

Required fields are shown with yellow backgrounds and asterisks.

Filing by NASDAQ BX, Inc.
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input 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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

Description

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

Proposal to amend BX Rules 4702 and 4703 to change the way in which Post Only Orders interact with resting Non Display orders and preventing the execution of midpoint pegged orders during a crossed market.

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 * Jeffrey Last Name * Davis

Title * Deputy General Counsel

E-mail * Jeffrey.Davis@nasdaq.com

Telephone * (301) 978-8484 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

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

(Title *)

Date 09/13/2016 Executive Vice President and General Counsel

By Edward S. Knight

(Name *)

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) NASDAQ 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 BX Rules 4702, Order Types, and 4703, Order Attributes, to change the way in which Post Only Orders interact with resting Non-Display orders and preventing the execution of midpoint pegged orders during a crossed market.

A notice of the proposed rule change for publication in the Federal Register is attached 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 the Board of Directors of the Exchange on August 4, 2016. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Jeffrey S. Davis
Deputy General Counsel
Nasdaq, Inc.
301-978-8484

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 offers various Order Types³ and Order Attributes⁴ to help members trade effectively on behalf of investors and themselves. This proposal would modify the manner in which two of those order types, Non-Display and Post Only, interact within BX's trading system.

The Exchange's Non-Display Orders, described in Rule 4702(b)(3), help members minimize market impact when trading in larger-than-average size. For example, institutions often use Non-Display Orders that use pegging at the midpoint (Midpoint Peg Order)⁵ of the National Best Bid and Offer (NBBO) to reduce market impact because a midpoint execution does not indicate a price movement direction, as opposed to buying at the offer or selling at the bid (sometimes referred to as "crossing the spread") which may publicly indicate the direction of the stock price.

The Exchange also offers Post Only Orders, described in Rule 4702(b)(4), which members, often market makers, use to rest liquidity on BX's Order Book. Resting displayed liquidity is essential to price formation and order interaction, two indicators of healthy and orderly markets. BX introduced Post Only Orders⁶ to enable and encourage

³ See Exchange Rule 4702. The Exchange also proposes a minor technical correction to add the word "price" after the word "displayed" in the second line of the second paragraph of Rule 4702(b)(4)(B).

⁴ See Exchange Rule 4703.

⁵ See Exchange Rule 4702(b)(3)(C).

⁶ See Post Only order Factsheet:
http://www.nasdaqtrader.com/content/ProductsServices/Trading/postonly_factsheet.pdf.

this valuable behavior. A Post Only buy (sell) order entered at a price below \$1.00 will execute against a resting sell (buy) order if the value of price improvement equals or exceeds the foregone rebate for liquidity provision and fee for removing liquidity. If a Post Only buy (sell) order is entered at a price below \$1.00 and is equal to the price of a resting sell (buy) order, the buy (sell) order is repriced one minimum price increment (MPV), generally \$0.0001⁷ lower (higher) than the resting sell (buy) order's price.

This repricing function, sometimes referred to as "price-sliding," often occurs when a liquidity provider seeking to tighten the bid/offer spread on the Exchange encounters a Non-Display Order on the opposite side of market from the Post Only Order. When this occurs, the displayed spread on the Exchange may become wider than on competing exchanges therefore reducing market quality and the likelihood of execution on the Exchange. In addition, the member entering the Post Only Order learns through the repricing action both that there is a Non-Display Order resting on the book and also the price at which the Non-Display Order is resting. The Exchange believes that this interaction is inefficient and detrimental to investors, to members, and to the market.

Accordingly, the Exchange proposes two changes to the manner in which certain Post Only Orders respond to certain Non-Display Orders resting on the opposite side of

⁷ Securities priced at or above \$1 are quoted in \$0.01 increments, below \$1, they can be quoted in \$0.0001 increments. Post Only behavior is slightly different below \$1 because the fees and economics involved in the execution are distinct from those at or above \$1. Specifically, executions in securities priced at or above \$1 result in rebates for the accessor of liquidity and as such it is always in the best interest of the incoming Post-Only Order to execute in securities at or above \$1. See Exchange Rule 4702(b)(4)(A). In contrast, executions in securities priced below \$1 result in charges to the accessor of liquidity. Compare Rules 7018 (a) and (b). In both cases, the Exchange system is programmed to analyze the price improvement offered and to execute only where permitted under its rules.

the market. In all other instances, there will be no change. For example, Post-Only Orders will continue to execute against resting Non-Display Orders provided the price improvement associated with the execution equals or exceeds the foregone rebate for liquidity provision and fee for removing liquidity for the member entering the Post Only Order, as they do today.

First, a Post-Only Order that is entered with a price below \$1.00 and is equal to the price of a resting Non-Display Order will be posted at its limit price (or its adjusted price if applicable)⁸, rather than being re-priced as it is today. This allows the Post Only Order to lock the resting Non-Display Order.⁹ Both the displayed Post Only order and the resting Non-Display order will remain available for execution at the locking price. In this way, neither order is disadvantaged; the Exchange Bid/Offer spread is tightened; and no signal is sent to the member that entered the Post Only Order. In this scenario, efficacy is maintained or enhanced for both the Post Only Order user and the Non-Display Order user compared to today. For example, under the current rules if a Participant entered a Post-Only Order to buy at \$0.95, the Best Offer¹⁰ was \$0.97, and there was a Non-Displayed Order on the Exchange Book to sell at \$0.95, the Post-Only Order would be ranked and displayed at \$0.9499. Using the above scenario, the

⁸ If a Post-Only Order is received at a price that would lock or cross a Protected Quotations, its price will be adjusted in the same manner as a Price to Comply order (if it is not Attributable) or a Price to Display Order (if it is Attributable). See Rules 4702(b)(1) and 4702(b)(4)(A).

⁹ The Exchange believes that this condition is consistent with the Regulation NMS prohibition on locked and crossed markets because the Exchange will not be displaying a locked market.

¹⁰ The term “Best Offer” is defined in Exchange Rule 4701(j).

Exchange is proposing to instead rank and display the Post-Only Order to buy at its limit price of \$0.95.

Second, the Exchange also proposes to modify processing when a Post Only Order, priced below \$1.00, interacts with a Non-Display Order that is a Midpoint Peg Order. Specifically, when a Post Only buy (sell) order is priced higher (lower) than a resting Midpoint Peg Order but where the difference is less than the foregone rebate for liquidity provision and fee for removing liquidity, the Post Only Order will nonetheless be posted at its limit price. This proposal benefits investors and members because it results in a tighter Bid/Offer spread. Moreover, because the Post Only order is not re-priced relative to the resting Midpoint Peg order, as it is today, there is no information leakage. Additionally, the member entering the Midpoint Peg Order benefits because the new midpoint based on the new NBBO would now be a better price for the seller. Midpoint Peg orders are either cancelled or re-adjusted based on NBBO changes depending on the protocol used by the member to enter the Midpoint Peg Order.¹¹ For example, under the current rules if the NBBO is \$0.92 x \$0.97 and a Participant enters a Midpoint Peg Order (which, as stated above, is Non-Displayed) to buy 200 shares with a limit price of \$0.96, the Midpoint Peg Order would post to the book at \$0.945. If thereafter a Post-Only Order to sell 200 shares at \$0.9449 is entered, the Post-Only Order would post and display at \$0.9451 and Midpoint Peg Order would be cancelled or readjusted depending on the protocol used to enter the order. Under the proposed change and using the example above, the incoming Post-Only Order to sell 200 shares at \$0.9449

¹¹ See Exchange Rule 4703(d).

would post and display at \$0.9449 and the Midpoint Peg Order would be cancelled or re-adjusted depending on the protocol used to enter the order.

In addition, the Exchange proposes to discontinue executing midpoint pegged orders when the NBBO is crossed. Today, the Exchange executes midpoint pegged orders when the NBBO is locked by executing at the locking price and when the NBBO is crossed by executing at the midpoint of the crossed price. Based upon feedback from members and the practice of other exchanges,¹² the Exchange has determined that its current practice of executing midpoint pegged orders during such crossed markets produces sub-optimal execution prices for members and investors. The midpoint of a crossed market is not a clear and accurate indication of a valid price, nor is it indicative of a fair and orderly market. The better result is to simply not execute midpoint orders during crossed markets. To accomplish this, the Exchange will program the trading system to respond to the creation of a crossed NBBO by cancelling existing midpoint pegged orders and rejecting the entry of new midpoint pegged orders. After such order cancellation or rejection, members can resubmit their orders at their discretion without limitation. Accordingly, the Exchange proposes to modify the rule language describing the processing of Orders with the midpoint pegging attribute described in Rule 4703(d).

As set forth below, the Exchange believes the proposed changes will benefit investors and members by addressing certain market inefficiencies that exist on the Exchange, and by improving BX's competitive position against other exchanges that already offer similar processing of resting and non-displayed orders.

¹² See, e.g., BATS Rule 11.9(c)(9) (no midpoint execution during crossed market); NYSE Arca Rule 7.31(d)(4) (no midpoint execution when the market is locked or crossed).

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest in several ways.

First, the proposed changes will benefit investors and members by tightening bid/offer spreads, thereby enhancing execution quality on the Exchange. Second, members entering Post Only Order users will be able to execute liquidity providing strategies more efficiently. Third, the proposed changes will reduce the signaling created today by the interaction of Post Only and Non-Display Order, and thereby minimize the market impact of larger orders. Fourth, the cancellation or rejection of midpoint pegged orders when the NBBO is crossed will avoid mispriced executions and result in higher overall execution quality for members.

The Exchange believes the proposed changes have no detrimental impact on any member or class of members, or on users of the Post Only or Non-Display Order types or on users of other order types offered by the Exchange. First, the use of Exchange Order types and attributes is voluntary, in that no member is required to use any specific Order type or attribute or even to use any Exchange Order type or attribute or any Exchange functionality at all. If an Exchange member believes for any reason that the proposed

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

rule change will be detrimental, that perceived detriment can be avoided by choosing not to enter or interact with the Order types modified by this proposed rule change. Second, the Exchange believes that the changes proposed herein will not result in any diminution of market quality (execution price, effective spread, fill rate, etc.) for any member entering or interacting with one of the Order types modified by this proposed rule change.

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. To the contrary, the Exchange believes the proposed rule changes are pro-competitive for several reasons. First, the proposed functionality is designed to compete with exchanges, including BATS and NYSE Arca, which already offer order types that behave similarly to how the Exchange proposes Post Only and Non-Display Orders behave in the future. Second, the Exchange believes that the proposed rule change will make the Exchange a more competitive execution venue by creating tighter bid/offer spreads and by enhancing execution quality (*i.e.*, achieving increased price improvement, reducing effective spreads, and increasing execution fill rates). Third, the Exchange proposes to offer the same functionality to all members, thereby eliminating potential competitive burden or differential treatment.

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

The Exchange does not consent to an extension of the time period for Commission action.

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

Not applicable.

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

The proposal is consistent with BZX Rule 11.09(c)(6), which governs Post Only Orders, except that the BZX rule does not describe in detail the “locking” functionality. Additionally, the Exchange’s proposed rule change is consistent with NYSE Arca Rule 7.31(d)(4), which governs the execution of orders during locked and crossed markets.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-BX-2016-046)

September __, 2016

Self-Regulatory Organizations; NASDAQ BX, Inc.; Notice of Filing of Proposed Rule Change to Amend BX Rules 4702 and 4703

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 September 13, 2016, NASDAQ BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend BX Rules 4702, Order Types, and 4703, Order Attributes, to change the way in which Post Only Orders interact with resting Non-Display orders and preventing the execution of midpoint pegged orders during a crossed market.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange offers various Order Types³ and Order Attributes⁴ to help members trade effectively on behalf of investors and themselves. This proposal would modify the manner in which two of those order types, Non-Display and Post Only, interact within BX's trading system.

The Exchange's Non-Display Orders, described in Rule 4702(b)(3), help members minimize market impact when trading in larger-than-average size. For example, institutions often use Non-Display Orders that use pegging at the midpoint (Midpoint Peg Order)⁵ of the National Best Bid and Offer (NBBO) to reduce market impact because a midpoint execution does not indicate a price movement direction, as

³ See Exchange Rule 4702. The Exchange also proposes a minor technical correction to add the word "price" after the word "displayed" in the second line of the second paragraph of Rule 4702(b)(4)(B).

⁴ See Exchange Rule 4703.

⁵ See Exchange Rule 4702(b)(3)(C).

opposed to buying at the offer or selling at the bid (sometimes referred to as “crossing the spread”) which may publicly indicate the direction of the stock price.

The Exchange also offers Post Only Orders, described in Rule 4702(b)(4), which members, often market makers, use to rest liquidity on BX’s Order Book. Resting displayed liquidity is essential to price formation and order interaction, two indicators of healthy and orderly markets. BX introduced Post Only Orders⁶ to enable and encourage this valuable behavior. A Post Only buy (sell) order entered at a price below \$1.00 will execute against a resting sell (buy) order if the value of price improvement equals or exceeds the foregone rebate for liquidity provision and fee for removing liquidity. If a Post Only buy (sell) order is entered at a price below \$1.00 and is equal to the price of a resting sell (buy) order, the buy (sell) order is repriced one minimum price increment (MPV), generally \$0.0001⁷ lower (higher) than the resting sell (buy) order’s price.

This repricing function, sometimes referred to as “price-sliding,” often occurs when a liquidity provider seeking to tighten the bid/offer spread on the Exchange encounters a Non-Display Order on the opposite side of market from the Post Only

⁶ See Post Only order Factsheet: http://www.nasdaqtrader.com/content/ProductsServices/Trading/postonly_factsheet.pdf.

⁷ Securities priced at or above \$1 are quoted in \$0.01 increments, below \$1, they can be quoted in \$0.0001 increments. Post Only behavior is slightly different below \$1 because the fees and economics involved in the execution are distinct from those at or above \$1. Specifically, executions in securities priced at or above \$1 result in rebates for the accessor of liquidity and as such it is always in the best interest of the incoming Post-Only Order to execute in securities at or above \$1. See Exchange Rule 4702(b)(4)(A). In contrast, executions in securities priced below \$1 result in charges to the accessor of liquidity. Compare Rules 7018 (a) and (b). In both cases, the Exchange system is programmed to analyze the price improvement offered and to execute only where permitted under its rules.

Order. When this occurs, the displayed spread on the Exchange may become wider than on competing exchanges therefore reducing market quality and the likelihood of execution on the Exchange. In addition, the member entering the Post Only Order learns through the repricing action both that there is a Non-Display Order resting on the book and also the price at which the Non-Display Order is resting. The Exchange believes that this interaction is inefficient and detrimental to investors, to members, and to the market.

Accordingly, the Exchange proposes two changes to the manner in which certain Post Only Orders respond to certain Non-Display Orders resting on the opposite side of the market. In all other instances, there will be no change. For example, Post-Only Orders will continue to execute against resting Non-Display Orders provided the price improvement associated with the execution equals or exceeds the foregone rebate for liquidity provision and fee for removing liquidity for the member entering the Post Only Order, as they do today.

First, a Post-Only Order that is entered with a price below \$1.00 and is equal to the price of a resting Non-Display Order will be posted at its limit price (or its adjusted price if applicable)⁸, rather than being re-priced as it is today. This allows the Post Only Order to lock the resting Non-Display Order.⁹ Both the displayed Post Only order and the resting Non-Display order will remain available for execution at the locking price. In this way, neither order is disadvantaged; the Exchange Bid/Offer spread is tightened; and

⁸ If a Post-Only Order is received at a price that would lock or cross a Protected Quotations, its price will be adjusted in the same manner as a Price to Comply order (if it is not Attributable) or a Price to Display Order (if it is Attributable). See Rules 4702(b)(1) and 4702(b)(4)(A).

⁹ The Exchange believes that this condition is consistent with the Regulation NMS prohibition on locked and crossed markets because the Exchange will not be displaying a locked market.

no signal is sent to the member that entered the Post Only Order. In this scenario, efficacy is maintained or enhanced for both the Post Only Order user and the Non-Display Order user compared to today. For example, under the current rules if a Participant entered a Post-Only Order to buy at \$0.95, the Best Offer¹⁰ was \$0.97, and there was a Non-Displayed Order on the Exchange Book to sell at \$0.95, the Post-Only Order would be ranked and displayed at \$0.9499. Using the above scenario, the Exchange is proposing to instead rank and display the Post-Only Order to buy at its limit price of \$0.95.

Second, the Exchange also proposes to modify processing when a Post Only Order, priced below \$1.00, interacts with a Non-Display Order that is a Midpoint Peg Order. Specifically, when a Post Only buy (sell) order is priced higher (lower) than a resting Midpoint Peg Order but where the difference is less than the foregone rebate for liquidity provision and fee for removing liquidity, the Post Only Order will nonetheless be posted at its limit price. This proposal benefits investors and members because it results in a tighter Bid/Offer spread. Moreover, because the Post Only order is not re-priced relative to the resting Midpoint Peg order, as it is today, there is no information leakage. Additionally, the member entering the Midpoint Peg Order benefits because the new midpoint based on the new NBBO would now be a better price for the seller. Midpoint Peg orders are either cancelled or re-adjusted based on NBBO changes depending on the protocol used by the member to enter the Midpoint Peg Order.¹¹ For example, under the current rules if the NBBO is \$0.92 x \$0.97 and a Participant enters a

¹⁰ The term “Best Offer” is defined in Exchange Rule 4701(j).

¹¹ See Exchange Rule 4703(d).

Midpoint Peg Order (which, as stated above, is Non-Displayed) to buy 200 shares with a limit price of \$0.96, the Midpoint Peg Order would post to the book at \$0.945. If thereafter a Post-Only Order to sell 200 shares at \$0.9449 is entered, the Post-Only Order would post and display at \$0.9451 and Midpoint Peg Order would be cancelled or readjusted depending on the protocol used to enter the order. Under the proposed change and using the example above, the incoming Post-Only Order to sell 200 shares at \$0.9449 would post and display at \$0.9449 and the Midpoint Peg Order would be cancelled or re-adjusted depending on the protocol used to enter the order.

In addition, the Exchange proposes to discontinue executing midpoint pegged orders when the NBBO is crossed. Today, the Exchange executes midpoint pegged orders when the NBBO is locked by executing at the locking price and when the NBBO is crossed by executing at the midpoint of the crossed price. Based upon feedback from members and the practice of other exchanges,¹² the Exchange has determined that its current practice of executing midpoint pegged orders during such crossed markets produces sub-optimal execution prices for members and investors. The midpoint of a crossed market is not a clear and accurate indication of a valid price, nor is it indicative of a fair and orderly market. The better result is to simply not execute midpoint orders during crossed markets. To accomplish this, the Exchange will program the trading system to respond to the creation of a crossed NBBO by cancelling existing midpoint pegged orders and rejecting the entry of new midpoint pegged orders. After such order cancellation or rejection, members can resubmit their orders at their discretion without

¹² See, e.g., BATS Rule 11.9(c)(9) (no midpoint execution during crossed market); NYSE Arca Rule 7.31(d)(4) (no midpoint execution when the market is locked or crossed).

limitation. Accordingly, the Exchange proposes to modify the rule language describing the processing of Orders with the midpoint pegging attribute described in Rule 4703(d).

As set forth below, the Exchange believes the proposed changes will benefit investors and members by addressing certain market inefficiencies that exist on the Exchange, and by improving BX's competitive position against other exchanges that already offer similar processing of resting and non-displayed orders.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest in several ways.

First, the proposed changes will benefit investors and members by tightening bid/offer spreads, thereby enhancing execution quality on the Exchange. Second, members entering Post Only Order users will be able to execute liquidity providing strategies more efficiently. Third, the proposed changes will reduce the signaling created today by the interaction of Post Only and Non-Display Order, and thereby minimize the market impact of larger orders. Fourth, the cancellation or rejection of midpoint pegged orders when the NBBO is crossed will avoid mispriced executions and result in higher overall execution quality for members.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

The Exchange believes the proposed changes have no detrimental impact on any member or class of members, or on users of the Post Only or Non-Display Order types or on users of other order types offered by the Exchange. First, the use of Exchange Order types and attributes is voluntary, in that no member is required to use any specific Order type or attribute or even to use any Exchange Order type or attribute or any Exchange functionality at all. If an Exchange member believes for any reason that the proposed rule change will be detrimental, that perceived detriment can be avoided by choosing not to enter or interact with the Order types modified by this proposed rule change. Second, the Exchange believes that the changes proposed herein will not result in any diminution of market quality (execution price, effective spread, fill rate, etc.) for any member entering or interacting with one of the Order types modified by this proposed rule change.

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. To the contrary, the Exchange believes the proposed rule changes are pro-competitive for several reasons. First, the proposed functionality is designed to compete with exchanges, including BATS and NYSE Arca, which already offer order types that behave similarly to how the Exchange proposes Post Only and Non-Display Orders behave in the future. Second, the Exchange believes that the proposed rule change will make the Exchange a more competitive execution venue by creating tighter bid/offer spreads and by enhancing execution quality (*i.e.*, achieving increased price improvement, reducing effective spreads, and increasing execution fill rates). Third, the Exchange proposes to offer the same functionality to all members, thereby eliminating potential competitive burden or differential treatment.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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-2016-046 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-2016-046. 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-2016-046 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.¹⁵

Robert W. Errett
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined>.

NASDAQ BX Rules

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4702. Order Types

(a) No Change.

(b) Except where stated otherwise, the following Order Types are available to all Participants:

(1) - (3) No Change.

(4) (A) A "Post-Only Order" is an Order Type designed to have its price adjusted as needed to post to the Exchange Book in compliance with Rule 610(d) under Regulation NMS by avoiding the display of quotations that lock or cross any Protected Quotation in a System Security during Market Hours, or to execute against locking or crossing quotations in circumstances where economically beneficial to the Participant entering the Post-Only Order.

During Market Hours, a Post-Only Order is evaluated at the time of entry with respect to locking or crossing other Orders on the Exchange Book, Protected Quotations, and potential execution as follows:

- If a Post-Only Order would lock or cross a Protected Quotation, the price of the Order will first be adjusted. If the Order is Attributable, its adjusted price will be one minimum price increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers). If the Order is not Attributable, its adjusted price will be equal to the current Best Offer (for bids) or the current Best Bid (for offers). However, the Order will not post or execute until the Order, as adjusted, is evaluated with respect to Orders on the Exchange Book.

— If the adjusted price of the Post-Only Order would not lock or cross an Order on the Exchange Book, the Order will be posted in the same manner as a Price to Comply Order (if it is not Attributable) or a Price to Display Order (if it is Attributable). Specifically, if the Post-Only Order is not Attributable, it will be displayed on the Exchange Book at a price one minimum price increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers) but will be ranked on the Exchange Book with a non-displayed price equal to the current Best Offer (for bids) or to the current Best Bid (for offers). For example, if a Post- Only

Order to buy at \$11 would lock a Protected Offer of \$11, the Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. If the Post-Only Order is Attributable, it will be ranked and displayed on the Exchange Book at a price one minimum increment lower than the current Best Offer (for bids) or higher than the current Best Bid (for offers). Thus, in the preceding example, the Post-Only Order to buy would be ranked and displayed at \$10.99.

— If the adjusted price of the Post-Only Order would lock or cross a[n] displayed Order at its displayed price on the Exchange Book, the Post Only Order will be repriced, ranked, and displayed at one minimum price increment below the current best-priced displayed Order to sell on the Exchange Book (for bids) or above the current best-priced displayed Order to buy on the Exchange Book (for offers); provided, however, the Post-Only Order will execute if (i) it is priced at \$1.00 or more, or (ii) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Exchange Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Exchange Book and subsequently provided liquidity. For example, if a Participant entered a Non-Attributable Post-Only Order to buy at \$11.01, another market center is displaying a Protected Offer at \$11, and there is an [Non-Displayed]Order on the Exchange Book to sell at \$11, the adjusted price of the Post-Only Order will be \$11. However, because the Post-Only Order would be executable against the [Non-Displayed]Order on the Exchange Book, the Post-Only Order would execute.

— If the adjusted price of the Post-Only Order would lock or cross a non-displayed price on the Exchange Book, the Post-Only Order will be posted in the same manner as a Price to Comply Order; provided, however, the Post-Only Order will execute if (i) it is priced at \$1.00 or more, or (ii) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Exchange Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Exchange Book and subsequently provided liquidity. For example, if a Participant entered a Non-Attributable Post-Only Order to buy at \$11.01, another market center is displaying a Protected Offer at \$11, and there is a Non-Displayed Order on the Exchange Book to sell at \$11, the adjusted price of the Post-Only Order will be \$11. However, because the Post-Only Order would be executable against the Non- Displayed Order on the Exchange Book, the Post-Only Order would execute.

- If the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross a[n] displayed Order at its displayed price on the Exchange Book, the Post Only Order will be repriced, ranked, and displayed

at one minimum price increment below the current best-priced Order to sell on the Exchange Book (for bids) or above the current best-priced Order to buy on the Exchange Book (for offers); provided, however, the Post-Only Order will execute if (i) it is priced at \$1.00 or more, or (ii) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Exchange Book (as measured against the original limit price of the Order) equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Exchange Book and subsequently provided liquidity. For example, if a Participant entered a Post-Only Order to buy at \$11.02, the Best Offer on an away exchange was \$11.04, and there was a [Non-]Displayed Order on the Exchange Book to sell at \$11.02, the Post-Only Order would execute.

- If the Post-Only Order would not lock or cross a Protected Quotation but would lock or cross a non-displayed Order on the Exchange Book, the Post-Only Order will be posted, ranked, and displayed at its limit price; provided, however, the Post-Only Order will execute if (i) it is priced at \$1.00 or more, or (ii) it is priced below \$1.00 and the value of price improvement associated with executing against an Order on the Exchange Book equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the Order posted to the Exchange Book and subsequently provided liquidity. For example, if a Participant entered a Post-Only Order to buy at \$0.95, the Best Offer was \$0.97, and there was a Non-Displayed Order on the Exchange Book to sell at \$0.95, the Post-Only Order would be ranked and displayed at \$0.95.
- If a Post-Only Order is entered with a Time-in-Force of IOC, the Order will be evaluated for possible execution in the same manner as any other Post-Only Order but will be cancelled rather than posted if the Order cannot execute.
- If a Post-Only Order would not lock or cross an Order on the Exchange Book or any Protected Quotation, it will be posted on the Exchange Book at its entered limit price.

During Pre-Market and Post-Market Hours, a Post-Only Order will be processed in a manner identical to Market Hours with respect to locking or crossing Orders on the Exchange Book, but will not have its price adjusted with respect to locking or crossing the quotations of other market centers.

(B) If a Post-Only Order is entered through RASH or FIX, during System Hours the Post-Only Order may be adjusted in the following manner after initial entry and posting to the Exchange Book:

- If the original entered limit price of the Post-Only Order is not being displayed, the displayed price (and non-displayed price, if any) of the Order will be adjusted repeatedly in accordance with changes to the NBBO or the best price on the

Exchange Book, as applicable; provided, however, that if the quotation of another market center moves in a manner that would lock or cross the displayed price of a Post-Only Order, the price(s) of the Post-Only Order will not be adjusted. For example, if a Non-Attributable Post-Only Order to buy at \$11.02 would cross a Protected Offer of \$11, the Order will be ranked at a non-displayed price of \$11 but will be displayed at \$10.99. If the Best Offer then moves to \$11.01, the displayed price will be changed to \$11 and the non-displayed price at which the Order is ranked will be changed to \$11.01. However, if another market center then displays an offer of \$11 (thereby locking the previously displayed price of the Post-Only Order notwithstanding Rule 610(d) under Regulation NMS), the price of the Post-Only Order will not be changed. The Order may be repriced repeatedly until such time as the Post-Only Order is able to be displayed at its original entered limit price (\$11.02 in the example). The Post-Only Order receives a new timestamp each time its price is changed.

- If the original entered limit price of the Post-Only Order would no longer lock or cross a Protected Quotation or a[n] displayed Order on the Exchange Book, the Post-Only Order will be ranked and displayed at that price and will receive a new timestamp, and will not thereafter be adjusted under this paragraph (B).

If a Post-Only Order is entered through OUCH or FLITE, the Post-Only Order may be adjusted in the following manner after initial entry and posting to the Exchange Book:

- During Market Hours, if the original entered limit price of the Post-Only Order locked or crossed a Protected Quotation, the Post-Only Order may be adjusted after initial entry in the same manner as a Price to Comply Order (or a Price to Display Order, if it is Attributable). Thus, in the case of a Non-Attributable Post-Only Order that crossed a Protected Quotation, if the NBBO changed so that the Post-Only Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Post-Only Order may either remain on the Exchange Book unchanged or may be cancelled back to the Participant, depending on its choice. In the case of a Non-Attributable Post-Only Order that locked a Protected Quotation, if the limit price would no longer lock a Protected Quotation, the Post-Only Order may either remain on the Exchange Book unchanged, may be cancelled back to the Participant, or may be ranked and displayed at its original entered limit price, depending on the Participant's choice, and will not thereafter be adjusted under this paragraph (B). If the Post-Only Order is displayed at its original entered limit price, it will receive a new timestamp. Finally, in the case of an Attributable Post-Only Order that locked or crossed a Protected Quotation, if the NBBO changed so that the Post-Only Order could be ranked and displayed at a price at or closer to its original entered limit price without locking or crossing a Protected Quotation, the Post-Only Order may either remain on the Exchange Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. A

Participant's choice with regard to adjustment of Post-Only Orders is set in advance for each port through which the Participant enters Orders.

- During System Hours, if the original entered limit price of the Post-Only Order locked or crossed a[n] displayed Order on the Exchange Book and the Exchange Book changes so that the original entered limit price would no longer lock or cross an Order on the Exchange Book, the Post-Only Order may either remain on the Exchange Book unchanged or may be cancelled back to the Participant, depending on the Participant's choice. For example, if a Post-Only Order to buy at \$0.98 would lock a[n] displayed Order on the Exchange Book priced at \$0.98, the Post-Only Order will be ranked and displayed at \$0.9799. If the Order at \$0.98 is cancelled or executed, the Post-Only Order may either remain with a displayed price of \$0.9799 or be cancelled back to the Participant, depending on the Participant's choice. A Participant's choice with regard to maintaining the Post-Only Order or cancelling it is set in advance for each port through which the Participant enters Orders.

(C) The following Order Attributes may be assigned to a Post-Only Order:

- Price. As described above, the price of the Order may be adjusted to avoid locking or crossing a Protected Quotation, and may include a displayed price as well as a non-displayed price.
- Size.
- Time-in-Force; provided, however, that a Post-Only Order with a Time-in-Force of IOC may not be entered through RASH or FIX.
- Designation as an ISO. In accordance with Regulation NMS, a Post-Only Order designated as an ISO that locked or crossed a Protected Quotation would be processed at its entered limit price, since such a designation reflects a representation by the Participant that it has simultaneously routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would lock or cross. However, as described above, a Post-Only Order designated as an ISO that locked or crossed an Order on the Exchange Book would either execute at time of entry, post at its limit price, or would have its price adjusted prior to posting. Accordingly, the System would not interpret receipt of a Post-Only Order marked ISO that had its price adjusted prior to posting as the basis for determining that any Protected Quotation at the Order's original entered limit price level had been executed for purposes of accepting additional Orders at that price level. However, if the Post-Only Order is ranked and displayed at its adjusted price, the System would consider the adjusted price level to be open for purposes of accepting additional Orders at that price level. For example, assume that there is a Protected Offer at \$0.98 and a Participant enters a Post-Only Order marked ISO to buy at \$0.98. If there are no Orders to sell at \$0.98

on the Exchange Book, the Order to buy will be displayed and ranked at \$0.98, since the designation of the Order as an ISO reflects the Participant's representation that it has routed one or more additional limit orders, as necessary, to execute against the full displayed size of any Protected Quotations that the Post-Only Order would lock or cross. However, if there was also a[n] displayed Order to sell at \$0.98 on the Exchange Book, the Post-Only Order may be repriced, ranked, and displayed at \$0.9799. In that case, the mere fact that the Post-Only Order was designated as an ISO would not allow the Exchange to conclude that the \$0.98 price level was "open" for receiving orders to buy at that price; the \$0.98 price level would be considered open only if market data received by the System demonstrated that the Protected Offer at \$0.98 had been removed or if a subsequent Displayed Order marked ISO was received and ranked at that price.

- Attribution.
- Display. A Post-Only Order is always displayed, although as provided above, may also have a non-displayed price.

(5) – (7) No change.

4703. Order Attributes

As described in Rule 4702, the following Order Attributes may be assigned to those Order Types for which they are available.

(a) – (c) No Change.

(d) Pegging. Pegging is an Order Attribute that allows an Order to have its price automatically set with reference to the NBBO; provided, however, that if the Exchange is the sole market center at the Best Bid or Best Offer (as applicable), then the price of any Displayed Order with Primary Pegging (as defined below) will be set with reference to the highest bid or lowest offer disseminated by a market center other than the Exchange. An Order with a Pegging Order Attribute may be referred to as a "Pegged Order." For purposes of this rule, the price to which an Order is pegged will be referred to as the Inside Quotation, the Inside Bid, or the Inside Offer, as appropriate. There are three varieties of Pegging:

- Primary Pegging means Pegging with reference to the Inside Quotation on the same side of the market. For example, if the Inside Bid was \$11, an Order to buy with Primary Pegging would be priced at \$11.
- Market Pegging means Pegging with reference to the Inside Quotation on the opposite side of the market. For example, if the Inside Offer was \$11.06, an Order to buy with Market Pegging would be priced at \$11.06.

- Midpoint Pegging means Pegging with reference to the midpoint between the Inside Bid and the Inside Offer (the "Midpoint"). Thus, if the Inside Bid was \$11 and the Inside Offer was \$11.06, an Order with Midpoint Pegging would be priced at \$11.03. An Order with Midpoint Pegging is not displayed. An Order with Midpoint Pegging may be executed in sub-pennies if necessary to obtain a midpoint price.

Pegging is available only during Market Hours. An Order with Pegging may specify a limit price beyond which the Order may not be executed; provided, however, that if an Order has been assigned a Pegging Order Attribute and a Discretion Order Attribute, the Order may execute at any price within the discretionary price range, even if beyond the limit price specified with respect to the Pegging Order Attribute. If an Order with Pegging is priced at its limit price, the price of the Order may nevertheless be changed to a less aggressive price based on changes to the Inside Quotation. In addition, an Order with Primary Pegging or Market Pegging may specify an Offset Amount, such that the price of the Order will vary from the Inside Quotation by the selected Offset Amount. The Offset Amount may be either aggressive or passive. Thus, for example, if a Participant entered an Order to buy with Primary Pegging and a passive Offset Amount of \$0.05 and the Inside Bid was \$11, the Order would be priced at \$10.95. If the Participant selected an aggressive Offset Amount of \$0.02, however, the Order would be priced at \$11.02. An Order with Primary Pegging and an Offset Amount will not be Displayed, unless the Order is Attributable. An Order with Midpoint Pegging will not be Displayed. An Order with Market Pegging and no Offset behaves as a "market order" with respect to any liquidity on the Exchange Book at the Inside Quotation on the opposite side of the market because it is immediately executable at that price. If, at the time of entry, there is no price to which a Pegged Order can be pegged, the Order will be rejected; provided, however, that a Displayed Order that has Market Pegging, or an Order with a Non-Display Attribute that has Primary Pegging or Market Pegging, will be accepted at its limit price. In the case of an Order with Midpoint Pegging, if the Inside Bid and Inside Offer are locked, the Order will be priced at the locking price, if the Inside Bid and Inside Offer are crossed or[, the Order will nevertheless be priced at the midpoint between the Inside Bid and Inside Offer, and] if there is no Inside Bid and/or Inside Offer, the Order will be cancelled or rejected. However, even if the Inside Bid and Inside Offer are locked [or crossed], an Order with Midpoint Pegging that locked [or crossed]an Order on the Exchange Book would execute.

Primary Pegging and Market Pegging are available through RASH and FIX only. An Order entered through OUCH or FLITE with Midpoint Pegging will have its price set upon initial entry to the Midpoint, unless the Order has a limit price that is lower than the Midpoint for an Order to buy (higher than the Midpoint for an Order to sell), in which case the Order will be ranked on the Exchange Book at its limit price. Thereafter, if the NBBO changes so that the Midpoint is lower than (higher than) the

price of an Order to buy (sell), the Pegged Order will be cancelled back to the Participant.

An Order entered through RASH or FIX with Pegging will have its price set upon initial entry and will thereafter have its price reset in accordance with changes to the relevant Inside Quotation. An Order with Pegging receives a new timestamp whenever its price is updated and therefore will be evaluated with respect to possible execution (and routing, if it has been assigned a Routing Order Attribute) in the same manner as a newly entered Order. If the price to which an Order is pegged is not available, the Order will be rejected.

(e) – (k) No Change.

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