

Required fields are shown with yellow backgrounds and asterisks.

Filing by NASDAQ OMX 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 type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	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 \*).

A Proposed Rule Change to Amend the Fee Schedule under Exchange Rule 7018(a) with Respect to Transactions in Securities Priced at \$1 per Share or More.

**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 *	Jonathan	Last Name *	Cayne
Title *	Sr. Associate General Counsel		
E-mail *	jonathan.cayne@nasdaqomx.com		
Telephone *	(301) 978-8493	Fax	(301) 978-8472

**Signature**

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

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

(Title \*)

Date	04/08/2014	Executive Vice President and General Counsel
By	Edward S. Knight	
	(Name *)	

Persona Not Validated - 1383935917270,

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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NASDAQ OMX BX, Inc. (“BX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule under Exchange Rule 7018(a) with respect to execution and routing of orders in securities priced at \$1 or more per share.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on July 17, 2013. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Jonathan F. Cayne, Associate General Counsel, at (301) 978-8493 (telephone) or (301) 978-8472 (fax).

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

<sup>2</sup> 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 is proposing several changes to its fees and rebates applicable to transactions in securities priced at \$1 or more under BX Rule 7018(a).

First, the Exchange proposes to introduce a new credit for an order entered by a member that accesses liquidity equal to or exceeding 0.1% of total consolidated volume per month. BX will provide such firms \$0.0015 per share executed for liquidity accessing orders.

Next, the Exchange proposes to amend the criteria by which it provides a credit of \$0.0013 per share executed for liquidity accessing orders (excluding orders executing against the midpoint). Previously, this rate was available to a member (i) with an average daily volume of liquidity accessed in all securities during the month of 6 million or more shares through one or more BX Equities System MPIDs, provide, however, that (ii) the member adds and/or removes liquidity of 30,000 or more contracts per day during the month through BX Options with an average daily volume of liquidity provided in all securities during the month of 1 million or more shares.

The Exchange proposes to amend the criteria by which it provides a credit of \$0.0011 per share executed for liquidity accessing orders (excluding orders executing against the midpoint). Previously, this rate was available to a BX Equities System MPID through which the member provides an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month. BX proposes to make this credit available to members that provide an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month.

In BX Rule 7018(a) the term “Qualified Liquidity Provider” will be replaced with “Qualified Market Maker” (“QMM”) and both of these sub-sections will clarify that for members that qualify under these sub-sections, the member must have at least one Qualified MPID, respectively. There will now be two tiers available for the QMM, Tier 1 and Tier 2. Tier 1 will be achieved by the methods currently outlined in BX Rule 7018(a)(1) and (2). The Exchange proposes that a firm may become a Qualified Market Maker (Tier 2) by having at least one Qualified MPID, that is, an MPID through which, for at least 300 securities, the Qualified Market Maker quotes at the NBBO an average of at least 75% of the time during the regular market hours (9:30 a.m. through 4:00 p.m. during the month.

The Exchange proposes that the charge of \$0.0014 per share executed for a displayed order entered by a Qualified Liquidity Provider through a Qualified MPID remains the same, but that it now applies to a Qualified Market Maker (Tier 1) and no longer must go through a Qualified MPID.

Additionally, the Exchange proposes that a new charge of \$0.0017 per share executed will be added for a displayed order entered by a QMM (Tier 2).

The Exchange also proposes that the charge of \$0.0016 per share executed for a displayed order entered by a member (i) with a daily average volume of liquidity provided in all securities during the month of 2 million or more shares through one or more BX Equities System MPIDs, and (ii) that adds BX Options Market Maker volume under Chapter XV of BX Options rules of 20,000 or more contracts per day during the month, be replaced with a charge for a displayed order entered by a member that adds liquidity equal to or exceeding \$0.25% of total consolidated volume during a month of

\$0.00165 per share executed.

As for a displayed order entered through a NASDAQ OMX BX Equities System MPID through which a member provides an average daily volume of 4 million or more shares of liquidity during the month, the Exchange proposes that the current charge of \$0.0018 per share executed now applies to a displayed order by a member that provides an average daily volume of 2.5 million or more shares of liquidity during the month.

Next, the Exchange proposes that the charge for a midpoint pegged order entered by a member that provides an average daily volume of 2 million or more shares of liquidity using midpoint pegged orders during the month be reduced from \$0.0010 to \$0.0005 per share executed, and that it will now apply to a midpoint pegged order entered by a member that provides an average daily volume of 2 million or more shares of non-displayed liquidity during the month.

The Exchange also proposes that the charge for midpoint pegged order entered by a member that provides an average daily volume of 1 million or more, but less than 2 million, shares of liquidity using midpoint pegged orders during the month be reduced from \$0.00125 to \$0.0009 per share executed, and that it will now apply to a midpoint pegged order 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.

The Exchange additionally proposes that a new charge for other non-displayed orders (other than those pegged to the midpoint) entered by a member that provides an average daily volume of 5 million or more shares of non-displayed liquidity, that a charge will be added of \$0.0019 per share executed.

Finally, the Exchange also proposes to make several grammatical and conforming

changes to BX Rule 7018(a) for the purposes of consistency and clarity.

b. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and Sections 6(b)(4) and (b)(5) of the Act,<sup>4</sup> in particular, because 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 that the Exchange operates or controls, and it does not unfairly discriminate between customers, issuers, brokers or dealers.

At a high level, the changes simplify various aspects of the BX fee schedule to encourage firms to make use of the favorable economics it offers. By assigning rates to members based on their aggregate activity instead of on an MPID by MPID basis enhances a member's ability to earn certain proposed rates. By assigning displayed liquidity fees based on the total amount of liquidity provided, firms are more likely to be able to attain trading thresholds to receive superior execution rates. By lowering fees across multiple levels of firm level activity, BX ensures that growth in participation occurs across a broad contingent of Exchange members. In effect, this change lowers prices for BX members.

More specifically, the proposed increase of \$0.0013 to \$0.0015 per share executed of the credit for an order that accesses liquidity (excluding liquidity pegged to the midpoint) entered by a member that accesses liquidity equal to or exceeding 0.1% of total consolidated volume during a month is consistent with an equitable allocation of fees and

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

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

is not unfairly discriminatory because it remains consistent with the Exchange's approach of providing a credit for orders accessing liquidity, which benefits all market participants, and is applicable to all such orders. Additionally, it is reasonable because it reflects the availability of what is in effect a price reduction for all members that access liquidity in this manner.

The applicability of the credit of \$0.0013 per share executed for an order that accesses liquidity (excluding liquidity pegged to the midpoint) entered by a member with a daily average volume of liquidity provided in all securities during the month of 1 million or more shares is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the credit, but simply reduces the requirement of 6 million or more shares through one or more BX Equities System MPIDs, and that adds/or removes liquidity of 30,000 or more contracts per days during the month through BX Options (excluding and order that executes against a midpoint pegged order) to simply 1 million or more shares. The amount of the credit is not being changed, and is reasonable because it has the potential to reduce aggregate fees while simplifying the process for obtaining that particular rate.

The applicability of the credit of \$0.0011 per share executed for an order that accesses liquidity (excluding liquidity pegged to the midpoint) 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 is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the credit, but simply removes the requirement that the order is entered by a member through a BX Equities System MPID. The amount of the credit is in essence not being changed. As discussed above, the



change makes the credit more inclusionary since some firms may have multiple MPIDs.

The applicability of the charge of \$0.0014 per share executed for a displayed order entered by a Qualified Market Maker (Tier 1) is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the charge, but merely substitutes “Qualified Market Maker (Tier 1)” for “Qualified Liquidity Provider through a Qualified MPID”. Moreover, this change, much like the others above, make a more favorable rate available to a member as a whole, and not for just one of its constituent MPIDs. Indeed, this change makes the provision of such a rate less discriminatory.

The new charge of \$0.0017 per share executed for a displayed order entered by a Qualified Market Maker (Tier 2) and the introduction of a method for obtaining this status is consistent with an equitable allocation of fees and is not unfairly discriminatory because it expands the eligibility of favorable rates to add liquidity under the QMM program. It is reasonable because the program has proven valuable in improving the quotations of BX, which, in turn, benefits market participants who seek to access liquidity at favorable rates.

The increase to the charge of \$0.0016 per share executed for a displayed order entered by a member (i) with a daily average volume of liquidity provided in all securities during the month of 2 million or more shares through one or more BX Equities System MPIDs, and (ii) that adds BX Options Market Maker volume under Chapter XV of BX Options rules of 20,000 or more contracts per day during the month, to a charge of \$0.00165 per share executed for a displayed order entered and replaces the above requirement with a requirement that it be by a member that adds liquidity equal to or

exceeding 0.25% of total consolidated volume during the month is consistent with an equitable allocation of fees and is not unfairly discriminatory because it only modestly increases the charge by \$0.00005 per share executed and the updated requirement applicable to the member entering the displayed order is reasonable because it affects similarly situated members in the same way.

The applicability of the charge of \$0.0018 per share executed 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 is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the credit, but simply reduces the number of shares required to reach this level from 4 million to 2.5 million or more shares of liquidity during the month. It is reasonable in that it affects similarly situated members in the same way.

The reduction of the charge from \$0.0010 to \$0.0005 per share executed for a midpoint pegged order entered by a member that provides an average daily volume of 1 million shares, but less than 2 million shares of non-displayed liquidity (previously, liquidity using midpoint pegged orders) is consistent with an equitable allocation of fees and is not unfairly discriminatory because the Exchange believes that it is appropriate to charge a lower fee to midpoint pegged orders, which provide price improvement. It is also reasonable because it affects similarly situated members in the same way.

The new charge for non-displayed orders (other than those pegged to the midpoint) entered by a member that provides an average daily volume of 5 million or more shares of non-displayed liquidity of \$0.0019 per share executed is consistent with an equitable allocation of fees and is not unfairly discriminatory because use of non-

displayed orders is wholly voluntary. It is also reasonable because it encourages additional activity from large non-display participants.

The proposed pricing changes are, in part, reflective of BX's ongoing efforts to use responsive pricing to attract orders that BX believes will improve market quality.

Finally, BX notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. BX believes that the proposed rule change reflects this competitive environment because it is designed to ensure that the charges and credits for participation on BX reflect changes in the cost of such participation to BX, and its desire to attract order flow that improves the market for all participants.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>5</sup> BX notes that it operates in a highly competitive market in which market participants can readily favor over 40 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 and with alternative trading systems that have been exempted from

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<sup>5</sup> 15 U.S.C. 78f(b)(8).

compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, 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 increases with respect to certain orders coupled with the easier to qualify for pricing tier for members active in the Exchange's cash equities market enhances the Exchange's competitiveness by reducing fees for some and raising fees modestly for others. 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 changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>6</sup> BX has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

The new tier for members active in the BX Equities System and BX Options is similar to tiers under NASDAQ Rule 7018(a).

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-BX-2014-018)

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing of Proposed Rule Change to Amend the Fee Schedule under Exchange Rule 7018(a) with Respect to Transactions in Securities Priced at \$1 per Share or More

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 8, 2014, 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 the fee schedule under Exchange Rule 7018(a) with respect to transactions in securities priced at \$1 per share or more.

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.

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

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

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

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 several changes to its fees and rebates applicable to transactions in securities priced at \$1 or more under BX Rule 7018(a).

First, the Exchange proposes to introduce a new credit for an order entered by a member that accesses liquidity equal to or exceeding 0.1% of total consolidated volume per month. BX will provide such firms \$0.0015 per share executed for liquidity accessing orders.

Next, the Exchange proposes to amend the criteria by which it provides a credit of \$0.0013 per share executed for liquidity accessing orders (excluding orders executing against the midpoint). Previously, this rate was available to a member (i) with an average daily volume of liquidity accessed in all securities during the month of 6 million or more shares through one or more BX Equities System MPIDs, provide, however, that (ii) the member adds and/or removes liquidity of 30,000 or more contracts per day during the month through BX Options with an average daily volume of liquidity provided in all securities during the month of 1 million or more shares.

The Exchange proposes to amend the criteria by which it provides a credit of \$0.0011 per share executed for liquidity accessing orders (excluding orders executing against the midpoint). Previously, this rate was available to a BX Equities System MPID through which the member provides an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month. BX proposes to make this credit

available to members that provide an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month.

In BX Rule 7018(a) the term “Qualified Liquidity Provider” will be replaced with “Qualified Market Maker” (“QMM”) and both of these sub-sections will clarify that for members that qualify under these sub-sections, the member must have at least one Qualified MPID, respectively. There will now be two tiers available for the QMM, Tier 1 and Tier 2. Tier 1 will be achieved by the methods currently outlined in BX Rule 7018(a)(1) and (2). The Exchange proposes that a firm may become a Qualified Market Maker (Tier 2) by having at least one Qualified MPID, that is, an MPID through which, for at least 300 securities, the Qualified Market Maker quotes at the NBBO an average of at least 75% of the time during the regular market hours (9:30 a.m. through 4:00 p.m. during the month.

The Exchange proposes that the charge of \$0.0014 per share executed for a displayed order entered by a Qualified Liquidity Provider through a Qualified MPID remains the same, but that it now applies to a Qualified Market Maker (Tier 1) and no longer must go through a Qualified MPID.

Additionally, the Exchange proposes that a new charge of \$0.0017 per share executed will be added for a displayed order entered by a QMM (Tier 2).

The Exchange also proposes that the charge of \$0.0016 per share executed for a displayed order entered by a member (i) with a daily average volume of liquidity provided in all securities during the month of 2 million or more shares through one or more BX Equities System MPIDs, and (ii) that adds BX Options Market Maker volume under Chapter XV of BX Options rules of 20,000 or more contracts per day during the



month, be replaced with a charge for a displayed order entered by a member that adds liquidity equal to or exceeding \$0.25% of total consolidated volume during a month of \$0.00165 per share executed.

As for a displayed order entered through a NASDAQ OMX BX Equities System MPID through which a member provides an average daily volume of 4 million or more shares of liquidity during the month, the Exchange proposes that the current charge of \$0.0018 per share executed now applies to a displayed order by a member that provides an average daily volume of 2.5 million or more shares of liquidity during the month.

Next, the Exchange proposes that the charge for a midpoint pegged order entered by a member that provides an average daily volume of 2 million or more shares of liquidity using midpoint pegged orders during the month be reduced from \$0.0010 to \$0.0005 per share executed, and that it will now apply to a midpoint pegged order entered by a member that provides an average daily volume of 2 million or more shares of non-displayed liquidity during the month.

The Exchange also proposes that the charge for midpoint pegged order entered by a member that provides an average daily volume of 1 million or more, but less than 2 million, shares of liquidity using midpoint pegged orders during the month be reduced from \$0.00125 to \$0.0009 per share executed, and that it will now apply to a midpoint pegged order 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.

The Exchange additionally proposes that a new charge for other non-displayed orders (other than those pegged to the midpoint) entered by a member that provides an

average daily volume of 5 million or more shares of non-displayed liquidity, that a charge will be added of \$0.0019 per share executed.

Finally, the Exchange also proposes to make several grammatical and conforming changes to BX Rule 7018(a) for the purposes of consistency and clarity.

## 2. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>3</sup> in general, and Sections 6(b)(4) and (b)(5) of the Act,<sup>4</sup> in particular, because 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 that the Exchange operates or controls, and it does not unfairly discriminate between customers, issuers, brokers or dealers.

At a high level, the changes simplify various aspects of the BX fee schedule to encourage firms to make use of the favorable economics it offers. By assigning rates to members based on their aggregate activity instead of on an MPID by MPID basis enhances a member's ability to earn certain proposed rates. By assigning displayed liquidity fees based on the total amount of liquidity provided, firms are more likely to be able to attain trading thresholds to receive superior execution rates. By lowering fees across multiple levels of firm level activity, BX ensures that growth in participation occurs across a broad contingent of Exchange members. In effect, this change lowers prices for BX members.

More specifically, the proposed increase of \$0.0013 to \$0.0015 per share executed of the credit for an order that accesses liquidity (excluding liquidity pegged to the

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

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

midpoint) entered by a member that accesses liquidity equal to or exceeding 0.1% of total consolidated volume during a month is consistent with an equitable allocation of fees and is not unfairly discriminatory because it remains consistent with the Exchange's approach of providing a credit for orders accessing liquidity, which benefits all market participants, and is applicable to all such orders. Additionally, it is reasonable because it reflects the availability of what is in effect a price reduction for all members that access liquidity in this manner.

The applicability of the credit of \$0.0013 per share executed for an order that accesses liquidity (excluding liquidity pegged to the midpoint) entered by a member with a daily average volume of liquidity provided in all securities during the month of 1 million or more shares is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the credit, but simply reduces the requirement of 6 million or more shares through one or more BX Equities System MPIDs, and that adds/or removes liquidity of 30,000 or more contracts per days during the month through BX Options (excluding and order that executes against a midpoint pegged order) to simply 1 million or more shares. The amount of the credit is not being changed, and is reasonable because it has the potential to reduce aggregate fees while simplifying the process for obtaining that particular rate.

The applicability of the credit of \$0.0011 per share executed for an order that accesses liquidity (excluding liquidity pegged to the midpoint) 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 is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the credit, but simply removes the

requirement that the order is entered by a member through a BX Equities System MPID. The amount of the credit is in essence not being changed. As discussed above, the change makes the credit more inclusionary since some firms may have multiple MPIDs.

The applicability of the charge of \$0.0014 per share executed for a displayed order entered by a Qualified Market Maker (Tier 1) is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the charge, but merely substitutes “Qualified Market Maker (Tier 1)” for “Qualified Liquidity Provider through a Qualified MPID”. Moreover, this change, much like the others above, make a more favorable rate available to a member as a whole, and not for just one of its constituent MPIDs. Indeed, this change makes the provision of such a rate less discriminatory.

The new charge of \$0.0017 per share executed for a displayed order entered by a Qualified Market Maker (Tier 2) and the introduction of a method for obtaining this status is consistent with an equitable allocation of fees and is not unfairly discriminatory because it expands the eligibility of favorable rates to add liquidity under the QMM program. It is reasonable because the program has proven valuable in improving the quotations of BX, which, in turn, benefits market participants who seek to access liquidity at favorable rates.

The increase to the charge of \$0.0016 per share executed for a displayed order entered by a member (i) with a daily average volume of liquidity provided in all securities during the month of 2 million or more shares through one or more BX Equities System MPIDs, and (ii) that adds BX Options Market Maker volume under Chapter XV of BX Options rules of 20,000 or more contracts per day during the month, to a charge of

\$0.00165 per share executed for a displayed order entered and replaces the above requirement with a requirement that it be by a member that adds liquidity equal to or exceeding 0.25% of total consolidated volume during the month is consistent with an equitable allocation of fees and is not unfairly discriminatory because it only modestly increases the charge by \$0.00005 per share executed and the updated requirement applicable to the member entering the displayed order is reasonable because it affects similarly situated members in the same way.

The applicability of the charge of \$0.0018 per share executed 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 is consistent with an equitable allocation of fees and is not unfairly discriminatory because it does not change the credit, but simply reduces the number of shares required to reach this level from 4 million to 2.5 million or more shares of liquidity during the month. It is reasonable in that it affects similarly situated members in the same way.

The reduction of the charge from \$0.0010 to \$0.0005 per share executed for a midpoint pegged order entered by a member that provides an average daily volume of 1 million shares, but less than 2 million shares of non-displayed liquidity (previously, liquidity using midpoint pegged orders) is consistent with an equitable allocation of fees and is not unfairly discriminatory because the Exchange believes that it is appropriate to charge a lower fee to midpoint pegged orders, which provide price improvement. It is also reasonable because it affects similarly situated members in the same way.

The new charge for non-displayed orders (other than those pegged to the midpoint) entered by a member that provides an average daily volume of 5 million or

more shares of non-displayed liquidity of \$0.0019 per share executed is consistent with an equitable allocation of fees and is not unfairly discriminatory because use of non-displayed orders is wholly voluntary. It is also reasonable because it encourages additional activity from large non-display participants.

The proposed pricing changes are, in part, reflective of BX's ongoing efforts to use responsive pricing to attract orders that BX believes will improve market quality.

Finally, BX notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. BX believes that the proposed rule change reflects this competitive environment because it is designed to ensure that the charges and credits for participation on BX reflect changes in the cost of such participation to BX, and its desire to attract order flow that improves the market for all participants.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.<sup>5</sup> BX notes that it operates in a highly competitive market in which market participants can readily favor over 40 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

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<sup>5</sup> 15 U.S.C. 78f(b)(8).

environment, BX must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, 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 increases with respect to certain orders coupled with the easier to qualify for pricing tier for members active in the Exchange's cash equities market enhances the Exchange's competitiveness by reducing fees for some and raising fees modestly for others. 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 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.

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>6</sup> and paragraph (f) of Rule 19b-4<sup>7</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

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f).

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-2014-018 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-2014-018. 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-2014-018 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>8</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

**The text of the proposed rule change is below. Proposed new language is underlined; deletions are bracketed.**

**7018. NASDAQ OMX BX Equities System Order Execution and Routing**

(a) The following charges and credits shall apply to the use of the order execution and routing services of the NASDAQ OMX BX Equities System by members for all securities priced at \$1 or more per share that it trades.

Credit for entering order that accesses liquidity in the NASDAQ OMX BX Equities System:	
Order that executes against a midpoint pegged order:	\$0
Order <u>that accesses liquidity (excluding liquidity pegged to the midpoint)</u> entered by a member [through a BX Equities System Market Participant Identifier (“MPID”) through which the member (i) accesses an average daily volume of 3.5 million or more shares of liquidity, or (ii) provides an average daily volume of 1 million or more shares of liquidity during the month (excluding an order that executes against a midpoint pegged order)] <u>that accesses liquidity equal to or exceeding 0.1% of total consolidated volume during a month:</u>	\$0.001[3]5 per share executed
Order <u>that accesses liquidity (excluding liquidity pegged to the midpoint)</u> entered by a member [(i) with a daily average volume of liquidity [accessed] <u>provided</u> in all securities during the month of [6]1 million or more shares [through one or more BX Equities System MPIDs, and (ii) that adds and/or removes liquidity of 30,000 or more contracts per day during the month through BX Options (excluding an order that executes against a midpoint pegged order)]:	\$0.0013 per share executed
Order <u>that accesses liquidity (excluding liquidity pegged to the midpoint)</u> entered by a member [through a BX Equities System MPID through which the member] <u>that provides an average daily volume of at least 25,000, but less than 1 million, shares of liquidity during the month [(excluding an order that executes against a midpoint pegged order)]:</u>	\$0.0011 per share executed
BSTG, BSCN, BMOP, BTFY, BCRT, BDRK or BCST order that accesses liquidity in the NASDAQ OMX BX Equities System (excluding an order that executes against a midpoint pegged order):	\$0.0011 per share executed

All other orders:	\$0.0004 per share executed
Charge for providing liquidity through the NASDAQ OMX BX Equities System:	
Displayed order entered by a Qualified [Liquidity Provider through a Qualified MPID]Market Maker (Tier 1):	\$0.0014 per share executed
<u>Displayed order entered by a Qualified Market Maker (Tier 2):</u>	<u>\$0.0017 per share executed</u>
Displayed order entered by a member <u>that adds liquidity equal to or exceeding 0.25% of total consolidated volume during a month</u> [(i) with a daily average volume of liquidity provided in all securities during the month of 2 million or more shares through one or more BX Equities System MPIDs, and (ii) that adds BX Options Market Maker volume under Chapter XV of BX Options rules of 20,000 or more contracts per day during the month]:	\$0.00165 per share executed
Displayed order entered [through a NASDAQ OMX BX Equities System MPID through which]by a member <u>that provides an average daily volume of [4]2.5 million or more shares of liquidity during the month:</u>	\$0.0018 per share executed
Midpoint pegged order entered by a member that provides an average daily volume of 2 million or more shares of <u>non-displayed liquidity</u> [using midpoint pegged orders] during the month:	\$0.00[1]05 per share executed
Midpoint pegged order entered by a member that provides an average daily volume of 1 million or more, but less than 2 million, shares of <u>non-displayed liquidity</u> [using midpoint pegged orders during the month]:	\$0.00[125]09 per share executed
Midpoint pegged order entered by other member:	\$0.0015 per share executed
<u>Non-displayed orders (other than those pegged to the midpoint) entered by a member that provides an average daily volume of 5 million or more shares of non-displayed liquidity:</u>	<u>\$0.0019 per share executed</u>

All <del>[O]</del> other non-displayed orders	\$0.0028 per share executed
All other orders:	\$0.0020 per share executed

[For purposes of this rule, there are two methods of becoming] A firm may become a Qualified [Liquidity Provider]Market Maker (Tier 1) by:

(1) [A Qualified Liquidity Provider may be a ] 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 NASDAQ OMX BX Equities System MPIDs that represent more than 0.40% and 0.50%, respectively, of the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities (“Consolidated Volume”) during the month, 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. For a member qualifying under this method, the member must have at least one [a] Qualified MPID, that is, is an MPID through which, for at least 150 securities, the Qualified [Liquidity Provider]Market Maker 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[.]; or

(2) [Alternatively, a Qualified Liquidity Provider may be] 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 NASDAQ OMX BX Equities System MPIDs that represent more than 0.35% and 0.45%, respectively, of Consolidated Volume during the month. 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. For a member qualifying under this method, the member must have at least one[a] Qualified MPID, that is, an MPID through which, for at least 400 securities, the Qualified [Liquidity Provider]Market Maker 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.

A firm may become a Qualified Market Maker (Tier 2) by:

(1) Having at least one Qualified MPID, that is, an MPID through which, for at least 300 securities, the Qualified Market Maker quotes at the NBBO an

average of at least 75% of the time during the regular market hours (9:30 a.m. through 4:00 p.m.) during the month.

Charge for BSTG or BSCN order that executes in a venue other than the NASDAQ OMX BX Equities System:	\$0.0030 per share executed at NYSE
	\$0.0030 per share executed at venues other than NYSE
Charge for BMOP order that executes in a venue other than the NASDAQ OMX BX Equities System:	\$0.0035 per share executed at NYSE
	\$0.0035 per share executed at venues other than NYSE
Charge for BTFY order that executes in a venue other than the NASDAQ OMX BX Equities System:	\$0.0030 per share executed at NYSE
	\$0.0007 per share executed at venues other than NYSE, NASDAQ
	For orders that execute at NASDAQ OMX PSX, NASDAQ OMX BX will pass through all fees assessed and rebates offered by NASDAQ OMX PSX
	For orders that execute at NASDAQ, NASDAQ OMX BX will pass through all fees assessed and rebates offered by NASDAQ
Charge for BCRT order that executes in a venue other than the NASDAQ OMX BX Equities System:	For orders that execute at NASDAQ OMX PSX, NASDAQ OMX BX will pass through all fees assessed and rebates offered by NASDAQ OMX PSX
	For orders that execute at NASDAQ, NASDAQ OMX BX will pass through all fees assessed and rebates offered by NASDAQ

Charge for BDRK and BCST order that executes in a venue other than the NASDAQ OMX BX Equities System:	\$0.0010 per share executed
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(b) - (d) No change.

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