (fee \$0.00 + rebate \$0.35). The market participant that Responded to PRISM Auction will be assessed a fee of \$0.49.

Example 2

A Non-Customer PRISM Agency Order in a Penny Class (one contract) trades against a PRISM Response in a Penny Class (one contract). The Non-Customer Agency Order is assessed a fee of \$0.30 and given a rebate of \$0.00 for a total fee of \$0.30 (fee \$0.30 + rebate \$0.00). The market participant that Responded to PRISM Auction will be assessed a fee of \$0.49.

As proposed, Chapter XV, Section 2 subsection (5) will read as follows:

(5) Fees and rebates for BX Price Improvement Auction (“PRISM”)

Fees and rebates (per contact)

Type of Market Participants	Submitted PRISM Order		Responded to PRISM Auction		PRISM Order Traded With PRISM Response	
	Agency Order	Contra-Side Order	Penny Classes	Non-Penny Classes	Penny Classes	Non-Penny Classes
Customer	\$0.00	\$0.00	\$0.49	\$0.94	\$0.35	\$0.70
BX Options Market Maker	\$0.30	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00

Non-Customer	\$0.30	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00
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BX will apply the rebate to market participants that submitted a PRISM Order pursuant to a PRISM Auction and the PRISM Order Traded with PRISM Response. The Agency Order fee for Submitted PRISM Order will be applicable to any contract(s) for which a rebate is provided (whether \$0.00 or otherwise in this fees and rebates schedule) for PRISM Order Traded with PRISM Response.

The Exchange is adopting these fees and rebates at this time because it believes that they will allow the Exchange to recoup some of the costs associated with PRISM, which promotes price improvement to the benefit of market participants, while also incentivizing the use of PRISM.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁸ in general, and with Section 6(b)(4) and 6(b)(5) of the Act,¹⁹ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, for example, the Commission indicated that market forces should generally determine the price of non-core market data because national market system regulation “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed

¹⁸ 15 U.S.C. 78f.

¹⁹ 15 U.S.C. 78f(b)(4) and (5).

companies.”²⁰ Likewise, in NetCoalition v. NYSE Arca, Inc.²¹ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.²² As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”²³

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”²⁴ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange’s proposal establishes fees and rebates regarding PRISM, which promotes price improvement to the benefit of market participants. The Exchange believes that PRISM will encourage market participants, and in particular BX Market Makers, to compete vigorously to provide the opportunity for price improvement in a

²⁰ Securities Exchange Act Release No. 51808 at 37499 (June 9, 2005) (“Regulation NMS Adopting Release”).

²¹ NetCoalition v. NYSE Arca, Inc. 615 F.3d 525 (D.C. Cir. 2010).

²² See NetCoalition, at 534.

²³ Id. at 537.

²⁴ Id. at 539 (quoting ArcaBook Order, 73 FR at 74782-74783).

competitive auction process. The Exchange believes that its proposal will allow the Exchange to recoup costs associated with PRISM while also incentivizing its use.

Change 1 – Fees for Submitted PRISM Order: Agency Order and Contra-Side Order

For Submitted PRISM Order, establishing that there will be no fee for Customer for Agency Order, while establishing a \$0.30 fee per contract for BX Options Market Maker for Agency Order and a \$0.30 fee per contract for Non-Customer for Agency Order, is reasonable because it encourages the desired Customer behavior. The fee is also reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. For Submitted PRISM Order, establishing no Customer fee, while establishing a \$0.05 fee per contract for BX Options Market Maker for Contra-Side Order and a \$0.05 fee per contract fee for Non-Customer for Contra-Side Order, is reasonable because it encourages the desired Customer behavior. The fee is also reasonable because the associated revenue will allow the Exchange to maintain and enhance its services.

Assessing Customers a lesser fee for Agency Order and for Contra-Side Order (in both cases \$0.00) is reasonable because of the desirability of Customer activity. The proposed new fees and rebates for PRISM schedule is set up to encourage greater Customer trade volume to the Exchange. Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The practice of incentivizing increased Customer order flow through a fee and rebate schedule

in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.²⁵ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee structures for price improvement mechanisms.²⁶ Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.²⁷ Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.²⁸ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

The fee and rebate schedule as proposed continues to reflect differentiation among different market participants typically found in options fee and rebate schedules.²⁹

²⁵ See, e.g., MIAX Fee Schedule, NYSE Arca Fee Schedule, Nasdaq Options Market (“NOM”) Fee Schedule.

²⁶ See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

²⁷ Id.

²⁸ Id.

²⁹ See, e.g., NOM Chapter XV, Section 2 and BX Chapter XV, Section 2. See also MIAX Fee Schedule.

The Exchange believes that the differentiation is reasonable and notes that unlike others (e.g. Customers) some market participants like BX Options Market Makers commit to various obligations. For example, transactions of a BX Market Maker 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.³⁰

For Submitted PRISM Order, establishing no fee for Customer (Agency Order and Contra-Side Order) and a fee for BX Market Maker and Non-Customer (Agency Order and Contra-Side Order) is equitable and not unfairly discriminatory. This is because the Exchange's proposal to assess such fee will apply the same to all similarly situated participants. Moreover, all similarly situated Submitted PRISM Orders are subject to the same proposed fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. In addition, fees for Submitted Prism Order are equitable and not unfairly discriminatory because, while each market participant (Customer, BX Options Market Maker, non-Customer) is assessed a fee the Customer fee is lowest because an increase in Customer order flow will bring greater volume and liquidity, which benefits all market participants by providing more trading opportunities and tighter spreads.

Change 2 – Fees for Responded to PRISM Auction: Penny Classes and non-Penny Classes

³⁰ See Chapter VII, Section 5, entitled “Obligations of Market Makers”.

For Responded to PRISM Auction, establishing that there will be a \$0.49 fee per contract for Customer for Agency Order, and the same fee for BX Options Market Maker and for Non-Customer for Agency Order, is reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.³¹ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee structures for price improvement mechanisms.³² Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.³³ Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.³⁴ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price

³¹ See MIAX Fee Schedule, NYSE Arca Fee Schedule, NOM Fee Schedule.

³² See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

³³ Id.

³⁴ Id.

improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

For Responded to PRISM Auction, establishing that there will be a \$0.94 fee per contract for Customer for Contra-Side Order, and the same fee for BX Options Market Maker and for Non-Customer for Contra-Side Order, is reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.³⁵ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee structures for price improvement mechanisms.³⁶ Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.³⁷ Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.³⁸ As proposed, all

³⁵ See MIAX Fee Schedule, NYSE Arca Fee Schedule, NOM Fee Schedule.

³⁶ See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

³⁷ Id.

³⁸ Id.

applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

For Responded to PRISM Auction, establishing a fee for Customer, BX Market Maker and Non-Customer (Agency Order and Contra-Side Order) is equitable and not unfairly discriminatory. This is because the Exchange's proposal to assess such fee will apply the same to all similarly situated participants. . Moreover, all similarly situated Submitted PRISM Orders are subject to the same proposed fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory.

Change 3 – Rebates for PRISM Order Traded with PRISM Response: Penny Classes and non-Penny Classes

For PRISM Order Traded with PRISM Response, establishing that there will be no rebate for BX Options Market Maker and Non-Customer for Penny Classes, while establishing a \$0.35 rebate per contract for Customer for Penny Classes and a \$0.70 rebate per contract for Customer for non-Penny Pilot Classes, is reasonable because it encourages the desired Customer behavior. The rebate is also reasonable because paying the rebate only to Customers will allow the Exchange to maintain and enhance its services. The rebate is also reasonable because paying the rebate only to Customers will allow the Exchange to maintain and enhance its services.³⁹

Offering a rebate only for Customer (\$0.35 or \$0.70) is reasonable because of the significance of Customer activity. Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing

³⁹ As noted, such rebate would be applied in conjunction with any Agency Order fee that the Submitted PRISM Order is assessed.

more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.⁴⁰ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee structures for price improvement mechanisms.⁴¹ Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.⁴² Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.⁴³ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

⁴⁰ See MIAX Fee Schedule, NYSE Arca Fee Schedule, NOM Fee Schedule.

⁴¹ See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

⁴² Id.

⁴³ Id.

For PRISM Order Traded with PRISM Response, establishing a rebate for Customer (Penny Classes and non-Penny Classes) and no rebate for BX Market Maker and Non-Customer (Penny Classes and non-Penny Classes) is equitable and not unfairly discriminatory. This is because the Exchange's proposal to pay such rebate will apply the same to all similarly situated participants. The Exchange is adopting the proposed fees and rebates at this time because it believes that the associated revenue will allow it to continue and enhance PRISM, which is beneficial to market participants. Moreover, all similarly situated PRISM Order Traded with PRISM Response are subject to the same proposed rebate schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. In addition, rebates for PRISM Order Traded with PRISM Response are equitable and not unfairly discriminatory because, while only Customer, can earn a rebate, Customer order flow will bring greater volume and liquidity, which benefits all market participants by providing more trading opportunities and tighter spreads

The rebate schedule as proposed continues to reflect differentiation among different market participants typically found in options fee and rebate schedules.⁴⁴ The Exchange believes that the differentiation is reasonable and notes that unlike others (e.g. Customers) some market participants like BX Options Market Makers commit to various obligations. For example, transactions of a BX Market Maker 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

⁴⁴ See, e.g., NOM Chapter XV, Section 2 and BX Chapter XV, Section 2

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.⁴⁵

In sum the Exchange believes that the proposed fee and rebate structure is designed to attract Customer liquidity, which benefits all market participants by providing more trading opportunities. This attracts BX Market Makers and an increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the Exchange believes that assessing market participants other than Customers a higher effective rate for certain PRISM Order transactions is reasonable, equitable, and not unfairly discriminatory because these types of market participants are more sophisticated and have higher levels of order flow activity and system usage. This level of trading activity draws on a greater amount of system resources than that of Customers, and thus, generates greater ongoing operational costs. The proposed fees and rebates will allow it to continue and enhance PRISM, which is beneficial to market participants.

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. Specifically, the Exchange does not believe that its proposal to establish fees and rebates for PRISM will impose any burden on competition, as discussed below.

The Exchange operates in a highly competitive market in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular

⁴⁵ See Chapter VII, Section 5, entitled “Obligations of Market Makers”.

exchange to be excessive or inadequate. Additionally, new competitors have entered the market and still others are reportedly entering the market shortly. These market forces ensure that the Exchange's fees and rebates remain competitive with the fee structures at other trading platforms. In that sense, the Exchange's proposal is actually pro-competitive because the Exchange is simply establishing rebates and fees in order to remain competitive in the current environment.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed changes to the charges assessed and credits available to member firms in respect of PRISM do not impose a burden on competition because the Exchange's execution and routing services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. If the changes proposed herein are unattractive to market participants, it is likely

that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

Additionally, the changes proposed herein are pro-competitive to the extent that they continue to allow the Exchange to promote and maintain PRISM, which has the potential to result in more efficient, price improved executions to the benefit of market participants.

The Exchange believes that the proposed change would increase both inter-market and intra-market competition by incentivizing members to direct their orders, and particularly Customer orders, to the Exchange, which benefits all market participants by providing more trading opportunities, which attracts market makers. To the extent that there is a differentiation between proposed fees assessed and rebates offered to Customers as opposed other market participants, the Exchange believes that this is appropriate because the fees and rebate should incentivize members to direct additional order flow to the Exchange and thus provide additional liquidity that enhances the quality of its markets and increases the volume of contracts traded on the Exchange. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive.

The Exchange believes that the proposed fees and rebates for participation in the PRISM Auction are not going to have an impact on intra-market competition based on the total cost for participants to transact as respondents to the Auction as compared to the cost for participants to engage in non-Auction electronic transactions on the Exchange. As noted above, the Exchange believes that the proposed pricing for the PRISM Auction is comparable to that of other exchanges offering similar electronic price improvement mechanisms, and the Exchange believes that, based on experience with electronic price improvement crossing mechanisms on other markets, market participants understand that the price-improving benefits offered by the Auction justify and offset the transaction costs associated with Auction. To the extent that there is a difference between non-PRISM transactions and PRISM transactions, the Exchange does not believe this difference will cause participants to refrain from submitting or responding to PRISM. In addition, the Exchange does not believe that the proposed transaction fees and credits burden competition by creating a disparity of transaction fees between the PRISM Order and the transaction fees a responder pays would result in certain participants being unable to compete with the contra side order. The Exchange expects to see robust competition within the PRISM Auction. As discussed, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. The Exchange believes that the proposed rule change reflects this competitive environment because it establishes a fee structure in a

manner that encourages market participants to direct their order flow, to provide liquidity, and to attract additional transaction volume to the Exchange.

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,⁴⁶ 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: (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.

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

Not applicable.⁴⁷

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴⁷ MIAX recently implemented fees and rebates that are largely similar to those that are proposed by the Exchange herein. See Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act
Not applicable.
10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act
Not applicable.
11. Exhibits
 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.
 5. Text of the proposed rule change.

45) (notice of filing and immediate effectiveness regarding MIAX PRIME). The Exchanges notes that the proposed fees for PRISM are in line with MIAX's PRIME pricing, however MIAX has higher PRIME response fees for market participants than what is proposed for BX PRISM.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-BX-2015-079)

December ____, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish Fees and Rebates Related to BX Price Improvement Auction (PRISM)

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 December 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 its Options Pricing at Chapter XV, Section 2, entitled “BX Options Market – Fees and Rebates,” which governs pricing for BX members using the BX Options Market (“BX Options”). The Exchange proposes to adopt new subsection (5) to add fees and rebates for BX Price Improvement Auction (“PRISM”), which is a mechanism for price improvement on BX Options (“Price Improvement Mechanism”).

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 Exchange proposes to amend its Chapter XV, Section 2 to adopt new subsection (5) to add fees and rebates for PRISM.

Effective on or about November 16, 2015, BX Options is introducing PRISM, which is codified in BX Chapter VI, Section 9 (also known as the "PRISM Rule").³

³ See Securities Exchange Act Release Nos. 76301 (October 29, 2015), 80 FR 68347 (November 4, 2015) (SR-BX-2015-032) (approval order) ("PRISM Approval"); and 75827 (September 3, 2015), 80 FR 54601 (September 10, 2015) (SR-BX-2015-032) ("PRISM Filing"). In the PRISM Approval the Exchange noted that it will file a rule change separately with the Commission to remove Price Improving and Post-Only Order types from its Rules. The Exchange will not commence offering BX PRISM until such time as it has an effective and operative rule in place from the Commission to remove Price Improving and Post-Only Orders and removes the ability to submit Price Improving and Post-Only Orders into the auction. In the event the Exchange determines to amend its order types to allow the entry of non-displayed order types, e.g. Price Improving or Post-Only Orders, the Exchange will file a proposed rule change pursuant to Section 19(b)(2) with the Commission to seek approval for such rule change. See also Options Technical Update #2015-6.

PRISM is a Price Improvement Mechanism for all-electronic BX Options whereby a buy and sell order may be submitted in one order message to initiate an auction at a 'stop price' and seek potential price improvement. Options are traded electronically on BX Options, and all options participants may respond to a PRISM Auction,⁴ the duration of which will be set at 200 milliseconds.⁵ PRISM includes auto-match functionality in which a Participant (an "Initiating Participant") may electronically submit for execution an order it represents as agent on behalf of customer,⁶ broker dealer, or any other entity ("PRISM Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PRISM Order for electronic execution into the PRISM Auction pursuant to Chapter VI, Section 9.⁷ The PRISM Rule describes the circumstances under which an Initiating Participant may initiate an Auction. A PRISM Order that is for a Non-Customer (account of a broker-dealer or any other person or entity that is not a Public Customer) is always required to improve the same side of the BX BBO even if there is no resting limit order on the book. PRISM Orders that do not comply with the requirements set forth in the PRISM Rule are not eligible to initiate an Auction and will be immediately cancelled. Also, PRISM Orders submitted at

⁴ PRISM Auction eligibility requirements and the early conclusion of the PRISM Auction are, with certain other PRISM features, subject to a pilot program scheduled to expire July 18, 2016. See BX Chapter VI, Section 9.

⁵ Other exchanges that have price improvement auctions have developed different durations. See, e.g., CBOE Rule 6.74A(b)(1)(C) (CBOE's AIM auction has a duration of one second); and BOX Rule 7150(f)(1) (BOX's PIP auction has a duration of one hundred milliseconds, commencing on the dissemination of the PIP broadcast).

⁶ The term "Customer" is defined below for purposes of this fee proposal.

⁷ BX PRISM will only conduct an auction for simple (non-complex) Orders.

or before the opening of trading are not eligible to initiate an Auction and will be rejected. PRISM Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be immediately cancelled. Finally, an Initiating Order may not be a solicited order for the account of any BX Options Market Maker assigned in the affected series.⁸

The Exchange believes that the PRISM Auction will be beneficial to market participants, and in particular will encourage BX Market Makers⁹ to quote at the National Best Bid or Offer (“NBBO”) with additional size and thereby result in tighter and deeper markets, resulting in more liquidity on BX. Specifically, by offering BX Market Makers the ability to receive priority in the proposed allocation during the PRISM Auction up to the size of their quote, a BX Market Maker will be encouraged to quote with additional size outside of the PRISM Auction at the best and most aggressive prices. BX believes that this incentive may result in a narrowing of quotes and thus further enhance BX’s market quality. BX believes that PRISM will encourage BX Market Makers to compete vigorously to provide the opportunity for price improvement in a competitive auction process.¹⁰

⁸ See BX Chapter VI, Section 9(i)(C) through (G).

⁹ BX Options Market Makers may also be referred to as “Market Makers”. The term “BX Options Market Maker” means 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.

¹⁰ For purposes of brevity, the Exchange does not endeavor to describe all the nuances of PRISM within this fee proposal. Additional detail regarding PRISM can be found in PRISM Approval, PRISM Filing, and PRISM FAQs at <http://nasdaqtrader.com/content/productsservices/trading/PRISMFAQs.pdf>.

This proposal establishes the fee and rebate structure for PRISM (per contract), in particular two new fees and one new rebate. These would apply to Customers,¹¹ BX Options Market Makers,¹² and Non-Customers:

Change 1. The Exchange proposes to establish fees for Submitted PRISM Order¹³ (Agency Order and Contra-Side Order).

Change 2. The Exchange proposes to establish fees for Responded to PRISM Auction¹⁴ (Penny Classes¹⁵ and non-Penny Classes).

Change 3. The Exchange proposes to establish rebates for PRISM Order Traded With PRISM Response.¹⁶

¹¹ 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)).

¹² BX Options Market Makers may also be referred to as "Market Makers". The term "BX Options Market Maker" or ("M") means 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.

¹³ This relates to a market participant submitting an order into the PRISM Auction.

¹⁴ This relates to a market participant responding to a PRISM Auction.

¹⁵ Penny Classes are options listed pursuant to the Penny Pilot, which was established in June 2012 and extended in 2015. 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 75326 (June 29, 2015), 80 FR 38481 (July 6, 2015) (SR-BX-2015-037) (notice of filing and immediate effectiveness extending the Penny Pilot through June 30, 2016).

¹⁶ This relates to a market participant submitting a PRISM Order pursuant to a PRISM Auction and the PRISM Order trading with (or being "contra to") PRISM Response. The rebate discussed is similar to the Miami International Securities Exchange ("MIAX") PRIME break-up rebate. MIAX PRIME is, as discussed, similar in nature to PRISM.

Each specific change is described in detail below.

Change 1 – Fees for Submitted PRISM Order: Agency Order and Contra-Side Order

For Submitted PRISM Order the Exchange is proposing to establish fees for Agency Order (per contract), and fees for Contra-Side Order (per contract). Currently, the Exchange has no such fees.

The fees for Submitted PRISM Order will range from \$0.00 to \$0.30 for Agency Order. The fees for Submitted PRISM Order will range from \$0.00 to \$0.05 for Contra-Side Order. Specifically, for Submitted PRISM Order proposed Chapter XV, Section 2 subsection (5) will state that for Customer there will be no fee (\$0.00) for Agency Order and no fee (\$0.00) for Contra-Side Order. Subsection (5) will state that for BX Options Market Maker there will be a \$0.30 fee for Agency Order and a \$0.05 fee for Contra-Side Order. Subsection (5) will state that for Non-Customer there will be a \$0.30 fee for Agency Order and a \$0.05 fee for Contra-Side Order.

Change 2 – Fees for Responded to PRISM Auction: Penny Classes and non-Penny Classes

For Responded to PRISM Auction the Exchange is proposing to establish fees for Penny Classes (per contract), and fees for non-Penny Classes (per contract). Currently, the Exchange has no such fees.

The fees for Responded to PRISM Auction will be \$0.49 (per executed contract) for Penny Classes. The fees for Responded to PRISM Auction will be \$0.94 (per executed contract) for non-Penny Classes. Specifically, for Responded to PRISM Auction proposed Chapter XV, Section 2 subsection (5) will state that for Customer there

will be a \$0.49 fee for Penny Classes and a \$0.94 fee for non-Penny Classes. Subsection (5) will state that for BX Options Market Maker there will be a \$0.49 fee for Penny Classes and a \$0.94 fee for non-Penny Classes. Subsection (5) will state that for Non-Customer there will be a \$0.49 fee for Penny Classes and a \$0.94 fee for non-Penny Classes.

Change 3 – Rebates for PRISM Order Traded with PRISM Response: Penny Classes and non-Penny Classes

For PRISM Order Traded with PRISM Response the Exchange is proposing to establish rebates for Penny Classes (per contract), and rebates for non-Penny Classes (per contract). Currently, the Exchange has no such rebates. These rebates would be applied in conjunction with the Agency Order fees that the Submitted PRISM Order is assessed.

The rebates for PRISM Order Traded with PRISM Response will range from \$0.00 to \$0.35 for Penny Classes. The rebates for PRISM Order Traded with PRISM Response will range from \$0.00 to \$0.70 for non-Penny Classes. Only Customers will get rebates. Specifically, for PRISM Order Traded with PRISM Response proposed Chapter XV, Section 2 subsection (5) will state that for Customer there will be a \$0.35 rebate for Penny Classes and a \$0.70 rebate for non-Penny Classes. Subsection (5) will state that for BX Options Market Maker and for Non-Customer there will be no rebate (\$0.00) for Penny Classes and no rebate (\$0.00) for non-Penny Classes.

BX will apply the rebate to market participants that submitted a PRISM Order pursuant to a PRISM Auction and the PRISM Order Traded with PRISM Response. Moreover, the Agency Order fee for Submitted PRISM Order, which is discussed in Change 1 above, will be applicable to any contract(s) for which a rebate is provided

(whether \$0.00 or otherwise in the fees and rebates schedule)¹⁷ for PRISM Order Traded with PRISM Response.

Example 1

A Customer PRISM Agency Order in a Penny Class (one contract) trades against a PRISM Response in a Penny Class (one contract). The Customer Agency Order is assessed a fee of \$0.00 and given a rebate of \$0.35 for a total rebate of \$0.35 (fee \$0.00 + rebate \$0.35). The market participant that Responded to PRISM Auction will be assessed a fee of \$0.49.

Example 2

A Non-Customer PRISM Agency Order in a Penny Class (one contract) trades against a PRISM Response in a Penny Class (one contract). The Non-Customer Agency Order is assessed a fee of \$0.30 and given a rebate of \$0.00 for a total fee of \$0.30 (fee \$0.30 + rebate \$0.00). The market participant that Responded to PRISM Auction will be assessed a fee of \$0.49.

As proposed, Chapter XV, Section 2 subsection (5) will read as follows:

¹⁷ Also known as fee and rebate schedule.

(5) Fees and rebates for BX Price Improvement Auction (“PRISM”)

Fees and rebates (per contact)

Type of Market Participants	Submitted PRISM Order fee		Responded to PRISM Auction fee		PRISM Order Traded With PRISM Response rebate	
	Agency Order	Contra-Side Order	Penny Classes	Non-Penny Classes	Penny Classes	Non-Penny Classes
Customer	\$0.00	\$0.00	\$0.49	\$0.94	\$0.35	\$0.70
BX Options Market Maker	\$0.30	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00
Non-Customer	\$0.30	\$0.05	\$0.49	\$0.94	\$0.00	\$0.00

BX will apply the rebate to market participants that submitted a PRISM Order pursuant to a PRISM Auction and the PRISM Order Traded with PRISM Response. The Agency Order fee for Submitted PRISM Order will be applicable to any contract(s) for which a rebate is provided (whether \$0.00 or otherwise in this fees and rebates schedule) for PRISM Order Traded with PRISM Response.

The Exchange is adopting these fees and rebates at this time because it believes that they will allow the Exchange to recoup some of the costs associated with PRISM, which promotes price improvement to the benefit of market participants, while also incentivizing the use of PRISM.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁸ in general, and with Section 6(b)(4) and 6(b)(5) of

¹⁸ 15 U.S.C. 78f.

the Act,¹⁹ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, for example, the Commission indicated that market forces should generally determine the price of non-core market data because national market system regulation “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”²⁰ Likewise, in NetCoalition v. NYSE Arca, Inc.²¹ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.²² As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”²³

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and

¹⁹ 15 U.S.C. 78f(b)(4) and (5).

²⁰ Securities Exchange Act Release No. 51808 at 37499 (June 9, 2005) (“Regulation NMS Adopting Release”).

²¹ NetCoalition v. NYSE Arca, Inc. 615 F.3d 525 (D.C. Cir. 2010).

²² See NetCoalition, at 534.

²³ Id. at 537.

the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”²⁴ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange’s proposal establishes fees and rebates regarding PRISM, which promotes price improvement to the benefit of market participants. The Exchange believes that PRISM will encourage market participants, and in particular BX Market Makers, to compete vigorously to provide the opportunity for price improvement in a competitive auction process. The Exchange believes that its proposal will allow the Exchange to recoup costs associated with PRISM while also incentivizing its use.

Change 1 – Fees for Submitted PRISM Order: Agency Order and Contra-Side Order

For Submitted PRISM Order, establishing that there will be no fee for Customer for Agency Order, while establishing a \$0.30 fee per contract for BX Options Market Maker for Agency Order and a \$0.30 fee per contract for Non-Customer for Agency Order, is reasonable because it encourages the desired Customer behavior. The fee is also reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. For Submitted PRISM Order, establishing no Customer fee, while establishing a \$0.05 fee per contract for BX Options Market Maker for Contra-Side Order and a \$0.05 fee per contract fee for Non-Customer for Contra-Side Order, is reasonable

²⁴ Id. at 539 (quoting ArcaBook Order, 73 FR at 74782-74783).

because it encourages the desired Customer behavior. The fee is also reasonable because the associated revenue will allow the Exchange to maintain and enhance its services.

Assessing Customers a lesser fee for Agency Order and for Contra-Side Order (in both cases \$0.00) is reasonable because of the desirability of Customer activity. The proposed new fees and rebates for PRISM schedule is set up to encourage greater Customer trade volume to the Exchange. Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.²⁵ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee structures for price improvement mechanisms.²⁶ Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the

²⁵ See, e.g., MIAX Fee Schedule, NYSE Arca Fee Schedule, Nasdaq Options Market (“NOM”) Fee Schedule.

²⁶ See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

auction in a manner similar to the proposal.²⁷ Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.²⁸ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

The fee and rebate schedule as proposed continues to reflect differentiation among different market participants typically found in options fee and rebate schedules.²⁹ The Exchange believes that the differentiation is reasonable and notes that unlike others (e.g. Customers) some market participants like BX Options Market Makers commit to various obligations. For example, transactions of a BX Market Maker 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.³⁰

For Submitted PRISM Order, establishing no fee for Customer (Agency Order and Contra-Side Order) and a fee for BX Market Maker and Non-Customer (Agency Order and Contra-Side Order) is equitable and not unfairly discriminatory. This is

²⁷ Id.

²⁸ Id.

²⁹ See, e.g., NOM Chapter XV, Section 2 and BX Chapter XV, Section 2. See also MIAAX Fee Schedule.

³⁰ See Chapter VII, Section 5, entitled “Obligations of Market Makers”.

because the Exchange's proposal to assess such fee will apply the same to all similarly situated participants. Moreover, all similarly situated Submitted PRISM Orders are subject to the same proposed fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. In addition, fees for Submitted Prism Order are equitable and not unfairly discriminatory because, while each market participant (Customer, BX Options Market Maker, non-Customer) is assessed a fee the Customer fee is lowest because an increase in Customer order flow will bring greater volume and liquidity, which benefits all market participants by providing more trading opportunities and tighter spreads.

Change 2 – Fees for Responded to PRISM Auction: Penny Classes and non-Penny Classes

For Responded to PRISM Auction, establishing that there will be a \$0.49 fee per contract for Customer for Agency Order, and the same fee for BX Options Market Maker and for Non-Customer for Agency Order, is reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.³¹ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee

³¹ See MIAAX Fee Schedule, NYSE Arca Fee Schedule, NOM Fee Schedule.

structures for price improvement mechanisms.³² Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.³³ Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.³⁴ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

For Responded to PRISM Auction, establishing that there will be a \$0.94 fee per contract for Customer for Contra-Side Order, and the same fee for BX Options Market Maker and for Non-Customer for Contra-Side Order, is reasonable because the associated revenue will allow the Exchange to maintain and enhance its services. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.³⁵ The proposed fee and rebate schedule similarly attracts Customer order flow.

³² See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

³³ Id.

³⁴ Id.

³⁵ See MIAX Fee Schedule, NYSE Arca Fee Schedule, NOM Fee Schedule.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee structures for price improvement mechanisms.³⁶ Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.³⁷ Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.³⁸ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

For Responded to PRISM Auction, establishing a fee for Customer, BX Market Maker and Non-Customer (Agency Order and Contra-Side Order) is equitable and not unfairly discriminatory. This is because the Exchange's proposal to assess such fee will apply the same to all similarly situated participants. . Moreover, all similarly situated Submitted PRISM Orders are subject to the same proposed fee schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory.

Change 3 – Rebates for PRISM Order Traded with PRISM Response: Penny Classes and non-Penny Classes

³⁶ See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

³⁷ Id.

³⁸ Id.

For PRISM Order Traded with PRISM Response, establishing that there will be no rebate for BX Options Market Maker and Non-Customer for Penny Classes, while establishing a \$0.35 rebate per contract for Customer for Penny Classes and a \$0.70 rebate per contract for Customer for non-Penny Pilot Classes, is reasonable because it encourages the desired Customer behavior. The rebate is also reasonable because paying the rebate only to Customers will allow the Exchange to maintain and enhance its services. The rebate is also reasonable because paying the rebate only to Customers will allow the Exchange to maintain and enhance its services.³⁹

Offering a rebate only for Customer (\$0.35 or \$0.70) is reasonable because of the significance of Customer activity. Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The practice of incentivizing increased Customer order flow through a fee and rebate schedule in order to attract professional liquidity providers (market-makers) is, and has been, commonly practiced in the options markets.⁴⁰ The proposed fee and rebate schedule similarly attracts Customer order flow.

The proposed fee and rebate schedule is reasonably designed because it is within the range of fees and rebates assessed by other exchanges employing similar fee

³⁹ As noted, such rebate would be applied in conjunction with any Agency Order fee that the Submitted PRISM Order is assessed.

⁴⁰ See MIAX Fee Schedule, NYSE Arca Fee Schedule, NOM Fee Schedule.

structures for price improvement mechanisms.⁴¹ Other competing exchanges offer different fees and rebates for agency orders, contra-side order, and responders to the auction in a manner similar to the proposal.⁴² Other competing exchanges also charge different rates for transactions in their price improvement mechanisms for customers versus their non-customers in a manner similar to the proposal.⁴³ As proposed, all applicable fees and rebates are within the range of fees and rebates for executions in price improvement mechanisms assessed by other exchanges employing similar fee structures for price improvement mechanisms.

For PRISM Order Traded with PRISM Response, establishing a rebate for Customer (Penny Classes and non-Penny Classes) and no rebate for BX Market Maker and Non-Customer (Penny Classes and non-Penny Classes) is equitable and not unfairly discriminatory. This is because the Exchange's proposal to pay such rebate will apply the same to all similarly situated participants. The Exchange is adopting the proposed fees and rebates at this time because it believes that the associated revenue will allow it to continue and enhance PRISM, which is beneficial to market participants. Moreover, all similarly situated PRISM Order Traded with PRISM Response are subject to the same proposed rebate schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. In addition, rebates for PRISM Order Traded with PRISM

⁴¹ See MIAX Fee Schedule; and Securities Exchange Act Release No. 72943 (August 28, 2014), 80 FR 52785 (September 4, 2014) (SR-MIAX-2015-45) (notice of filing and immediate effectiveness regarding MIAX PRIME). See also, e.g., NYSE Amex Options Fee Schedule; International Securities Exchange Fee Schedule; and BOX Options Exchange Fee Schedule.

⁴² Id.

⁴³ Id.

Response are equitable and not unfairly discriminatory because, while only Customer, can earn a rebate, Customer order flow will bring greater volume and liquidity, which benefits all market participants by providing more trading opportunities and tighter spreads

The rebate schedule as proposed continues to reflect differentiation among different market participants typically found in options fee and rebate schedules.⁴⁴ The Exchange believes that the differentiation is reasonable and notes that unlike others (e.g. Customers) some market participants like BX Options Market Makers commit to various obligations. For example, transactions of a BX Market Maker 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.⁴⁵

In sum the Exchange believes that the proposed fee and rebate structure is designed to attract Customer liquidity, which benefits all market participants by providing more trading opportunities. This attracts BX Market Makers and an increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the Exchange believes that assessing market participants other than Customers a higher effective rate for certain PRISM Order transactions is reasonable, equitable, and not unfairly discriminatory because these types of market participants are more

⁴⁴ See, e.g., NOM Chapter XV, Section 2 and BX Chapter XV, Section 2.

⁴⁵ See Chapter VII, Section 5, entitled “Obligations of Market Makers”.

sophisticated and have higher levels of order flow activity and system usage. This level of trading activity draws on a greater amount of system resources than that of Customers, and thus, generates greater ongoing operational costs. The proposed fees and rebates will allow it to continue and enhance PRISM, which is beneficial to market participants.

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. Specifically, the Exchange does not believe that its proposal to establish fees and rebates for PRISM will impose any burden on competition, as discussed below.

The Exchange operates in a highly competitive market in which many sophisticated and knowledgeable market participants can readily and do send order flow to competing exchanges if they deem fee levels or rebate incentives at a particular exchange to be excessive or inadequate. Additionally, new competitors have entered the market and still others are reportedly entering the market shortly. These market forces ensure that the Exchange's fees and rebates remain competitive with the fee structures at other trading platforms. In that sense, the Exchange's proposal is actually pro-competitive because the Exchange is simply establishing rebates and fees in order to remain competitive in the current environment.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange

must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed changes to the charges assessed and credits available to member firms in respect of PRISM do not impose a burden on competition because the Exchange's execution and routing services are completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. If the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets. Additionally, the changes proposed herein are pro-competitive to the extent that they continue to allow the Exchange to promote and maintain PRISM, which has the potential to result in more efficient, price improved executions to the benefit of market participants.

The Exchange believes that the proposed change would increase both inter-market and intra-market competition by incentivizing members to direct their orders, and particularly Customer orders, to the Exchange, which benefits all market participants by providing more trading opportunities, which attracts market makers. To the extent that there is a differentiation between proposed fees assessed and rebates offered to

Customers as opposed other market participants, the Exchange believes that this is appropriate because the fees and rebate should incentivize members to direct additional order flow to the Exchange and thus provide additional liquidity that enhances the quality of its markets and increases the volume of contracts traded on the Exchange. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive.

The Exchange believes that the proposed fees and rebates for participation in the PRISM Auction are not going to have an impact on intra-market competition based on the total cost for participants to transact as respondents to the Auction as compared to the cost for participants to engage in non-Auction electronic transactions on the Exchange. As noted above, the Exchange believes that the proposed pricing for the PRISM Auction is comparable to that of other exchanges offering similar electronic price improvement mechanisms, and the Exchange believes that, based on experience with electronic price improvement crossing mechanisms on other markets, market participants understand that the price-improving benefits offered by the Auction justify and offset the transaction costs associated with Auction. To the extent that there is a difference between non-PRISM transactions and PRISM transactions, the Exchange does not believe this difference will cause participants to refrain from submitting or responding to PRISM. In

addition, the Exchange does not believe that the proposed transaction fees and credits burden competition by creating a disparity of transaction fees between the PRISM Order and the transaction fees a responder pays would result in certain participants being unable to compete with the contra side order. The Exchange expects to see robust competition within the PRISM Auction. As discussed, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. The Exchange believes that the proposed rule change reflects this competitive environment because it establishes a fee structure in a manner that encourages market participants to direct their order flow, to provide liquidity, and to attract additional transaction volume to the Exchange.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,⁴⁶ 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

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

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.

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-2015-079 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-2015-079. 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-2015-079 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.⁴⁷

Robert W. Errett
Deputy Secretary

⁴⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Rules of NASDAQ OMX BX
Options Rules**

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Chapter XV Options Pricing

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Sec. 2 BX Options Market—Fees and Rebates

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

(1) – (4) No Change.

(5) Fees and rebates for BX Price Improvement Auction (“PRISM”)

Fees and rebates (per contact)

<u>Type of Market Participants</u>	<u>Submitted PRISM Order</u>		<u>Responded to PRISM Auction</u>		<u>PRISM Order Traded With PRISM Response</u>	
	<u>fee</u>		<u>fee</u>		<u>rebate</u>	
	<u>Agency Order</u>	<u>Contra-Side Order</u>	<u>Penny Classes</u>	<u>Non-Penny Classes</u>	<u>Penny Classes</u>	<u>Non-Penny Classes</u>
<u>Customer</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.49</u>	<u>\$0.94</u>	<u>\$0.35</u>	<u>\$0.70</u>
<u>BX Options Market Maker</u>	<u>\$0.30</u>	<u>\$0.05</u>	<u>\$0.49</u>	<u>\$0.94</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>Non-Customer</u>	<u>\$0.30</u>	<u>\$0.05</u>	<u>\$0.49</u>	<u>\$0.94</u>	<u>\$0.00</u>	<u>\$0.00</u>

BX will apply the rebate to market participants that submitted a PRISM Order pursuant to a PRISM Auction and the PRISM Order Traded with PRISM Response. The Agency Order fee for Submitted PRISM Order will be applicable to any contract(s) for which a rebate is provided (whether \$0.00 or otherwise in this fees and rebates schedule) for PRISM Order Traded with PRISM Response.

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