

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 15	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2012 - * 025	Amendment No. (req. for Amendments *)
Proposed Rule Change by NASDAQ OMX BX, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b> Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).				
Proposal to amend Chapter V, Sec 16 of the BOX Trading Rules to address how BOX processes inbound orders when the BOX price on the same side of the market locks, or is locked by the opposite side national best bid or offer.				
<b>Contact Information</b> 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 proposed rule change.				
First Name *	Maura	Last Name *	Looney	
Title *	Associate Vice President			
E-mail *	maura.looney@nasdaqomx.com			
Telephone *	(617) 235-2073	Fax		
<b>Signature</b> 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 officer.				
Date	04/03/2012			
By	Maura Looney	Associate Vice President		
	(Name *)	(Title *)		
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.		Maura A. Looney,		

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information (required)**

Add Remove View

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 (required)**

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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 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.

Item 1. Text of Proposed Rule Change

(a) NASDAQ OMX BX, Inc. (the “Exchange”) proposes to amend Chapter V, Section 16 of the rules of the Boston Options Exchange (“BOX”) to address how BOX processes inbound orders when the BOX best price on the same side of the market locks, or is locked by the opposite side national best bid or offer (“NBBO”). The text of the proposed rule is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. The Procedures of the Self-Regulatory Organization

The proposed rule change has been approved by Boston Options Exchange Regulation (“BOXR”), pursuant to authority delegated to BOXR by the Exchange.

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

(a) Purpose

The purpose of the proposed rule change is to amend Chapter V, Section 16 of the BOX Rules to address how inbound orders are processed when the BOX best price on the same side of the market locks, or is locked by the opposite side national best bid or offer (“NBBO”). Currently, Chapter V, Section 16(b) sets forth that inbound orders on BOX are filtered prior to their entry on the BOX Book to ensure such orders will not Trade-Through the NBBO in accordance with the Options Order Protection and Locked / Crossed Market Plan (the “Plan”). The rule provides that all of the filtering rules described are independent of whether the NBBO is locked or crossed, except where the BOX best price on the same side of the market as the inbound order has crossed, or is crossed by the opposite side NBBO, the order will be routed, if eligible, or rejected

immediately. The Exchange proposes to amend the rule so that, in addition, where the BOX best price on the same side of the market as the inbound order has *locked*, or is *locked by*, the opposite side NBBO, the order will also be routed, if eligible, or rejected immediately. As such, the BOX trading engine is systemically either routing to an Away Exchange<sup>1</sup> or immediately rejecting such an order. Immediately rejecting such an order, which is not eligible for routing, prevents that order from being exposed,<sup>2</sup> and thereby removes the potential that such order could join the pre-existing locked market.

The following two examples illustrate how the proposed rule change would apply to inbound orders when the BOX best price on the same side of the market locks the opposite side NBBO and the orders are not designated as Eligible Orders: Example 1: When the NBBO is \$6.65 x \$6.60 and the BOX best price is \$6.60 x \$6.80, BOX receives a public customer order to buy at \$6.60. Such an order is rejected by the trading engine back to the order sender. Example 2: When the NBBO is x \$4.00 x \$4.00 and the BOX best price is \$4.00 x \$4.05, BOX receives a public customer order to buy at \$4.00. Such an order is rejected by the trading engine. In the above examples, if the order was an Eligible Order, then the order will be routed to an Away Exchange.

The BOX NBBO filtering process set forth in Chapter V, Section 16 continues to be designed in a manner to prevent a sell order from being executed on BOX at a price inferior to the best bid available at any Away Exchange; similarly, any order to buy would not be executed on BOX at a price worse than the best offer available at any Away

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<sup>1</sup> See BOX Trading Rules, Chapter XII, Section 5 (a), providing in pertinent part, “[o]nly orders that are specifically designated by Options Participants as eligible for routing will be routed to an Away Exchange (“Eligible Orders”).

<sup>2</sup> See Chapter V, Section 16 (b) iii, providing that where an order is received which is executable against the NBBO and there is not a quote on BOX that is equal to the NBBO, that the order is exposed on the BOX Book at the NBBO for a period of one second. If the order is not executed during the one second exposure period, then the order is either routed or cancelled.

Exchange. Finally, Section (b)(i) is being amended to reflect that the term ISO is defined in subsection (h) of Chapter XII and not (g) as currently reflected in Section 16(b)(i).

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>3</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>4</sup> in particular, in that it is designed to perfect the mechanisms of a free and open market and the national market system, protect investors and the public interest and promote just and equitable principles of trade by proposing the rule change to address how BOX processes inbound orders when the BOX best price on the same side of the market locks, or is locked by the opposite side national best bid or offer (“NBBO”).

The Plan provides a framework for order protection and addressing locked and crossed markets. As discussed above, the proposed rule change provides that where the BOX best price on the same side of the market as an inbound order has crossed or locked, or is crossed by, or locked by the opposite side NBBO, the order will be routed, if eligible, or rejected immediately. The Exchange believes handling the order as described above is consistent with the objectives of the Plan and assists BOX Options Participant in that it systemically removes the potential that such an order could join a pre-existing locked market. As such, the Exchange believes the proposed rule change is consistent with the Plan, necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system.

Item 4. Self Regulatory Organization’s Statement on Burden of Competition

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<sup>3</sup> 15 U.S.C 78f(b).

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

The Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

Item 6. Extension of Time Periods for Commission Action

Not Applicable.

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

(a) This proposed rule change is filed pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act<sup>5</sup> and Rule 19b-4(f)(6) thereunder.<sup>6</sup>

(b) The Exchange asserts that this proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30-day operative delay period for “non-controversial” proposals and make the proposed rule change effective and operative upon filing.<sup>7</sup> As stated above, the Exchange believes handling the order as described above is consistent with the objectives of the Plan and assists BOX Options Participant in that it

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f)(6).

<sup>7</sup> As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

systemically removes the potential that such an order could join a pre-existing locked market. The proposed rule change is designed to address the way BOX processes inbound orders under very limited conditions. The Exchange believes that a waiver of the operative delay is appropriate in this instance so that may maintain the operational continuity of its system and that doing so is consistent with the protection of investors and the public interest.

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.

Item 8. Proposed Change Based Upon Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Exhibits

1. Form of Notice of the Proposed Rule Change for the Federal Register.
5. Text of the Proposed Rule Change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-BX-2012-025

\_\_\_\_\_, 2012

Self-Regulatory Organizations; NASDAQ OMX BX; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Chapter V, Section 16 the BOX Trading Rules

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 3, 2012, NASDAQ OMX BX (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b-4(f)(6) under the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

NASDAQ OMX BX, Inc. (the “Exchange”) proposes to amend Chapter V, Section 16 of the rules of the Boston Options Exchange (“BOX”) to address how BOX processes inbound orders when the BOX best price on the same side of the market locks, or is locked by the opposite side national best bid or offer (“NBBO”). The text of the proposed rule change is available from the principal office of the Exchange, 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.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).



and also on the Exchange's Internet website

at <http://nasdaqomxbx.cchwallstreet.com/NASDAQOMXBX/Filings/>.

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend Chapter V, Section 16 of the BOX Rules to address how inbound orders are processed when the BOX best price on the same side of the market locks, or is locked by the opposite side national best bid or offer ("NBBO").

Currently, Chapter V, Section 16(b) sets forth that inbound orders on BOX are filtered prior to their entry on the BOX Book to ensure such orders will not Trade-Through the NBBO in accordance with the Options Order Protection and Locked / Crossed Market Plan (the "Plan").

The rule provides that all of the filtering rules described are independent of whether the NBBO is locked or crossed, except where the BOX best price on the same side of the market as the inbound order has crossed, or is crossed by the opposite side NBBO, the order will be routed, if eligible, or rejected immediately. The Exchange proposes to amend the rule so that, in addition, where the BOX best price on the same side of the market as the inbound order has *locked*, or is *locked by*, the opposite side NBBO, the order will also be routed, if eligible, or rejected immediately. As such, the BOX trading engine is systemically either routing to an Away

Exchange<sup>4</sup> or immediately rejecting such an order. Immediately rejecting such an order, which is not eligible for routing, prevents that order from being exposed,<sup>5</sup> and thereby removes the potential that such order could join the pre-existing locked market.

The following two examples illustrate how the proposed rule change would apply to inbound orders when the BOX best price on the same side of the market locks the opposite side NBBO and the orders are not designated as Eligible Orders: Example 1: When the NBBO is \$6.65 x \$6.60 and the BOX best price is \$6.60 x \$6.80, BOX receives a public customer order to buy at \$6.60. Such an order is rejected by the trading engine back to the order sender. Example 2: When the NBBO is x \$4.00 x \$4.00 and the BOX best price is \$4.00 x \$4.05, BOX receives a public customer order to buy at \$4.00. Such an order is rejected by the trading engine. In the above examples, if the order was an Eligible Order, then the order will be routed to an Away Exchange.

The BOX NBBO filtering process set forth in Chapter V, Section 16 continues to be designed in a manner to prevent a sell order from being executed on BOX at a price inferior to the best bid available at any Away Exchange; similarly, any order to buy would not be executed on BOX at a price worse than the best offer available at any Away Exchange. Finally, Section (b)(i) is being amended to reflect that the term ISO is defined in subsection (h) of Chapter XII and not (g) as currently reflected in Section 16(b)(i).

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<sup>4</sup> See BOX Trading Rules, Chapter XII, Section 5 (a), providing in pertinent part, “[o]nly orders that are specifically designated by Options Participants as eligible for routing will be routed to an Away Exchange (“Eligible Orders).

<sup>5</sup> See Chapter V, Section 16 (b) iii, providing that where an order is received which is executable against the NBBO and there is not a quote on BOX that is equal to the NBBO, that the order is exposed on the BOX Book at the NBBO for a period of one second. If the order is not executed during the one second exposure period, then the order is either routed or cancelled.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>7</sup> in particular, in that it is designed to perfect the mechanisms of a free and open market and the national market system, protect investors and the public interest and promote just and equitable principles of trade by proposing the rule change to address how BOX processes inbound orders when the BOX best price on the same side of the market locks, or is locked by the opposite side national best bid or offer (“NBBO”).

The Plan provides a framework for order protection and addressing locked and crossed markets. As discussed above, the proposed rule change provides that where the BOX best price on the same side of the market as an inbound order has crossed or locked, or is crossed by, or locked by the opposite side NBBO, the order will be routed, if eligible, or rejected immediately. The Exchange believes handling the order as described above is consistent with the objectives of the Plan and assists BOX Options Participant in that it systemically removes the potential that such an order could join a pre-existing locked market. As such, the Exchange believes the proposed rule change is consistent with the Plan, necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system.

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

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<sup>6</sup> 15 U.S.C 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

The Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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  
Effectiveness

This proposed rule change is filed for immediate effectiveness pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup>

The Exchange asserts that this proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30-day operative delay period for "non-controversial" proposals and make the proposed rule change effective and operative upon filing.<sup>10</sup> As stated above, the Exchange believes handling the order as described above is consistent with the objectives of the Plan and assists BOX Options Participant in that it systemically removes the potential that such an order could join a pre-existing locked market. The proposed rule change is designed to address the way BOX

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

processes inbound orders under very limited conditions. The Exchange believes that a waiver of the operative delay is appropriate in this instance so that may maintain the operational continuity of its system and that doing so is consistent with the protection of investors and the public interest.

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-2012-025 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-BX-2012-025. 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 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 a.m. and 3 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-2012-025 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.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

New language  
[deleted language]

**RULES OF THE BOSTON OPTIONS EXCHANGE GROUP LLC**

\* \* \* \* \*

**Chapter V. Doing Business on BOX****Sec. 16 Execution and Price/Time Priority**

- (a) No change.
- (b) Filtering of BOX In-Bound Orders to Prevent Trade-Throughs.
- i. With the exception of Improvement Orders and Primary Improvement Orders submitted during a PIP (which are processed in accordance with section 18 of this Chapter V) and Directed Orders (which are processed in accordance with section 5, subsections b and c, of Chapter VI) and ISOs (as this term is defined in Section 14 of this Chapter V and Section 1([g]h) of Chapter XII herein) all inbound orders to BOX (whether on behalf of Customers, non-BOX Participant broker-dealer proprietary accounts or market makers at other exchanges) will be filtered by the Trading Host prior to entry on the BOX Book to ensure that these orders will not:
- 1) In the case of a sell order, execute at a price below the NBBO bid price
- or-
- 2) in the case of a buy order, execute at a price above the NBBO offer price.

All of the filtering rules described in this section are independent of whether the NBBO is locked or crossed or not, except where the BOX best price on the same side of the market as the inbound order has crossed or locked, or is crossed or locked by, the opposite side NBBO, the order will be routed, if eligible, or rejected immediately.

- ii. through iv. No change.

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