



## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-74773; File No. SR-BX-2015-022)

April 21, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rules 7001, 7003 and 7018

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 10, 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 BX Rule 7001 trading rights fees and to no longer waive certain membership and trading rights fees for BX members seeking to participate solely in the BX Options Market, to eliminate the Equities Regulatory Fee in BX Rule 7003, as well as to amend the fee schedule under Exchange Rule 7018 and to correct a typographical error in the rule.

The text of the proposed rule change is also 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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange is proposing to amend the trading rights fee<sup>3</sup> and to no longer waive certain membership and trading rights fees for BX members seeking to participate solely in the BX Options Market in BX Rule 7001(a), to eliminate the Equities Regulatory Fee in BX Rule 7003(b), as well as to amend the fee schedule under Exchange Rule 7018.

Specifically, the Exchange proposes to amend BX Rule 7001(a) to increase the trading rights fee each Exchange member is assessed from \$500 per month to \$1,000 per month. Additionally, the Exchange will no longer waive the membership fee and the trading rights fee for BX members who solely conduct an options business. These fee changes and elimination of fee waivers reflect that this market is now better established and BX no longer needs to rely on such waivers to attract market participants.

The Exchange also proposes to eliminate the Equities Regulatory Fee ("ERF") set forth in BX Rule 7003(b). The ERF is a tier-based fee assessed annually at the beginning of the

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<sup>3</sup> The Trading Rights Fee is assessed on all persons that are Exchange members as of a date determined by the Exchange in each month. This fee is not refundable in the event that a person ceases to be an Exchange member following the date on which the fee is assessed. See Rule 7001.

calendar year that covers, in part, the regulatory costs of the Exchange. The ERF uses a member firm's historical average daily orders entered on the Exchange over the prior calendar year as a measure of the member's expected current year's Exchange activity. The purpose of the ERF is to more closely allocate the regulatory expenses incurred by the Exchange to the member firms responsible for those expenses. The Exchange now proposes to eliminate this fee because the Exchange believes it is no longer necessary to cover regulatory costs based on historic volume.<sup>4</sup>

The Exchange is proposing to amend BX Rule 7018(a) to decrease the credits and charges for orders that access or provide liquidity in the NASDAQ OMX BX Equities System (the "System").

Specifically, both for orders that receive price improvement and execute against an order with Midpoint pegging and those with Midpoint pegging that remove liquidity, the credit is being reduced from \$0.0005 per share executed to \$0.0000 per share executed.

For orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by a member that accesses liquidity equal to or exceeding 0.1% of total Consolidated Volume<sup>5</sup> during a month the credit is being reduced from \$0.0015 per share executed to \$0.0010 per share executed.

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<sup>4</sup> Despite eliminating the ERF, the Exchange represents that it will continue to have adequate resources to fund its regulatory program and to fulfill its responsibilities as a self-regulatory organization.

<sup>5</sup> Consolidated Volume is defined as the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. See Rule 7018(a).

For an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by a member with a daily average volume of liquidity provided in all securities during the month of 1 million or more shares, the Exchange proposes to change the parameter that the daily average volume of liquidity provided in all securities during the month of 1 million or more shares entered by a member to a parameter whereby a member must instead add 0.015% of total Consolidated Volume during a month. Additionally, the credit will be reduced from \$0.0013 per share executed to \$0.0008 per share executed.

The Exchange proposes to reduce the credit for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by a member that provides an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month from \$0.0011 per share executed to \$0.0006 per share executed. The Exchange also proposes to also remove the “but less than 1 million” shares cap parameter.

BX proposes to reduce the credit for BSTG,<sup>6</sup> BSCN,<sup>7</sup> BMOP,<sup>8</sup> BTFY,<sup>9</sup> BCRT,<sup>10</sup> BDRK<sup>11</sup> or BCST<sup>12</sup> orders that access liquidity in the System (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) from \$0.0011 per share executed to \$0.0006 per share executed.

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<sup>6</sup> See BX Rule 4758(a)(1)(A)(iii).

<sup>7</sup> See BX Rule 4758(a)(1)(A)(iv).

<sup>8</sup> See BX Rule 4758(a)(1)(A)(vi).

<sup>9</sup> See BX Rule 4758(a)(1)(A)(v).

<sup>10</sup> See BX Rule 4758(a)(1)(A)(vii).

<sup>11</sup> See BX Rule 4758(a)(1)(A)(viii).

<sup>12</sup> See BX Rule 4758(a)(1)(A)(ix).

The Exchange next proposes to reduce the charges for providing liquidity through the System as well. Specifically, the charge for displayed orders entered by a Qualified Market Maker (“QMM”) (Tier 1) will be reduced from \$0.0014 per share executed to \$0.0009 per share executed and the charge for displayed orders entered by a QMM (Tier 2) will be eliminated, therefore, the parenthetical with “Tier 1” following “Displayed order entered by a Qualified Market Maker” will be eliminated as well since there will no longer be a Tier 2. For a displayed order entered by a member that adds liquidity equal to or exceeding 0.25% of total Consolidated Volume during a month the charge will be reduced from \$0.00165 per share executed to \$0.0012 per share executed.

BX next proposes to reduce the charge for a displayed order entered by a member that provides an average daily volume of 2.5 million or more shares of liquidity during the month from \$0.0018 per share executed to \$0.0014 per share executed, but will change the parameter that a member provide an average daily volume of 2.5 million or more shares of liquidity during the month to the parameter that the member must add liquidity equal to or exceeding 0.04% of total Consolidated Volume during a month.

The Exchange proposes to reduce the charge for an order with Midpoint pegging entered by a member that provides an average daily volume of 2 million or more shares of non-displayed liquidity during the month from \$0.0005 per share executed to \$0.0002 per share executed, but will replace the parameter that a member provide an average daily volume of 2 million or more shares of non-displayed liquidity during the month with the parameter that a member must add 0.03% of total Consolidated Volume of non-displayed liquidity.

BX also proposes to reduce the charge for an order with Midpoint pegging entered by a member that provides an average daily volume of 1 million or more, but less than 2 million,

shares of non-displayed liquidity from \$0.0009 per share executed to \$0.0004 per share executed, but will replace the parameter that the member provides an average daily volume of 1 million or more, but less than 2 million, shares of non-displayed liquidity with the parameter that a member must add 0.015% of total Consolidated Volume of non-displayed liquidity.

The Exchange proposes to also reduce the charge for an order with Midpoint pegging entered by other member from 0.0015 per share executed to 0.0010 per share executed.

The Exchange proposes to reduce the charge for non-displayed orders (other than orders with Midpoint pegging) entered by a member that provides an average daily volume of 5 million or more shares of non-displayed liquidity from \$0.0019 per share executed to \$0.0014 per share executed, but will replace the parameter that the member provides an average daily volume of 5 million or more shares of non-displayed liquidity with the parameter that a member must add 0.075% of total Consolidated Volume of non-displayed liquidity.

The Exchange also proposes to reduce the charge for non-displayed orders (other than orders with Midpoint pegging) entered by a member that provides an average daily volume of 3.5 million or more shares (but less than 5 million shares) of non-displayed liquidity from \$0.0024 per share executed to \$0.0019 per share executed, but will replace the parameter that the member provides an average daily volume of 3.5 million or more shares (but less than 5 million shares) of non-displayed liquidity with the parameter that a member must add 0.055% of total Consolidated Volume of non-displayed liquidity.

BX also proposes to amend how a firm may become a QMM (Tier 1), in part, by eliminating two of these ways. Also, and as a result, the parenthetical with “Tier 1” following “A Firm may become a Qualified Market Maker” will be eliminated since there will no longer be a Tier 2 as previously stated. The first option eliminated is by being a member with (i) shares of

liquidity provided and (ii) total shares of liquidity accessed and provided in all securities through one or more of its System market maker participant identifier (“MPIDs”) that represent more than 0.40% and 0.50%, respectively, of Consolidated Volume. For a member qualifying under this method, the member must have at least one Qualified MPID, that is, an MPID through which, for at least 150 securities, the QMM quotes at the national best bid or offer (“NBBO”) an average of at least 25% of the time during regular market hours (9:30 a.m. through 4:00 p.m.) during the month. The second option eliminated is by being a member with (i) shares of liquidity provided and (ii) total shares of liquidity accessed and provided in all securities through one or more of its System MPIDs that represent more than 0.30% and 0.45%, respectively, of Consolidated Volume during the month. For a member qualifying under this method, the member must have at least one Qualified MPID, that is, an MPID through which, for at least 400 securities, the QMM quotes at the NBBO an average of at least 25% of the time during regular market hours (9:30 a.m. through 4:00 p.m.) during the month.

The third option remains, but is being amended. Currently, this option states that a firm may become a QMM (Tier 1) by being a member with (i) shares of liquidity provided and (ii) total shares of liquidity accessed and provided in all securities through one or more of its System MPIDs that represent more than 0.20% and 0.30%, respectively, of Consolidated Volume during the month. For a member qualifying under this method, the member must have at least one Qualified MPID, that is, an MPID through which, for at least 200 securities, the Qualified Market Maker quotes at the NBBO an average of at least 50% of the time during regular market hours (9:30 a.m. through 4:00 p.m.) during the month. The member must also provide an average daily volume of 1.5M shares or more using orders with midpoint pegging during the month. BX proposes to amend the beginning of this requirement to say that a firm qualifies by

being a member that provides through one or more of its System MPIDs more than 0.30% of Consolidated Volume during the month (the rest of the requirement remains unchanged).

BX proposes to eliminate QMM (Tier 2) altogether.

Finally, the Exchange proposes to reduce certain credits for retail orders in BX Rule 7018(e). Specifically, BX proposes to reduce the credit from \$0.0005 per share executed to \$0.0002 per share executed for a retail order that receives price improvement (when the accepted price of an order is different than the executed price of an order) and accesses a non-Retail Price Improvement order with Midpoint pegging. Also, “that” in the parenthetical above has been changed to “than” to reflect the correction to a typographical error in the corresponding rule text. Lastly, the Exchange proposes to reduce the credit from \$0.0017 per share executed to \$0.0012 per share executed for a retail order that accesses other liquidity on the Exchange book.

## 2. Statutory Basis

BX believes that the proposed rule changes are consistent with the provisions of Section 6 of the Act,<sup>13</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>14</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public

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<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(4) and (5).

interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed change to amend BX Rule 7001(a) to increase the trading rights fee each Exchange member is assessed from \$500 per month to \$1,000 per month is reasonable because the Exchange desires to continue to cover the ongoing costs of operating the platform for the benefit of its members. BX also believes that the proposed change is consistent with an equitable allocation of fees and is not unfairly discriminatory because it affects all members equally in the same way.

The Exchange believes that the proposed change to eliminate the waiver of the membership fee and the trading rights fee for BX members who solely conduct an options business is reasonable because the Exchange no longer believes it is necessary to waive these fees to attract market participants to the BX Options Market since this market is now better established and BX no longer needs to rely on such waivers to attract market participants. The Exchange believes that the proposed changes are equitable and not unfairly discriminatory because the elimination of the membership fee and trading rights fee waivers will uniformly apply to BX Options Participants that transact business solely on the BX Options Market.

The Exchange believes that the proposed change to eliminate the ERF set forth in BX Rule 7003(b) is reasonable because it is no longer necessary to cover regulatory costs based on historic volume plus not all members pay this fee. The Exchange believes that the proposed change is equitable and not unfairly discriminatory because the elimination of the ERF applies uniformly and it affects similarly situated members in the same way.

The proposed reduction to the credits and charges in the fee schedule under Exchange Rule 7018 are reflective of BX's ongoing efforts to use pricing incentive programs to attract

order flow to BX and improve market quality. The goal of these pricing incentives is to provide meaningful incentives for members to increase their participation on BX. Specifically, the Exchange believes that the reduction to the credits from \$0.0005 per share executed to \$0.0000 per share executed for both orders that receive price improvement and execute either against an order with Midpoint pegging or those with Midpoint pegging that remove liquidity, are reasonable because these reduced credits are aligned with the reduced charges BX is also putting in place through this filing. The Exchange also believes that the proposed changes are equitably allocated and not unfairly discriminatory because the credit reductions apply uniformly to all members that previously had qualified to receive such a credit.

The Exchange believes that the reduction to the credit from \$0.0015 per share executed to \$0.0010 per share executed for orders that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by a member that accesses liquidity equal to or exceeding 0.1% of total Consolidated Volume during a month is reasonable because the reduced credit aligns it more closely with the reduced charges BX is also putting in place through this filing. The Exchange also believes that the proposed change is equitably allocated and not unfairly discriminatory because the credit reduction applies uniformly to all members that qualify to receive such a credit.

The Exchange believes that the reduction to the credit from \$0.0013 per share executed to \$0.0008 per share executed for an order that accesses liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by a member with a daily average volume of liquidity provided in all securities during the month of 1 million or more shares, and the change to the daily average

volume of liquidity provided in all securities during the month of 1 million or more shares parameter, to a parameter that the member that [sic] must add 0.015% of total Consolidated Volume during a month is reasonable because the reduced credit aligns it more closely with the reduced charges BX is also putting in place through this filing. Also, the amended parameter switching to total Consolidated Volume will allow a member's target activity levels to adjust with overall market volumes making such targets easier to reach during low share volume months and more difficult to reach during higher share volume months. However, the percent of total Consolidated Volume requirement approximately represents a similar level of volume on average as the previous parameter did given the current Consolidated Volume requirement. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because the credit applies uniformly to all members that qualify to receive such a credit.

The Exchange believes that the reduction to the credit from \$0.0011 per share executed to \$0.0006 per share executed for orders that access liquidity (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) entered by a member that provides an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month and the removal of the "but less than 1 million" shares cap parameter is reasonable because it reduces confusion as to when the rate applies since the next tier is tied to the percent of total Consolidated Volume. The elimination of the 1 million share cap removes a restriction that allows more members to qualify for this credit. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because the credit applies uniformly to all members that qualify to receive such a credit.

The Exchange believes that the reduction to the credit from \$0.0011 per share executed to \$0.0006 per share executed for BSTG, BSCN, BMOP, BTFY, BCRT, BDRK or BCST orders that access liquidity in the System (excluding orders with Midpoint pegging and excluding orders that receive price improvement and execute against an order with Midpoint pegging) is reasonable because the reduced credit aligns it more closely with the reduced charges BX is also putting in place through this filing. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because the credit applies uniformly to all members that qualify to receive such a credit.

BX also believes that the reduction to the charges from \$0.0014 per share executed to \$0.0009 per share executed for displayed orders entered by a QMM (Tier 1) and the elimination of the \$0.0017 per share executed charge for displayed orders entered by a QMM (Tier 2) are reasonable because the reduced charge and elimination of another charge align them more closely with the reduced credits BX is also putting in place through this filing. Also, since the behavior required to qualify to become a QMM (Tier 2) has not been met by firms recently, and in light of the lack of interest by firms in meeting these requirements, the Exchange proposes to eliminate it and the associated rate from the fee schedule. Additionally, the Exchange further believes that the proposed changes are equitably allocated and not unfairly discriminatory because the reduced QMM (Tier 1) charge and eliminated QMM (Tier 2) charge apply uniformly to all members that display an order entered by a QMM (Tier 1) or previously displayed and order entered by a QMM (Tier 2). The parenthetical with “Tier 1” following “Displayed order entered by a Qualified Market Maker” also will be eliminated since there will no longer be a Tier 2 and the Exchange believes that this change clarifies and eliminates the potential for confusion

to the benefit of market participants. The Exchange believes that this clarification will promote market participants' understanding of the rule and its administration.

The Exchange believes that the reduction to the charge from \$0.00165 per share executed to \$0.0012 per share executed for a displayed order entered by a member that adds liquidity equal to or exceeding 0.25% of total Consolidated Volume during a month is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will enable the Exchange to provide a more liquid marketplace and attract contra order flow. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

BX believes that the reduction to the charge from \$0.0018 per share executed to \$0.0014 per share executed coupled with the change to the parameter that a member provide an average daily volume of 2.5 million or more shares of liquidity during the month to a parameter that the member add liquidity equal to or exceeding 0.04% of total Consolidated Volume during a month is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will increase the liquidity of the market and attract contra order flow. Also, the amended parameter switching to total Consolidated Volume will allow a member's target activity levels to adjust with overall market volumes making such targets easier to reach during low share volume months and more difficult to reach during higher share volume months. However, the percent of total Consolidated Volume requirement approximately represents a similar level of volume on average as the previous parameter did given the current Consolidated Volume requirement. Additionally, the Exchange further believes that the proposed change is

equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

The Exchange believes that the reduction to the charge from \$0.0005 per share executed to \$0.0002 per share executed coupled with a change to the requirement for an order with Midpoint pegging entered by a member that provides an average daily volume of 2 million or more shares of non-displayed liquidity during the month to the requirement that a member adds 0.03% of total Consolidated Volume of non-displayed liquidity is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will enable the Exchange to increase liquidity posted at the midpoint and provide additional price improvement opportunity for contra orders. Also, the amended parameter switching to total Consolidated Volume will allow a member's target activity levels to adjust with overall market volumes making such targets easier to reach during low share volume months and more difficult to reach during higher share volume months. However, the percent of total Consolidated Volume requirement approximately represents a similar level of volume on average as the previous parameter did given the current Consolidated Volume requirement. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

The Exchange believes that the reduction to the charge from \$0.0009 per share executed to \$0.0004 per share executed coupled with a change to the requirement that for an order with Midpoint pegging entered by a member that provides an average daily volume of 1 million or

more, but less than 2 million, shares of non-displayed liquidity to that a member adds 0.015% of total Consolidated Volume of non-displayed liquidity is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will increase midpoint liquidity and increase the chance of incoming orders to receive price improvement and thereby attract contra order flow. Also, the amended parameter switching to total Consolidated Volume will allow a member's target activity levels to adjust with overall market volumes making such targets easier to reach during low share volume months and more difficult to reach during higher share volume months. However, the percent of total Consolidated Volume requirement approximately represents a similar level of volume on average as the previous parameter did given the current Consolidated Volume requirement. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

BX also believes that the reduction to the charges from \$0.0015 per share executed to \$0.0010 per share executed for an order with Midpoint pegging entered by other member is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will increase midpoint liquidity and increase the chance of incoming orders to receive price improvement and thereby attract contra order flow. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

The Exchange believes that the reduction to the charges from \$0.0019 per share executed to \$0.0014 per share executed for a non-displayed order (other than orders with Midpoint

pegging) entered by a member that provides an average daily volume of 5 million or more shares of non-displayed liquidity coupled with a change to the requirement that the member provides an average daily volume of 5 million or more shares of non-displayed liquidity to a requirement that a member adds 0.075% of total Consolidated Volume of non-displayed liquidity is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will enable the Exchange to collect additional fees to provide rebates and thereby attract contra order flow. Also, the amended parameter switching to total Consolidated Volume will allow a member's target activity levels to adjust with overall market volumes making such targets easier to reach during low share volume months and more difficult to reach during higher share volume months. However, the percent of total Consolidated Volume requirement approximately represents a similar level of volume on average as the previous parameter did given the current Consolidated Volume requirement. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

The Exchange also believes that the reduction to the charges from \$0.0024 per share executed to \$0.0019 per share executed for non-displayed orders (other than orders with Midpoint pegging) entered by a member that provides an average daily volume of 3.5 million or more shares (but less than 5 million shares) of non-displayed liquidity coupled with a change to the requirement that the member adds 0.055% of total Consolidated Volume of non-displayed liquidity is reasonable because the reduced charge is designed to encourage additional posted liquidity that, in turn, will enable the Exchange to collect additional fees to provide rebates and thereby attract contra order flow. Also, the amended parameter switching to total Consolidated

Volume will allow a member's target activity levels to adjust with overall market volumes making such targets easier to reach during low share volume months and more difficult to reach during higher share volume months. However, the percent of total Consolidated Volume requirement approximately represents a similar level of volume on average as the previous parameter did given the current Consolidated Volume requirement. Additionally, the Exchange further believes that the proposed change is equitably allocated and not unfairly discriminatory because all members can add liquidity to BX and the more liquidity a member adds the lower the charge because the member is improving the quality of the market by providing this additional liquidity.

The Exchange believes that the proposed change as to how a firm may become a QMM (Tier 1) by eliminating two of the ways to qualify as such, amending the third option to qualify as a QMM (Tier 1), and eliminating the QMM (Tier 2), are reasonable because the amending of the QMM program refines the incentive to BX member firms to enhance the quality of the market by providing meaningful improvement, to the benefit of all market participants. The Exchange also believes that the proposed amended criteria of the qualification standard to become a QMM (Tier 1) and the elimination of the QMM (Tier 2) qualification standard are reasonable and an equitable allocation because the proposed changes help to clearly define how a firm can become a QMM and eliminates requirements that firms were not reaching. Additionally, the Exchange believes that the proposed change further perfects the mechanism of a free and open market by refining and making more effective the means by which a member firm may qualify for this beneficial, market improving program. Accordingly, to the extent that the amended standard increases the number of member firms that qualify under the tier, market quality will increase. Also, the parenthetical with "Tier 1" following "A Firm may become a

Qualified Market Maker” also will be eliminated since there will no longer be a Tier 2 and the Exchange believes that this change clarifies and eliminates the potential for confusion to the benefit of market participants. The Exchange believes that this clarification will promote market participants’ understanding of the rule and its administration.

The Exchange also believes that the reduction to the credit from \$0.0005 per share executed to \$0.0002 per share executed for a retail order that receives price improvement (when the accepted price of an order is different than the executed price of an order)<sup>15</sup> and accesses non-Retail Price Improvement order with Midpoint pegging, as well as the reduction to the credit from \$0.0017 per share executed to \$0.0012 per share executed for a retail order that accesses other liquidity on the Exchange book, are reasonable because these reduced credits align them with the reduced charges collected from non-retail price improvement orders BX is also putting in place through this filing. The Exchange also believes that the proposed changes are equitably allocated and not unfairly discriminatory because the credit reductions apply uniformly to all members that previously had qualified to receive such a credit. Lastly, the Exchange believes that the correction of the non-substantive typographical error in Rule 7018(e) (changing “that” to “than”) clarifies and eliminates the potential for confusion to the benefit of market participants. The Exchange believes that this clarification will promote market participants’ understanding of the rule and its administration.

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

The Exchange does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as

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<sup>15</sup> As noted previously, the word “that” in the parenthetical has been changed to “than” to reflect the correction to a typographical error in the corresponding rule text.

amended.<sup>16</sup> BX notes that it operates in a highly competitive market in which market participants can readily favor dozens of different competing exchanges and alternative trading systems 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, BX must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, BX believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the changes to fees and credits, as well as changes to membership and trading rights fees and the ERF, do not impose a burden on competition because the Exchange membership is optional and is the subject of competition from other exchanges. The reduced credits and charges are reflective of the intent to increase the order flow on the Exchange. For these reasons, the Exchange does not believe that any of the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets. Moreover, because there are numerous competitive alternatives to the use of the Exchange, it is likely that BX will lose market share as a result of the changes if they are unattractive to market participants.

Accordingly, BX does not believe that the proposed rule changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

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<sup>16</sup> 15 U.S.C. 78f(b)(8).

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and paragraph (f) of Rule 19b-4<sup>18</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### IV. Solicitation of Comments

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

#### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2015-022 on the subject line.

#### Paper comments:

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

All submissions should refer to File Number SR-BX-2015-022. 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 website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f).

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 such filing also will be available for inspection and copying at the principal offices 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-2015-022, and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

Jill M. Peterson,  
Assistant Secretary.

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<sup>19</sup> 17 CFR 200.30-3(a)(12).