OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 86

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2015 - * 032
Amendment No. (req. for Amendments *)

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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule
- ☐ 19b-4(f)(1)
- ☐ 19b-4(f)(2)
- ☐ 19b-4(f)(3)
- ☐ 19b-4(f)(4)
- ☐ 19b-4(f)(5)
- ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

Adopting a new auction mechanism entitled "PRISM."

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 * Angela Last Name * Dunn
Title * Associate General Counsel
E-mail * angela.dunn@nasdaqomx.com
Telephone * (215) 496-5692 Fax

Signature

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

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

Date 06/01/2015
By Edward S. Knight
(Name *)

(Title *)
Executive Vice President and General Counsel

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.

edward.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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 *

Add Remove View

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 *

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] NASDAQ OMX BX, Inc. ("BX" or the "Exchange") is filing with the Securities and Exchange Commission ("Commission") a proposal to amend BX rules at Chapter VI, Section 9, which is currently reserved, to establish a price-improvement mechanism on BX.

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 is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The BX Board of Directors of the Exchange approved the submission of this proposed rule change on February 9, 2015. No other action by the Exchange is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Angela Saccomandi Dunn, Associate General Counsel, The NASDAQ OMX Group at (215) 496-5692.

---

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

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

a. Purpose

The purpose of the proposed rule change is to establish a price-improvement mechanism, "PRISM," on the Exchange, which includes auto-match functionality in which a Participant (an "Initiating Participant") may electronically submit for execution an order it represents as agent on behalf of a Public Customer,[3] broker dealer, or any other entity ("PRISM Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PRISM Order for electronic execution into the PRISM Auction ("Auction") pursuant to the proposed Rule.[4] The Exchange intends to retitle Chapter VI, Section 9, which is currently reserved, as "Price Improvement Auction ("PRISM")."

Auction Eligibility Requirements

All options traded on the Exchange are eligible for PRISM. Proposed Rule Chapter VI, Section 9(i) describes the circumstances under which an Initiating Participant may initiate an Auction. The Initiating Participant may initiate an Auction provided the conditions which follow are met: If the PRISM Order is for the account of a Public

---

3 A Public Customer means a person that is not a broker or dealer in securities. See BX Options Rules at Chapter I, Section 1(a)(50). A Public Customer order does not include a Professional Order. Public Customer Priority is always in effect when the Price/Time execution algorithm is in effect. See BX Rules at Chapter VI, Section 10(a)(C)(1)(a). A "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. All Professional orders shall be appropriately marked by Participants. See BX Rules at Chapter I, Section 1(a)(49).

4 BX will only conduct an auction for Simple Orders.

Customer the Initiating Participant must stop the entire PRISM Order at a price that is equal to or better than the National Best Bid/Offer displayed ("NBBO") on the opposite side of the market from the PRISM Order, provided that such price must be at the minimum trading increment specified in Chapter VI, Section 5[5] or better than any limit order on the limit order book on the same side of the market as the PRISM Order.[6] If the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer the Initiating Participant must stop the entire PRISM at a price that is the better of: (i) the BX BBO price improved by at least the Minimum Increment on the same side of the market as the PRISM Order, or (ii) the PRISM Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the displayed NBBO.[7] PRISM Orders that do not comply with these aforementioned requirements are not eligible to initiate an Auction and will be rejected. Also, PRISM Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected. PRISM Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be rejected. Finally, an Initiating Order may not be a solicited order for the account of any BX Options Market Maker assigned in the affected series.[8]

---

5 The Board may establish minimum quoting increments for options contracts traded on BX Options. The minimum trading increment for options contracts traded on BX Options will be one (1) cent for all series ("Minimum Increment"). See BX Rules at Chapter VI, Section 5(b).

6 See proposed rule at Chapter VI, Section 9(i)(A).

7 See proposed rule at Chapter VI, Section 9(i)(B).

8 See proposed rule at Chapter VI, Section 9(i)(C) through (G).

Auction Process

Only one Auction may be conducted at a time in any given series. Once commenced, an Auction may not be cancelled and shall proceed as described herein. To initiate the Auction, the Initiating Participant must mark the PRISM Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PRISM Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PRISM Auction Notifications ("PAN") responses, and trading interest ("auto-match") in which case the PRISM Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "No Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the BX BBO on the same side of the market as the PRISM Order represents a limit order on the book, the stop price must be at least the Minimum Increment or better than the booked limit order's limit price. Once the Initiating Participant has submitted a PRISM Order for processing as described herein, such PRISM Order may not be modified or cancelled. Under any of the circumstances described above, the stop price or

NWT price may be improved to the benefit of the PRISM Order during the Auction, but may not be cancelled.[9]

When starting an Auction, the Initiating Participant may submit the Initiating Order with a designation of "surrender" to other PRISM Participants ("Surrender"), which will result in the Initiating Participant forfeiting priority and trade allocation privileges.[10] If Surrender is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PRISM Order at prices which are equal to or improve upon the stop price. Under no circumstances will the Initiating Participant receive an allocation percentage of more than 50% with one competing order or 40% with multiple competing orders. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Participant than that which the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Rule.[11]

When the Exchange receives a PRISM Order for Auction processing, a PAN detailing the side and size of the PRISM Order will be sent over the Exchange's Specialized Quote Feed ("SQF"). The Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction

---

9 See proposed rule at Chapter VI, Section 9(ii)(A)(1).

10 The Miami International Securities Exchange LLC ("MIAX") also has a surrender feature. MIAX's feature, surrender quantity, allows participants to specify a certain percentage for surrender. BX will allow surrender only for the entire amount, not for a partial amount. See MIAX Rule 515A.

11 This concept of Surrender is similar to a forfeiture concept on the BOX Options Exchange LLC ("BOX"). See BOX Rule 7150(g) regarding PIP, its price improvement auction.

period will be no less than one hundred milliseconds[12] and no more than one second.[13] Any person or entity may submit responses to the PAN, provided such response is properly marked specifying price, size and side of the market. PAN responses will not be visible to Auction participants, and will not be disseminated to OPRA. The minimum price increment for PAN responses and for an Initiating Participant's stop price and/or NWT price shall be the minimum price improvement increment established pursuant to proposed rule at Chapter VI, Section 9(ii)(A)(1).[14]

A PAN response size at any given price point may not exceed the size of the PRISM Order. A PAN response with a size greater than the size of the PRISM Order will be rejected. A PAN response must be equal to or better than the NBBO at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response submitted with a price that is outside the displayed NBBO will be rejected. PAN responses on the same side of the market as the PRISM Order are considered invalid and will be rejected. Finally, Multiple PAN responses from the same Participant may be submitted during the Auction. Multiple orders at a particular price point submitted by a Participant in response to a PAN may not exceed, in the aggregate, the size of the PRISM Order.[15]

---

12 BOX's PIP auction is a duration of one hundred milliseconds, commencing on the dissemination of the PIP broadcast. See BOX Rule 7150(f)(1).

13 The Chicago Board Options Exchange, Incorporated's ("CBOE") AIM auction is a duration of one second. See CBOE Rule 6.74A(b)(1)(C).

14 See proposed rule at Chapter VI, Section 9(ii)(A)(2) through (6).

15 See proposed rule at Chapter VI, Section 9(ii)(A)(7) through (10).

Conclusion of an Auction

The PRISM Auction shall conclude at the earlier of the end of the Auction period or any time there is a trading halt on the Exchange in the affected series.[16]

The PRISM Order will execute at: (1) in the case of the BX BBO crossing the PRISM Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the Order Book on the same side of the market as the PRISM Order, in which case the PRISM Order will be executed against that response, but at a price that is at the Minimum Increment better than the price of such limit order at the time of the conclusion of the Auction; otherwise execution would occur at the stop price; or (2) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PRISM Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.[17]

An unrelated market or marketable limit order (against the BX BBO) on the opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction.[18]

Order Allocation – Size Pro-Rata

At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as follows for underling symbols which are designated as Size Pro-Rata, as

---

16 See proposed rule at Chapter VI, Section 9(ii)(B).

17 See proposed rule at Chapter VI, Section 9(ii)(C).

18 See proposed rule at Chapter VI, Section 9(ii)(D).

described in Chapter VI, Section10(1)(C)(1)(a) with priority as shall be described below. First, Public Customer orders shall have time priority at each price level. Next, the Initiating Participant shall be allocated after Public Customer Orders.

If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Participant the stop price. However, if only one other Participant matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated, pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5), among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the stop price is the final price) after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant.

In the case of a PRISM, if the Initiating Participant selected the "stop and NWT" option of the PRISM Auction, contracts shall be allocated as follows: (i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5), at each price point; and (ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% or 50% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant.[19]

---

[19] See proposed rule at Chapter VI, Section 9(ii)(E)(2)(a) through (c).

Next, BX Options Market Makers that were at a price that is equal to or better than the displayed NBBO on the opposite side of the market from the PRISM Order at the time of initiation of the PRISM Auction ("Priority Market Makers") shall have priority up to their quote size in the NBBO which was present when the PRISM Auction was initiated ("Displayed NBBO") at each price level at or better than such Displayed NBBO after Public Customer and Initiating Participants have received allocations.[20] Priority Market Maker quotes, orders, and PAN responses will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).[21]

Next, Non-Priority Market Makers and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO shall have priority at each price level at or better than the Initial Displayed NBBO after Public Customer, Initiating Participants and Priority Market Makers have received allocations. Non-Priority Market Maker and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).[22]

---

20 MIAX allocates executions resulting from Priority Customer interest and priority Market Maker quotes ahead of other interest. MIAX's system may designate Market Maker quotes as either priority quotes or non-priority quotes in accordance with the provisions in MIAX Rule 517(b). The Exchange is prioritizing Priority Market Maker allocations in the proposed BX Prism Auction in a similar manner, ahead of other non-Customer interest.

21 See proposed rule at Chapter VI, Section 9(ii)(E)(3).

22 See proposed rule at Chapter VI, Section 9(ii)(E)(4).

Finally, all other interest will be allocated, after proposed Chapter VI, Section 9(ii)(E)(1) through (4) have been satisfied. Such interest will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).[23]

Order Allocation – Price/Time

At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as indicated below for underlying symbols designated as Price/Time as described in proposed Chapter VI, Section10(1)(C)(2)(i). First, Public Customer orders shall have time priority at each price level. Next, the Initiating Participant shall be allocated after Public Customer Orders.

If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Participant the stop price. However, if only one other Participant matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5), among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate

---

[23] See proposed rule at Chapter VI, Section 9(ii)(E)(5).

size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% or 50% of the contracts remaining at the final price point (including situations where the stop price is the final price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant. In the case of a PRISM, if the Initiating Participant selected the "stop and NWT" option of the PRISM Auction, contracts shall be allocated as follows: (i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5), at each price point; and (ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including

situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant.[24]

Next, Priority Market Makers that were at a price that is equal to or better than the displayed NBBO on the opposite side of the market from the PRISM Order at the time of initiation of PRISM Auction shall have priority up to their displayed quote size in the Initial Displayed NBBO at each price level better than the Initial Displayed NBBO, after Public Customer and Initiating Participants have received allocations. Priority Market Maker interest at prices better than the Initial Displayed NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B). Priority Market Maker interest at a price equal to or inferior to the Initial Displayed NBBO will not have priority over other participants and will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).[25]

Finally, all other interest will be allocated, after proposed Chapter VI, Section 9(ii)(E)(1) through (3) have been satisfied. Such interest will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).[26]

---

24 See proposed rule at Chapter VI, Section 9(ii)(F)(2)(a) through (c).

25 See proposed rule at Chapter VI, Section 9(ii)(F)(3).

26 See proposed rule at Chapter VI, Section 9(ii)(F)(4).

With respect to either allocation method, a single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Residual odd lots will be allocated in time-priority among interest with the highest priority. Rounding of the Initiating Participant will be up or down to the nearest integer,[27] all other rounding is down to the nearest integer. If rounding would results in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant only if the Initiating Participant did not otherwise receive an allocation. If there are PAN responses that cross the then-existing NBBO (provided such NBBO is not crossed), such PAN responses will be executed, if possible, at their limit price(s). If the price of the PRISM Auction Order is the same as that of an order on the limit order book on the same side of the market as the PRISM Order, the PRISM Order may only be executed at a price that is at least the Minimum Increment better than the resting order's limit price or, if such resting order's limit price is equal to or crosses the stop price, then the entire PRISM Order will trade at the stop price with all better priced interest being considered for execution at the stop price. Any unexecuted PAN responses will be cancelled.[28]

With respect to Intermarket Sweep Orders or "ISO" Orders,[29] under any allocation, If a PRISM Auction Order is initiated for an order designated as an ISO

---

27 When the decimal is exactly 0.5, the rounding direction is up to the nearest integer.

28 See proposed rule at Chapter VI, Section 9(ii)(G) – (J).

29 An "Intermarket Sweep Order" or "ISO" are limit orders that are designated as ISOs in the manner prescribed by BX and are executed within the System by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in BX Rules at Chapter XII, Section 1. ISOs may have any time-in-force designation except WAIT, are handled within the System pursuant to BX Rules at Chapter VI, Section 10 and shall not be eligible

Order, all executions which are at a price inferior to the Initial Displayed NBBO shall be allocated pursuant to the Size Pro-Rata execution algorithm, as described in Chapter VI, Section10(1)(C)(1)(a), or Price/Time execution algorithm, as described in Chapter VI, Section10(1)(C)(2)(i), and the aforementioned priority in proposed Chapter VI, Section 9(ii)(E) and (F) shall not apply, with the exception of the PRISM contra side allocation which will be allocated in accordance with the priority as specified in proposed Chapter VI, Section 9(ii)(E) and (F).[30]

With respect to Post Only Orders,[31] these orders will be executed if such order would not result in the removal of liquidity when executing in the PRISM Auction, in accordance with Chapter VI, Section 1(e)(10). A Post Only Order will be cancelled if it

---

for routing as set out in BX Rules at Chapter VI, Section 11. ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. See BX Options Rules at Chapter VI, Section 1(e)(7).

30 See proposed rule at Chapter VI, Section 9(ii)(K).

31 "Post-Only Orders" are orders that will not remove liquidity from the System. Post- Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post-Only Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Chapter VI, Section 7(b)(3)(C). Participants may choose to have their Post-Only Orders returned whenever the order would lock or cross the NBBO or be placed on the book at a price other than its limit price. Post-Only Orders received prior to the opening cross or after market close will be rejected. Post-Only Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel. See BX Options Rules at Chapter VI, Section 1(e)(10).

eligible for an execution in the PRISM Auction and would be considered the remover of liquidity.[32] Post Only Orders submitted by a Marker Maker during a PRISM Auction will not be considered as Priority Market Maker interest[33] but will be considered pursuant to proposed Chapter VI, Section 9(ii)(E)(4) and Section 9(ii)(F)(4).

Regulatory Concerns - Bona Fide Transactions

The PRISM Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 if an Initiating Participant submits a PRISM Order (initiating an Auction) and also submits its own PAN response in the same Auction.[34] A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceed, in the aggregate, the size of the PRISM Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110.[35] A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PRISM Auction to conclude before the end of the PRISM Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110. It will also be deemed conduct inconsistent with just and equitable principles of trade and a

---

32 See proposed rule at Chapter VI, Section 9(ii)(L).

33 Only Market Maker interest submitted through SQF will be eligible for Priority Market Maker interest.

34 See proposed rule at Chapter VI, Section 9(iii). BX Rule 2110 states that, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

35 See proposed rule at Chapter VI, Section 9(iv).

violation of Rule 2110 to engage in a pattern of conduct where the Initiating Participant breaks up a PRISM Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Participant would have otherwise received in accordance with the allocation procedures contained in proposed subparagraph (ii)(E) and (ii)(F) to Chapter VI, Section 9.[36]

Crossing and Agency Orders

In lieu of the procedures in proposed paragraphs (i) - (ii) to Chapter VI, Section 9, an Initiating Participant may enter a PRISM Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PRISM Auction. The execution price for such a PRISM Order must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the NBBO or at the same price as any resting Public Customer order.[37]

BX Rules at Chapter VII, Section 12[38] prevents a Participant from executing agency orders to increase its economic gain from trading against the order without first

---

36 See proposed rule at Chapter VI, Section 9(v).

37 See proposed rule at Chapter VI, Section 9(vi).

38 BX Rules at Chapter VI, Section 12, entitled "Anonymity" provides, "The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities. BX shall reveal a Participant's identity in the following circumstances: (1) when a registered clearing agency ceases to act for a participant, or the Participant's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades; (2) for regulatory purposes or to comply with an order of an arbitrator or court; (3) if both Participants to the transaction consent; and (4) **u**nless otherwise instructed by a member, BX will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the

giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Participant was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a Participant to establish a relationship with a Public Customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of BX Rules at Chapter VII, Section 12 for a Participant to circumvent Chapter VII, Section 12 by providing an opportunity for (i) a Public Customer affiliated with the Participant, or (ii) a Public Customer with whom the Participant has an arrangement that allows the Participant to realize similar economic benefits from the transaction as the Participant would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PRISM Public Customer-to-Public Customer immediate crosses.[39]

Subject to a Pilot expiring one year from the approval of this Rule, there will be no minimum size requirement for orders to be eligible for the Auction. During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any data which is

---

member's Order has been decremented by another Order submitted by that same member.

[39] See proposed rule at Chapter VI, Section 6(vi)(a).

.

submitted to the Commission will be provided on a confidential basis. There will be no minimum size requirement for orders to be eligible for the Auction.[40]

Pilot Program Information to the Commission

The Exchange represents that, in support of its proposed pilot program concerning (i) the early conclusion of the Auction, and (ii) permitting orders of fewer than 50 contracts into the Auction, it will provide the following information each month during the pilot period:[41]

Regarding the early conclusion of the Auction due to the BBO crossing the PRISM Order stop price on the same side of the market as the PRISM order, or due to a trading halt, the Exchange will provide the following monthly information:

(1) The number of times that the BBO crossed the PRISM Order stop price on the same side of the market as the PRISM Order and prematurely ended the PRISM Auction, and at what time the PRISM Auction ended;

(2) The number of times that a trading halt prematurely ended the PRISM auction and at what time the trading halt ended the PRISM Auction;

(3) Of the Auctions terminated early due to the BBO crossing the PRISM order stop price, the number that resulted in price improvement over the PRISM Order stop price, and the average amount of price improvement provided to the PRISM Order;

---

40 See proposed rule at Chapter VI, Section 6(vii).

41 The Exchange will provide the information for a particular month not later than the last business day of the subsequent month. For example, information for the month of September would be provided to the Commission no later than the last business day of October. Information for the month of October would be provided no later than the last business day of November, etc.

(4) In the Auctions terminated early due to the BBO crossing the PRISM order stop price, the percentage of contracts that received price improvement over the PRISM order stop price;

(5) Of the Auctions terminated early due to a trading halt, the number that resulted in price improvement over the PRISM Order stop price, and the average amount of price improvement provided to the PRISM Order;

(6) In the auctions terminated early due to a trading halt, the percentage of contracts that received price improvement over the PRISM order stop price; and

(7) The average amount of price improvement provided to the PRISM Order when the PRISM Auction is not terminated early (i.e., runs the full one second).

(8) The number of times an unrelated market or marketable limit order (against the BBO) on the opposite side of the PRISM Order is received during the Auction Period;

(9) The price(s) at which an unrelated market or marketable limit order (against the BBO) on the opposite side of the PRISM Order that is received during the Auction Period is executed, compared to the execution price of the PRISM Order.

Regarding PRISM Orders of fewer than 50 contracts, the Exchange will provide the following monthly information:

(1) The number of orders of fewer than 50 contracts entered into the PRISM Auction;

(2) The percentage of all orders of fewer than 50 contracts sent to BX that are entered into the PRISM Auction;

(3) The percentage of all BX trades represented by orders of fewer than 50 contracts;

(4) The percentage of all BX trades effected through the PRISM Auction represented by orders of fewer than 50 contracts;

(5) The percentage of all contracts traded on BX represented by orders of fewer than 50 contracts;

(6) The percentage of all contracts effected through the PRISM Auction represented by orders of fewer than 50 contracts;

(7) The spread in the option, at the time an order of fewer than 50 contracts is submitted to the PRISM Auction;

(8) The number of orders of 50 contracts or greater entered into the PRISM Auction;

(9) The percentage of all orders of 50 contracts or greater sent to BX that are entered into the PRISM Auction;

(10) The spread in the option, at the time an order of 50 contracts or greater is submitted to the PRISM Auction;

(11) Of PRISM trades where the PRISM Order is for the account of a public customer, and is for a size of fewer than 50 contracts, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.;

(12) Of PRISM trades where the PRISM Order is for the account of a public customer, and is for a size of 50 contracts or greater, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.; and

(13) Of PRISM trades where the PRISM Order is for the account of a broker dealer or any other person or entity that is not a public customer, and is for a size of fewer than 50 contracts, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.

(14) Of PRISM trades where the PRISM Order is for the account of a broker dealer or any other person or entity that is not a public customer, and is for a size of 50 contracts or greater, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.;

(15) The number of orders submitted by Initiating Participants when the spread was $.05, $.10, $.15, etc. For each spread, specify the percentage of contracts in orders of fewer than 50 contracts submitted to the PRISM Auction that were traded by: (a) the Initiating Participant that submitted the order to the PRISM; (b) BX Market Makers assigned to the class; (c) other BX Participants; (d) Public Customer Orders; and (e) unrelated orders (orders in standard increments entered during the PRISM Auction). For each spread, also specify the percentage of contracts in orders of 50 contracts or greater submitted to the PRISM Auction that were traded by: (a) the Initiating Participant that submitted the order to the PRISM Auction; (b) BX market makers assigned to the class; (c) other BX Participants; (d) Public Customer Orders; and (e) unrelated orders (orders in standard increments entered during the PRISM Auction);

Regarding PRISM auto-match, the Exchange will provide the following monthly information:

(1) The percentage of all BX trades effected through the PRISM Auction in which the Initiating Participant has chosen the auto-match feature, and the average amount of price improvement provided to the PRISM Order when the Initiating Participant has chosen the auto-match feature vs. the average amount of price improvement provided to the PRISM Order when the Initiating Participant has chosen a stop price submission.

Regarding competition, the Exchange will provide the following monthly information:

(1) For the first Wednesday of each month: (a) the total number of PRISM auctions on that date; (b) the number of PRISM auctions where the order submitted to the PRISM was fewer than 50 contracts; (c) the number of PRISM auctions where the order submitted to the PRISM was 50 contracts or greater; (d) the number of PRISM auctions (for orders of fewer than 50 contracts) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc., and (e) the number of PRISM auctions (for orders of 50 contracts or greater) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc.; and

(2) For the third Wednesday of each month: (a) the total number of PRISM auctions on that date; (b) the number of PRISM auctions where the order submitted to the PRISM was fewer than 50 contracts; (c) the number of PRISM auctions where the order submitted to the PRISM was 50 contracts or greater; (d) the number of PRISM auctions (for orders of fewer than 50 contracts) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc., and (e) the number of PRISM auctions (for orders of 50 contracts or greater) with 0 participants (excluding the

initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc.

Implementation

The Exchange anticipates that it will deploy PRISM within 45 days of approval. Members will be notified of the deployment date by way of an Options Trader Alert posted on the Exchange's web site.

Examples of PRISM Order executions

EXAMPLE #1:

NBBO = .97 – 1.03
BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each
PRISM Order to buy 100 contracts stopped at 1.02 is received
Auction begins
During auction, XYZ MM responds to sell 20 at 1.02 and Participant A and Participant B each respond to sell 30 contracts at 1.02.
Auction ends, PRISM contra is allocated 40 contracts at 1.02 (40% carve out); Participant A and Wove each trade 30 contracts since they are Priority M Participant A. XYZ does zero.

EXAMPLE #2:

NBBO = .97 – 1.03
BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each
PRISM Order to buy 100 contracts stopped at 1.02 is received
Auction begins
During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 30 contracts at 1.02, and ABC responds to sell 10 contracts at 1.02.
Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price, PRISM contra is allocated 36 contracts at 1.02 (40% carve out); Participant A and Wove each trade 27 contracts (pro rata among Priority MM Participant A). ABC does zero since there were no contracts open after the Priority MM Participant A were filled at that price.

EXAMPLE #3 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each (Participant A arrived first)

PRISM Order to buy 90 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 10 contracts at 1.02, and ABC responds to sell 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; Participant A and Participant B each trade 10 contracts at 1.02; ABC then trades 10 contracts at 1.02; PRISM Contra trades 40% or 20 contracts at the stop price of 1.03. Assuming Participant A was at the BX BBO of 1.03 before Participant B, Participant A would execute 30 contracts at 1.03. Participant B would not trade any at 1.03 since the order is filled before getting to his quote in a P/T fashion.

EXAMPLE #4 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 90 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; Participant A and Participant B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started; Participant A, Participant B, and ABC then pro-rata split the balance of 20 contracts at 1.02 based on their remaining interest size with Participant A being allocated 4 contracts (=20/90*20), Participant B being allocated 4 (=20/90*20) contracts, and ABC being allocated 11 contracts (=50/90*20) and the residual 1 contract being allocated to one of the 3 MMs Participant A in time priority.

EXAMPLE #5:

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 90 contracts stopped at 1.03 with an NWT of 1.02 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; PRISM Contra is allocated 40% or 32 contracts at 1.02 since it will be the final price point, Participant A and Participant B each trade 24 contracts at 1.02 since they have priority ahead of ABC up to their size at the NBBO when the auction started;.

EXAMPLE #6 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.02 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; PRISM Contra is allocated 40% or 56 contracts at 1.02 since it will be the final price point; Participant A and Participant B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started; Participant A, Participant B, and ABC then pro-rata split the balance with Participant A and Participant B each trading 5 additional contracts at 1.02 (20/90*24) and ABC trading 13 contracts at 1.02 (50/90*24). The residual 1 contract will be allocated among the three MM Participant A in time priority.

EXAMPLE #7 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; PRISM Contra is allocated 40% or 52 contracts at 1.02 since it will be the final price point; Participant A and Participant B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started (since Participant A has both response and quote interest, their 30 contracts are allocated in a time fashion among such interest at 1.02 with their response trading all 30 contracts); the residual 18 contracts are traded in a price-time fashion at 1.02 among residual MM interest with Participant A response trading all 18 contracts.

EXAMPLE #8 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; PRISM Contra is allocated 40% or 52 contracts at 1.02 since it will be the final price point; remaining allocation is in pro-rata fashion with priority MM interest trading ahead of non-Priority MM interest, Participant A and Participant B each trade 30 contracts as Priority MM then Participant A, Participant B, and ABC pro-rata split the balance with Participant A and Participant B each trading 4 contracts at 1.02 (20/90 *18) and ABC trading 10 contracts at 1.02 (50/90*18).

EXAMPLE #9 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Cust order then trades 10 contracts at 1.02. After Cust is satisfied, PRISM Contra is allocated 40% of remaining which equates to 48 contracts; Priority MM interest is then traded with Participant A trading 30 contracts at 1.02 (all allocated to response since first in time priority of Participant A interest at 1.02) and Participant B response trading 30 contracts at 1.02. The residual 12 contracts are allocated among remaining MM interest at 1.02 in a price time fashion, with Participant A response trading all 12 contracts.

EXAMPLE #10 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Cust order then trades 10 contracts at 1.02. After Cust is satisfied, PRISM Contra is allocated 40% of remaining which equates to 48 contracts; Priority MM interest is then traded with Participant A trading 20 contracts at 1.02 (all of his interest, response and quote, since it is less than the 30 he is entitled to as a priority MM) and Participant B response trades 30 contracts at 1.02. The remaining 22 contracts are allocated in price time fashion among remaining MM interest at 1.02 with Participant B response trading 20 contracts and ABC response trading 2 contracts.

EXAMPLE #11 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Customer order of 10 contracts trades at 1.02 then PRISM Contra is allocated 40% of 120 or 48 contracts at 1.02. Participant A is then allocated 30 contracts as a priority MM with Participant A response trading all since the response was first in time priority of Participant A interest at 1.02 and Participant B is allocated 30 contracts at 1.02 as a priority MM. The residual 12 contracts are allocated among remaining interest at 1.02 in a pro-rata fashion, with Participant A response trading 2 contracts (20/120*12), Participant B trading 2 contracts, ABC trading 5 contracts, and Participant A quote trading 3 contracts (30/120*12).

EXAMPLE #12 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 20 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 20 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; PRISM Contra is allocated 40% of remaining which equates to 4 contracts at 1.02; Priority MM interest trading the remaining 6 contracts in a pro-rata fashion: Participant A executes 2 contracts (10/30*6) with all being allocated to the Participant A response since first in time order of Participant A interest at 1.02 and Participant B response executes 4 contracts (20/30*6).

EXAMPLE #12A (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 20 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 40 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; PRISM Contra is allocated 40% of remaining which equates to 4 contracts at 1.02; Priority MM interest trading the remaining 6 contracts in a pro-rata fashion: Participant A response executes 1 contract (10/40*6) at 1.02 and Participant B response executes 4 contracts (30/40*6). The residual 1 lot is allocated to Participant A response in time priority of priority MM interest.

EXAMPLE #13 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each arriving in that order

PRISM Order to buy 100 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 20 at 1.03 and Cust offers 2 contracts at 1.03

Auction ends, Cust trades 2 contracts at 1.03 and PRISM contra is allocated 40% of residual or 39 contracts at 1.03; remaining allocation is purely P/T with Participant A trading 30 contracts and Participant B trading 29 contracts.

EXAMPLE #14 (assume symbol is designated as Pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each arriving in that order

PRISM Order to buy 100 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 20 at 1.03 and Cust offers 2 contracts at 1.03

Auction ends, Cust trades 2 contracts at 1.03 and PRISM contra is allocated 40% of residual or 39 contracts at 1.03; remaining allocation is pro-rata among Priority MM interest with Participant A trading 29 contracts (30/60*59), Participant B trading 29 contracts (30/60*59), and the residual 1 contract being allocated to Participant A based on time.

EXAMPLE #15 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 120 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, and ABC responds to sell 40 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; PRISM Contra is allocated 40% of remaining which equates to 44 contracts; Priority MM interest is then fully allocated with Participant A response trading 10, Participant B response trading 30, and Participant A quote trading 10 at 1.02. The remaining 16 contracts are allocated in a price time fashion among non-priority MM interest with Participant B response trading all 16 contracts.

EXAMPLE #16 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each (arriving in that order)

PRISM Order to buy 300 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, and ABC responds to sell 40 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and a Firm FIX order arrives offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; All 1.02 interest is then allocated as follows: Priority MM interest is fully allocated with Participant A response trading 10, Participant B response trading 30, and Participant A quote trading 10 at 1.02. Non-Priority MM is allocated with Participant B trading an additional 20 contracts and ABC trading 40 contracts at 1.02. After all MM interest is satisfied, the Firm order is allocated its full size of 10 contracts at 1.02. The PRISM Contra order matches the full volume trading at 1.02 (b/c of NWT price) which is 120 contracts. The remaining 50 contracts are traded at 1.03 with the PRISM Contra trading 50% of remaining since only matching one other participant or 25 contracts. The other 25 contracts are traded in Price-Time fashion in accordance with the underlying algorithm with Participant B trading all 25 contracts at 1.03.

EXAMPLE #17 (assume symbol is designated as Pro-Rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each (arriving in that order)

PRISM Order to buy 300 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, ABC responds to sell 40 contracts at 1.02, and Participant A responds with 30 additional contracts at 1.03.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and a Firm FIX order arrives offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; All 1.02 interest is then allocated as follows: Priority MM interest is fully allocated with Participant A response trading 10, Participant B response trading 30, and Participant A quote trading 10 at 1.02. Non-priority MM is allocated with Participant B trading an additional 20 contracts and ABC trading 40 contracts at 1.02. After all MM interest is satisfied, the Firm order is allocated its full size of 10 contracts at 1.02. The PRISM Contra order matches the full volume trading at 1.02 (b/c of NWT price) which is 120 contracts. The remaining 50 contracts are traded at 1.03 with the PRISM Contra trading 40% of remaining or 20 contracts. The other 30 contracts are traded in a Pro-Rata fashion in accordance with the underlying algorithm with Participant A and Participant B as Priority MM Participant A each trading 15 contracts at 1.03.

EXAMPLE #18 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 200 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A MM responds to sell 40 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, Participant A MM trades 30 contracts at 1.01 as a priority MM, then XYZ MM trades 10 at 1.01, Participant A trades his additional 10 contracts at 1.01 which outsized his priority status, and PRISM Contra matches and trades a total of 50 at 1.01; Customer order of 10 contracts trades at 1.02 then PRISM Contra is allocated 40% of 90 or 36 contracts at 1.02. The remaining 54 contracts are then allocated at 1.02 in a pro-rata fashion among priority MM Participant A. Since both Participant A and Participant B have more than their priority status size (30) available at 1.02, they are considered as having 30 contracts each for the pro-rata calculation of priority MM interest at 1.02. Therefore, both Participant A and Participant B trade 27 contracts each (Participant A response trades all 27 contracts since the Participant A response has time priority over the updated Participant A quote at 1.02).

EXAMPLE #19 (assume symbol is designated as Price Time):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (20) with Participant A and Participant B offering 10 contracts each

PRISM Order to buy 200 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction (in the following order), XYZ MM responds to sell 10 at 1.01, Participant A MM responds to sell 40 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, Participant A MM trades 10 contracts at 1.01 as a priority MM, then XYZ MM trades 10 at 1.01 in price time and Participant A trades his additional 30 contracts at 1.01 which outsized his priority status, and PRISM Contra matches and trades a total of 50 at 1.01; Customer order of 10 contracts trades at 1.02 then PRISM Contra is allocated 40% of 90 or 36 contracts at 1.02. The remaining 54 contracts are then allocated at 1.02 with Participant A and Participant B trading 10 contracts each as priority MM Participant A and 34 contracts then being allocated in price time to Participant A at 1.02.

EXAMPLE #20 (assume symbol is designated as P/T) - Surrender:

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 20 contracts stopped at 1.03 marked as 'Surrender' is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 20 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01; Priority MM interest trades the remaining 15 contracts in a pro-rata fashion: Participant A executes 5 contracts (10/30*15) with all 5 being given to the Participant A response since he was first in time order of Participant A interest at 1.02 and Participant B response executes 10 contracts (20/30*15) at 1.02. The PRISM Contra executes no contracts.

EXAMPLE #21 (assume symbol is designated as Pro-Rata) - Surrender:

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 100 contracts stopped at 1.02 marked as 'Surrender' is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 40 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01; Priority MM interest at 1.02 then trades with Participant A response executing 5 contracts, Participant B response volume with Priority status executes 30 contracts, and Participant A quote executes 5 contracts; Non Priority MM interest at 1.02 then executes with Participant B trading 10 contracts and ABC trading 20 contracts. The PRISM Contra then executes the remaining 25 contracts at 1.02 since there is no other interest to satisfy the PRISM Order at a price equal to or better than the stop price of 1.02.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[42] in general, and furthers the objectives of Section 6(b)(5) of the Act[43] in particular,

---

42 15 U.S.C. 78f(b).

43 15 U.S.C. 78f(b)(5).

in that it 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 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 interest.

The Exchange believes that the proposal will result in increased liquidity available at improved prices, with competitive final pricing out of the Initiating Participant's complete control. PRISM should promote and foster competition and provide more options contracts with the opportunity for price improvement. As a result of the increased opportunities for price improvement, the Exchange believes that participants will use PRISM to increase the number of customer orders that are provided with the opportunity to receive price improvement over the NBBO.

The Exchange further believes that the proposal is consistent with the requirements of Section 11(a) of the Act[44] and Rule 11a2-2(T)[45] thereunder. Section 11(a) prohibits a member of a national securities exchange from effecting transactions on the exchange for its own account, the account of an associated person, or an account in which it or an associated person exercises investment discretion, unless an exception applies. In enacting this provision, Congress was concerned about members benefiting in their principal transactions from special "time and place" advantages associated with floor trading--such as the ability to "execute decisions faster than public investors." The

---

44 15 U.S.C. 78k(a)(1).

45 17 CFR 240.11a2-2(T).

Commission, however, has adopted a number of exceptions to the general statutory prohibition for situations in which the principal transactions contribute to the fairness and orderliness of exchange markets or do not reflect any time and place trading advantages.[46]

One such exception is Rule 11a2-2(T) under the Act, known as the "Effect Versus Execute Rule." Rule 11a2-2(T) permits an exchange member, subject to certain conditions, to effect a transaction for such accounts, utilizing an unaffiliated member to execute transactions on an exchange floor. The Rule requires that: (1) The order must be transmitted from off the exchange floor; (2) once the order has been transmitted, the exchange member that transmitted the order may not participate in the execution; (3) the transmitting member may not be affiliated with the executing member; and (4) neither the member or the associated person may retain any compensation in connection with effecting such a transaction respecting accounts over which either has investment discretion without the express written consent of the person authorized to transact business in the account.

The Exchange believes that the instant proposal is consistent with Rule 11a2-2(T), and that therefore the exception should apply in this case. Finally, respecting non-retention of compensation for discretionary accounts, the Exchange represents that members who intend to rely on Rule 11a2-2(T) in connection with transactions in PRISM Orders must comply with the requirements of Section (a)(2)(iv) of the rule.

---

46 See Securities Exchange Act Release No. 14563 (March 14, 1978), 43 FR 11542 (March 17, 1978); Securities Exchange Act Release No. 14713 (April 28, 1978), 43 FR 18557 (May 1, 1978); Securities Exchange Act Release No. 15533 (January 29, 1979), 44 FR 6093 (Jan. 31, 1979). The 1978 and 1979 Releases cite the House Report at 54-57

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The competition among the options exchanges is vigorous and this proposal is intended to afford the BX Options market the opportunity to compete for order flow by offering an auction mechanism on BX similar to that of other exchanges.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

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

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

Not applicable.

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

The proposed rule change is not based on the rules of another self-regulatory organization.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Applicable portion of the rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-BX-2015-032)

June __, 2015

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing of Proposed Rule Change to a new auction, BX PRISM

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and Rule 19b-4 thereunder,[2] notice is hereby given that on June ___ 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 rules at Chapter VI, Section 9, which is currently reserved, to establish a price-improvement mechanism on BX.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it

---

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 establish a price-improvement mechanism, "PRISM," on the Exchange, which includes auto-match functionality in which a Participant (an "Initiating Participant") may electronically submit for execution an order it represents as agent on behalf of a Public Customer,[3] broker dealer, or any other entity ("PRISM Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PRISM Order for electronic execution into the PRISM Auction ("Auction") pursuant to the proposed Rule. [4]The Exchange intends to retitle Chapter VI, Section 9, which is currently reserved, as "Price Improvement Auction ("PRISM")."

Auction Eligibility Requirements

All options traded on the Exchange are eligible for PRISM. Proposed Rule Chapter VI, Section 9(i) describes the circumstances under which an Initiating Participant

---

3 A Public Customer means a person that is not a broker or dealer in securities. See BX Options Rules at Chapter I, Section 1(a)(50). A Public Customer order does not include a Professional Order. Public Customer Priority is always in effect when the Price/Time execution algorithm is in effect. See BX Rules at Chapter VI, Section 10(a)(C)(1)(a). A "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Participant or a Public Customer may, without limitation, be a Professional. All Professional orders shall be appropriately marked by Participants. See BX Rules at Chapter I, Section 1(a)(49).

4 BX will only conduct an auction for Simple Orders.

may initiate an Auction. The Initiating Participant may initiate an Auction provided the conditions which follow are met: If the PRISM Order is for the account of a Public Customer the Initiating Participant must stop the entire PRISM Order at a price that is equal to or better than the National Best Bid/Offer displayed ("NBBO") on the opposite side of the market from the PRISM Order, provided that such price must be at the minimum trading increment specified in Chapter VI, Section 5[5] or better than any limit order on the limit order book on the same side of the market as the PRISM Order.[6] If the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer the Initiating Participant must stop the entire PRISM at a price that is the better of: (i) the BX BBO price improved by at least the Minimum Increment on the same side of the market as the PRISM Order, or (ii) the PRISM Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the displayed NBBO.[7] PRISM Orders that do not comply with these aforementioned requirements are not eligible to initiate an Auction and will be rejected. Also, PRISM Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected. PRISM Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be rejected.

---

5 The Board may establish minimum quoting increments for options contracts traded on BX Options. The minimum trading increment for options contracts traded on BX Options will be one (1) cent for all series ("Minimum Increment"). See BX Rules at Chapter VI, Section 5(b).

6 See proposed rule at Chapter VI, Section 9(i)(A).

7 See proposed rule at Chapter VI, Section 9(i)(B).

Finally, an Initiating Order may not be a solicited order for the account of any BX Options Market Maker assigned in the affected series.[8]

Auction Process

Only one Auction may be conducted at a time in any given series. Once commenced, an Auction may not be cancelled and shall proceed as described herein. To initiate the Auction, the Initiating Participant must mark the PRISM Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PRISM Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PRISM Auction Notifications ("PAN") responses, and trading interest ("auto-match") in which case the PRISM Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "No Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the BX BBO on the same side of the market as the PRISM Order represents a limit order on the book, the stop price must be at least the Minimum Increment or better than the booked limit order's limit price. Once the Initiating Participant has submitted a PRISM Order for processing as described herein, such PRISM Order may not be modified or cancelled. Under any of the circumstances described above, the stop price or

---

8 See proposed rule at Chapter VI, Section 9(i)(C) through (G).

NWT price may be improved to the benefit of the PRISM Order during the Auction, but may not be cancelled.[9]

When starting an Auction, the Initiating Participant may submit the Initiating Order with a designation of "surrender" to other PRISM Participants ("Surrender"), which will result in the Initiating Participant forfeiting priority and trade allocation privileges.[10] If Surrender is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PRISM Order at prices which are equal to or improve upon the stop price. Under no circumstances will the Initiating Participant receive an allocation percentage of more than 50% with one competing order or 40% with multiple competing orders. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Participant than that which the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Rule.[11]

When the Exchange receives a PRISM Order for Auction processing, a PAN detailing the side and size of the PRISM Order will be sent over the Exchange's Specialized Quote Feed ("SQF"). The Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction

---

9 See proposed rule at Chapter VI, Section 9(ii)(A)(1).

10 The Miami International Securities Exchange LLC ("MIAX") also has a surrender feature. MIAX's feature, surrender quantity, allows participants to specify a certain percentage for surrender. BX will allow surrender only for the entire amount, not for a partial amount. See MIAX Rule 515A.

11 This concept of Surrender is similar to a forfeiture concept on the BOX Options Exchange LLC ("BOX"). See BOX Rule 7150(g) regarding PIP, its price improvement auction.

period will be no less than one hundred milliseconds[12] and no more than one second.[13] Any person or entity may submit responses to the PAN, provided such response is properly marked specifying price, size and side of the market. PAN responses will not be visible to Auction participants, and will not be disseminated to OPRA. The minimum price increment for PAN responses and for an Initiating Participant's stop price and/or NWT price shall be the minimum price improvement increment established pursuant to proposed rule at Chapter VI, Section 9(ii)(A)(1).[14]

A PAN response size at any given price point may not exceed the size of the PRISM Order. A PAN response with a size greater than the size of the PRISM Order will be rejected. A PAN response must be equal to or better than the NBBO at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response submitted with a price that is outside the displayed NBBO will be rejected. PAN responses on the same side of the market as the PRISM Order are considered invalid and will be rejected. Finally, Multiple PAN responses from the same Participant may be submitted during the Auction. Multiple orders at a particular price point submitted by a Participant in response to a PAN may not exceed, in the aggregate, the size of the PRISM Order.[15]

---

12 BOX's PIP auction is a duration of one hundred milliseconds, commencing on the dissemination of the PIP broadcast. See BOX Rule 7150(f)(1).

13 The Chicago Board Options Exchange, Incorporated's ("CBOE") AIM auction is a duration of one second. See CBOE Rule 6.74A(b)(1)(C).

14 See proposed rule at Chapter VI, Section 9(ii)(A)(2) through (6).

15 See proposed rule at Chapter VI, Section 9(ii)(A)(7) through (10).

Conclusion of an Auction

The PRISM Auction shall conclude at the earlier of the end of the Auction period or any time there is a trading halt on the Exchange in the affected series.[16]

The PRISM Order will execute at: (1) in the case of the BX BBO crossing the PRISM Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the Order Book on the same side of the market as the PRISM Order, in which case the PRISM Order will be executed against that response, but at a price that is at the Minimum Increment better than the price of such limit order at the time of the conclusion of the Auction; otherwise execution would occur at the stop price; or (2) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PRISM Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.[17]

An unrelated market or marketable limit order (against the BX BBO) on the opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction.[18]

Order Allocation – Size Pro-Rata

At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as follows for underling symbols which are designated as Size Pro-Rata, as described in Chapter VI, Section10(1)(C)(1)(a) with priority as shall be described below.

---

16 See proposed rule at Chapter VI, Section 9(ii)(B).

17 See proposed rule at Chapter VI, Section 9(ii)(C).

18 See proposed rule at Chapter VI, Section 9(ii)(D).

First, Public Customer orders shall have time priority at each price level. Next, the Initiating Participant shall be allocated after Public Customer Orders.

If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Participant the stop price. However, if only one other Participant matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated, pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5), among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the stop price is the final price) after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant.

In the case of a PRISM, if the Initiating Participant selected the "stop and NWT" option of the PRISM Auction, contracts shall be allocated as follows: (i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5), at each price point; and (ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% or 50% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(E)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant.[19]

Next, BX Options Market Makers that were at a price that is equal to or better than the displayed NBBO on the opposite side of the market from the PRISM Order at

---

[19] See proposed rule at Chapter VI, Section 9(ii)(E)(2)(a) through (c).

the time of initiation of the PRISM Auction ("Priority Market Makers") shall have priority up to their quote size in the NBBO which was present when the PRISM Auction was initiated ("Displayed NBBO") at each price level at or better than such Displayed NBBO after Public Customer and Initiating Participants have received allocations.[20] Priority Market Maker quotes, orders, and PAN responses will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).[21]

Next, Non-Priority Market Makers and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO shall have priority at each price level at or better than the Initial Displayed NBBO after Public Customer, Initiating Participants and Priority Market Makers have received allocations. Non-Priority Market Maker and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).[22]

Finally, all other interest will be allocated, after proposed Chapter VI, Section 9(ii)(E)(1) through (4) have been satisfied. Such interest will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).[23]

---

[20] MIAX allocates executions resulting from Priority Customer interest and priority Market Maker quotes ahead of other interest. MIAX's system may designate Market Maker quotes as either priority quotes or non-priority quotes in accordance with the provisions in MIAX Rule 517(b). The Exchange is prioritizing Priority Market Maker allocations in the proposed BX Prism Auction in a similar manner, ahead of other non-Customer interest.

[21] See proposed rule at Chapter VI, Section 9(ii)(E)(3).

[22] See proposed rule at Chapter VI, Section 9(ii)(E)(4).

[23] See proposed rule at Chapter VI, Section 9(ii)(E)(5).

Order Allocation – Price/Time

At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as indicated below for underlying symbols designated as Price/Time as described in proposed Chapter VI, Section10(1)(C)(2)(i). First, Public Customer orders shall have time priority at each price level. Next, the Initiating Participant shall be allocated after Public Customer Orders.

If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Participant the stop price. However, if only one other Participant matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5), among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% or 50% of the contracts remaining at the final price point (including situations where the stop price is the final price), after Customer interest has been satisfied but before remaining interest. If there are other

quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant. In the case of a PRISM, if the Initiating Participant selected the "stop and NWT" option of the PRISM Auction, contracts shall be allocated as follows: (i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to proposed Chapter VI, Section 9(ii)(F)(3) through (5), at each price point; and (ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant

to proposed Chapter VI, Section 9(ii)(F)(3) through (5). Any remaining contracts shall be allocated to the Initiating Participant.[24]

Next, Priority Market Makers that were at a price that is equal to or better than the displayed NBBO on the opposite side of the market from the PRISM Order at the time of initiation of PRISM Auction shall have priority up to their displayed quote size in the Initial Displayed NBBO at each price level better than the Initial Displayed NBBO, after Public Customer and Initiating Participants have received allocations. Priority Market Maker interest at prices better than the Initial Displayed NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B). Priority Market Maker interest at a price equal to or inferior to the Initial Displayed NBBO will not have priority over other participants and will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).[25]

Finally, all other interest will be allocated, after proposed Chapter VI, Section 9(ii)(E)(1) through (3) have been satisfied. Such interest will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).[26]

With respect to either allocation method, a single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Residual odd lots will be allocated in time-priority among interest with the highest priority. Rounding of

---

24 See proposed rule at Chapter VI, Section 9(ii)(F)(2)(a) through (c).

25 See proposed rule at Chapter VI, Section 9(ii)(F)(3).

26 See proposed rule at Chapter VI, Section 9(ii)(F)(4).

the Initiating Participant will be up or down to the nearest integer,[27] all other rounding is down to the nearest integer. If rounding would results in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant only if the Initiating Participant did not otherwise receive an allocation. If there are PAN responses that cross the then-existing NBBO (provided such NBBO is not crossed), such PAN responses will be executed, if possible, at their limit price(s). If the price of the PRISM Auction Order is the same as that of an order on the limit order book on the same side of the market as the PRISM Order, the PRISM Order may only be executed at a price that is at least the Minimum Increment better than the resting order's limit price or, if such resting order's limit price is equal to or crosses the stop price, then the entire PRISM Order will trade at the stop price with all better priced interest being considered for execution at the stop price. Any unexecuted PAN responses will be cancelled.[28]

With respect to Intermarket Sweep Orders or "ISO" Orders,[29] under any allocation, If a PRISM Auction Order is initiated for an order designated as an ISO Order, all executions which are at a price inferior to the Initial Displayed NBBO shall be allocated pursuant to the Size Pro-Rata execution algorithm, as described in Chapter VI,

---

27 When the decimal is exactly 0.5, the rounding direction is up to the nearest integer.

28 See proposed rule at Chapter VI, Section 9(ii)(G) – (J).

29 An "Intermarket Sweep Order" or "ISO" are limit orders that are designated as ISOs in the manner prescribed by BX and are executed within the System by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in BX Rules at Chapter XII, Section 1. ISOs may have any time-in-force designation except WAIT, are handled within the System pursuant to BX Rules at Chapter VI, Section 10 and shall not be eligible for routing as set out in BX Rules at Chapter VI, Section 11. ISOs with a time-in-force designation of GTC are treated as having a time-in-force designation of Day. See BX Options Rules at Chapter VI, Section 1(e)(7).

Section10(1)(C)(1)(a), or Price/Time execution algorithm, as described in Chapter VI, Section10(1)(C)(2)(i), and the aforementioned priority in proposed Chapter VI, Section 9(ii)(E) and (F) shall not apply, with the exception of the PRISM contra side allocation which will be allocated in accordance with the priority as specified in proposed Chapter VI, Section 9(ii)(E) and (F).[30]

With respect to Post Only Orders,[31] these orders will be executed if such order would not result in the removal of liquidity when executing in the PRISM Auction, in accordance with Chapter VI, Section 1(e)(10). A Post Only Order will be cancelled if it eligible for an execution in the PRISM Auction and would be considered the remover of liquidity.[32] Post Only Orders submitted by a Marker Maker during a PRISM Auction

---

30 See proposed rule at Chapter VI, Section 9(ii)(K).

31 "Post-Only Orders" are orders that will not remove liquidity from the System. Post- Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate, without routing away to another market. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other orders as follows: (i) if a Post-Only Order would lock or cross an order on the System, the order will be re-priced to $.01 below the current low offer (for bids) or above the current best bid (for offers) and displayed by the System at one minimum price increment below the current low offer (for bids) or above the current best bid (for offers); and (ii) if a Post-Only Order would not lock or cross an order on the System but would lock or cross the NBBO as reflected in the protected quotation of another market center, the order will be handled pursuant to Chapter VI, Section 7(b)(3)(C). Participants may choose to have their Post-Only Orders returned whenever the order would lock or cross the NBBO or be placed on the book at a price other than its limit price. Post-Only Orders received prior to the opening cross or after market close will be rejected. Post-Only Orders may not have a time-in-force designation of Good Til Cancelled or Immediate or Cancel. See BX Options Rules at Chapter VI, Section 1(e)(10).

32 See proposed rule at Chapter VI, Section 9(ii)(L).

will not be considered as Priority Market Maker interest[33] but will be considered pursuant to proposed Chapter VI, Section 9(ii)(E)(4) and Section 9(ii)(F)(4).

Regulatory Concerns - Bona Fide Transactions

The PRISM Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 if an Initiating Participant submits a PRISM Order (initiating an Auction) and also submits its own PAN response in the same Auction.[34] A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceed, in the aggregate, the size of the PRISM Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110.[35] A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PRISM Auction to conclude before the end of the PRISM Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 to engage in a pattern of conduct where the Initiating Participant breaks up a PRISM Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Participant would have otherwise received in

---

33 Only Market Maker interest submitted through SQF will be eligible for Priority Market Maker interest.

34 See proposed rule at Chapter VI, Section 9(iii). BX Rule 2110 states that, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

35 See proposed rule at Chapter VI, Section 9(iv).

accordance with the allocation procedures contained in proposed subparagraph (ii)(E) and (ii)(F) to Chapter VI, Section 9.[36]

Crossing and Agency Orders

In lieu of the procedures in proposed paragraphs (i) - (ii) to Chapter VI, Section 9, an Initiating Participant may enter a PRISM Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PRISM Auction. The execution price for such a PRISM Order must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the NBBO or at the same price as any resting Public Customer order.[37]

BX Rules at Chapter VII, Section 12[38] prevents a Participant from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Participant was already bidding

---

36 See proposed rule at Chapter VI, Section 9(v).

37 See proposed rule at Chapter VI, Section 9(vi).

38 BX Rules at Chapter VI, Section 12, entitled "Anonymity" provides, "The transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities. BX shall reveal a Participant's identity in the following circumstances: (1) when a registered clearing agency ceases to act for a participant, or the Participant's clearing firm, and the registered clearing agency determines not to guarantee the settlement of the Participant's trades; (2) for regulatory purposes or to comply with an order of an arbitrator or court; (3) if both Participants to the transaction consent; and (4) **u**nless otherwise instructed by a member, BX will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the member's Order has been decremented by another Order submitted by that same member.

or offering on the book. However, the Exchange recognizes that it may be possible for a Participant to establish a relationship with a Public Customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of BX Rules at Chapter VII, Section 12 for a Participant to circumvent Chapter VII, Section 12 by providing an opportunity for (i) a Public Customer affiliated with the Participant, or (ii) a Public Customer with whom the Participant has an arrangement that allows the Participant to realize similar economic benefits from the transaction as the Participant would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PRISM Public Customer-to-Public Customer immediate crosses.[39]

Subject to a Pilot expiring one year from the approval of this Rule, there will be no minimum size requirement for orders to be eligible for the Auction. During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any data which is submitted to the Commission will be provided on a confidential basis. There will be no minimum size requirement for orders to be eligible for the Auction.[40]

---

[39] See proposed rule at Chapter VI, Section 6(vi)(a).

.

[40] See proposed rule at Chapter VI, Section 6(vii).

Pilot Program Information to the Commission

The Exchange represents that, in support of its proposed pilot program concerning (i) the early conclusion of the Auction, and (ii) permitting orders of fewer than 50 contracts into the Auction, it will provide the following information each month during the pilot period:[41]

Regarding the early conclusion of the Auction due to the BBO crossing the PRISM Order stop price on the same side of the market as the PRISM order, or due to a trading halt, the Exchange will provide the following monthly information:

(1) The number of times that the BBO crossed the PRISM Order stop price on the same side of the market as the PRISM Order and prematurely ended the PRISM Auction, and at what time the PRISM Auction ended;

(2) The number of times that a trading halt prematurely ended the PRISM auction and at what time the trading halt ended the PRISM Auction;

(3) Of the Auctions terminated early due to the BBO crossing the PRISM order stop price, the number that resulted in price improvement over the PRISM Order stop price, and the average amount of price improvement provided to the PRISM Order;

(4) In the Auctions terminated early due to the BBO crossing the PRISM order stop price, the percentage of contracts that received price improvement over the PRISM order stop price;

---

41 The Exchange will provide the information for a particular month not later than the last business day of the subsequent month. For example, information for the month of September would be provided to the Commission no later than the last business day of October. Information for the month of October would be provided no later than the last business day of November, etc.

(5) Of the Auctions terminated early due to a trading halt, the number that resulted in price improvement over the PRISM Order stop price, and the average amount of price improvement provided to the PRISM Order;

(6) In the auctions terminated early due to a trading halt, the percentage of contracts that received price improvement over the PRISM order stop price; and

(7) The average amount of price improvement provided to the PRISM Order when the PRISM Auction is not terminated early (i.e., runs the full one second).

(8) The number of times an unrelated market or marketable limit order (against the BBO) on the opposite side of the PRISM Order is received during the Auction Period;

(9) The price(s) at which an unrelated market or marketable limit order (against the BBO) on the opposite side of the PRISM Order that is received during the Auction Period is executed, compared to the execution price of the PRISM Order.

Regarding PRISM Orders of fewer than 50 contracts, the Exchange will provide the following monthly information:

(1) The number of orders of fewer than 50 contracts entered into the PRISM Auction;

(2) The percentage of all orders of fewer than 50 contracts sent to BX that are entered into the PRISM Auction;

(3) The percentage of all BX trades represented by orders of fewer than 50 contracts;

(4) The percentage of all BX trades effected through the PRISM Auction represented by orders of fewer than 50 contracts;

(5) The percentage of all contracts traded on BX represented by orders of fewer than 50 contracts;

(6) The percentage of all contracts effected through the PRISM Auction represented by orders of fewer than 50 contracts;

(7) The spread in the option, at the time an order of fewer than 50 contracts is submitted to the PRISM Auction;

(8) The number of orders of 50 contracts or greater entered into the PRISM Auction;

(9) The percentage of all orders of 50 contracts or greater sent to BX that are entered into the PRISM Auction;

(10) The spread in the option, at the time an order of 50 contracts or greater is submitted to the PRISM Auction;

(11) Of PRISM trades where the PRISM Order is for the account of a public customer, and is for a size of fewer than 50 contracts, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.;

(12) Of PRISM trades where the PRISM Order is for the account of a public customer, and is for a size of 50 contracts or greater, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.; and

(13) Of PRISM trades where the PRISM Order is for the account of a broker dealer or any other person or entity that is not a public customer, and is for a size of fewer than 50 contracts, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.

(14) Of PRISM trades where the PRISM Order is for the account of a broker dealer or any other person or entity that is not a public customer, and is for a size of 50

contracts or greater, the percentage done at the NBBO plus $.01, plus $.02, plus $.03, etc.;

(15) The number of orders submitted by Initiating Participants when the spread was $.05, $.10, $.15, etc. For each spread, specify the percentage of contracts in orders of fewer than 50 contracts submitted to the PRISM Auction that were traded by: (a) the Initiating Participant that submitted the order to the PRISM; (b) BX Market Makers assigned to the class; (c) other BX Participants; (d) Public Customer Orders; and (e) unrelated orders (orders in standard increments entered during the PRISM Auction). For each spread, also specify the percentage of contracts in orders of 50 contracts or greater submitted to the PRISM Auction that were traded by: (a) the Initiating Participant that submitted the order to the PRISM Auction; (b) BX market makers assigned to the class; (c) other BX Participants; (d) Public Customer Orders; and (e) unrelated orders (orders in standard increments entered during the PRISM Auction);

Regarding PRISM auto-match, the Exchange will provide the following monthly information:

(1) The percentage of all BX trades effected through the PRISM Auction in which the Initiating Participant has chosen the auto-match feature, and the average amount of price improvement provided to the PRISM Order when the Initiating Participant has chosen the auto-match feature vs. the average amount of price improvement provided to the PRISM Order when the Initiating Participant has chosen a stop price submission.

Regarding competition, the Exchange will provide the following monthly information:

(1) For the first Wednesday of each month: (a) the total number of PRISM auctions on that date; (b) the number of PRISM auctions where the order submitted to the PRISM was fewer than 50 contracts; (c) the number of PRISM auctions where the order submitted to the PRISM was 50 contracts or greater; (d) the number of PRISM auctions (for orders of fewer than 50 contracts) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc., and (e) the number of PRISM auctions (for orders of 50 contracts or greater) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc.; and

(2) For the third Wednesday of each month: (a) the total number of PRISM auctions on that date; (b) the number of PRISM auctions where the order submitted to the PRISM was fewer than 50 contracts; (c) the number of PRISM auctions where the order submitted to the PRISM was 50 contracts or greater; (d) the number of PRISM auctions (for orders of fewer than 50 contracts) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants (excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc., and (e) the number of PRISM auctions (for orders of 50 contracts or greater) with 0 participants (excluding the initiating participant), 1 participant (excluding the initiating participant), 2 participants

(excluding the initiating participant), 3 participants (excluding the initiating participant), 4 participants (excluding the initiating participant), etc.

Implementation

The Exchange anticipates that it will deploy PRISM within 45 days of approval. Members will be notified of the deployment date by way of an Options Trader Alert posted on the Exchange's web site.

Examples of PRISM Order executions

EXAMPLE #1:

NBBO = .97 – 1.03
BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each
PRISM Order to buy 100 contracts stopped at 1.02 is received
Auction begins
During auction, XYZ MM responds to sell 20 at 1.02 and Participant A and Participant B each respond to sell 30 contracts at 1.02.
Auction ends, PRISM contra is allocated 40 contracts at 1.02 (40% carve out); Participant A and Wove each trade 30 contracts since they are Priority M Participant A. XYZ does zero.

EXAMPLE #2:

NBBO = .97 – 1.03
BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each
PRISM Order to buy 100 contracts stopped at 1.02 is received
Auction begins
During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 30 contracts at 1.02, and ABC responds to sell 10 contracts at 1.02.
Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price, PRISM contra is allocated 36 contracts at 1.02 (40% carve out); Participant A and Wove each trade 27 contracts (pro rata among Priority MM Participant A). ABC does zero since there were no contracts open after the Priority MM Participant A were filled at that price.

EXAMPLE #3 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each (Participant A arrived first)

PRISM Order to buy 90 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 10 contracts at 1.02, and ABC responds to sell 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; Participant A and Participant B each trade 10 contracts at 1.02; ABC then trades 10 contracts at 1.02; PRISM Contra trades 40% or 20 contracts at the stop price of 1.03. Assuming Participant A was at the BX BBO of 1.03 before Participant B, Participant A would execute 30 contracts at 1.03. Participant B would not trade any at 1.03 since the order is filled before getting to his quote in a P/T fashion.

EXAMPLE #4 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 90 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; Participant A and Participant B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started; Participant A, Participant B, and ABC then pro-rata split the balance of 20 contracts at 1.02 based on their remaining interest size with Participant A being allocated 4 contracts (=20/90*20), Participant B being allocated 4 (=20/90*20) contracts, and ABC being allocated 11 contracts (=50/90*20) and the residual 1 contract being allocated to one of the 3 MMs Participant A in time priority.

EXAMPLE #5:

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 90 contracts stopped at 1.03 with an NWT of 1.02 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; PRISM Contra is allocated 40% or 32 contracts at 1.02 since it will be the

final price point, Participant A and Participant B each trade 24 contracts at 1.02 since they have priority ahead of ABC up to their size at the NBBO when the auction started;.

EXAMPLE #6 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.02 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 since he was only interest offered at best price; PRISM Contra is allocated 40% or 56 contracts at 1.02 since it will be the final price point; Participant A and Participant B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started; Participant A, Participant B, and ABC then pro-rata split the balance with Participant A and Participant B each trading 5 additional contracts at 1.02 (20/90*24) and ABC trading 13 contracts at 1.02 (50/90*24). The residual 1 contract will be allocated among the three MM Participant A in time priority.

EXAMPLE #7 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; PRISM Contra is allocated 40% or 52 contracts at 1.02 since it will be the final price point; Participant A and Participant B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started (since Participant A has both response and quote interest, their 30 contracts are allocated in a time fashion among such interest at 1.02 with their response trading all 30 contracts); the residual 18 contracts are traded in a price-time fashion at 1.02 among residual MM interest with Participant A response trading all 18 contracts.

EXAMPLE #8 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; PRISM Contra is allocated 40% or 52 contracts at 1.02 since it will be the final price point; remaining allocation is in pro-rata fashion with priority MM interest trading ahead of non-Priority MM interest, Participant A and Participant B each trade 30 contracts as Priority MM then Participant A, Participant B, and ABC pro-rata split the balance with Participant A and Participant B each trading 4 contracts at 1.02 (20/90 *18) and ABC trading 10 contracts at 1.02 (50/90*18).

EXAMPLE #9 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Cust order then trades 10 contracts at 1.02. After Cust is satisfied, PRISM Contra is allocated 40% of remaining which equates to 48 contracts; Priority MM interest is then traded with Participant A trading 30 contracts at 1.02 (all allocated to response since first in time priority of Participant A interest at 1.02) and Participant B response trading 30 contracts at 1.02. The residual 12 contracts are allocated among remaining MM interest at 1.02 in a price time fashion, with Participant A response trading all 12 contracts.

EXAMPLE #10 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Cust order then trades 10 contracts at 1.02. After Cust is satisfied, PRISM Contra is allocated 40% of remaining which equates to 48 contracts; Priority MM interest is then traded with Participant A trading 20 contracts at 1.02 (all of his interest, response and quote, since it is less than the 30 he is entitled to as a priority MM) and Participant B response trades 30 contracts at 1.02. The remaining 22 contracts are allocated in price time fashion among remaining MM interest at 1.02 with Participant B response trading 20 contracts and ABC response trading 2 contracts.

EXAMPLE #11 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 150 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Customer order of 10 contracts trades at 1.02 then PRISM Contra is allocated 40% of 120 or 48 contracts at 1.02. Participant A is then allocated 30 contracts as a priority MM with Participant A response trading all since the response was first in time priority of Participant A interest at 1.02 and Participant B is allocated 30 contracts at 1.02 as a priority MM. The residual 12 contracts are allocated among remaining interest at 1.02 in a pro-rata fashion, with Participant A response trading 2 contracts (20/120*12), Participant B trading 2 contracts, ABC trading 5 contracts, and Participant A quote trading 3 contracts (30/120*12).

EXAMPLE #12 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 20 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 20 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; PRISM Contra is allocated 40% of remaining which equates to 4 contracts at 1.02; Priority MM interest trading the remaining 6 contracts in a pro-rata fashion: Participant A executes 2 contracts (10/30*6) with all being allocated to the Participant A response since first in time order of Participant A interest at 1.02 and Participant B response executes 4 contracts (20/30*6).

EXAMPLE #12A (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 20 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 40 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; PRISM Contra is allocated 40% of remaining which equates to 4 contracts at 1.02; Priority MM interest trading the remaining 6 contracts in a pro-rata fashion: Participant A response executes 1 contract (10/40*6) at 1.02 and Participant B response executes 4 contracts (30/40*6). The residual 1 lot is allocated to Participant A response in time priority of priority MM interest.

EXAMPLE #13 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each arriving in that order

PRISM Order to buy 100 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 20 at 1.03 and Cust offers 2 contracts at 1.03

Auction ends, Cust trades 2 contracts at 1.03 and PRISM contra is allocated 40% of residual or 39 contracts at 1.03; remaining allocation is purely P/T with Participant A trading 30 contracts and Participant B trading 29 contracts.

EXAMPLE #14 (assume symbol is designated as Pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each arriving in that order

PRISM Order to buy 100 contracts stopped at 1.03 is received

Auction begins

During auction, XYZ MM responds to sell 20 at 1.03 and Cust offers 2 contracts at 1.03

Auction ends, Cust trades 2 contracts at 1.03 and PRISM contra is allocated 40% of residual or 39 contracts at 1.03; remaining allocation is pro-rata among Priority MM interest with Participant A trading 29 contracts (30/60*59), Participant B trading 29 contracts (30/60*59), and the residual 1 contract being allocated to Participant A based on time.

EXAMPLE #15 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 120 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, and ABC responds to sell 40 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; PRISM Contra is allocated 40% of remaining which equates to 44 contracts; Priority MM interest is then fully allocated with Participant A response trading 10, Participant B response trading 30, and Participant A quote trading 10 at 1.02. The remaining 16 contracts are allocated in a price time fashion among non-priority MM interest with Participant B response trading all 16 contracts.

EXAMPLE #16 (assume symbol is designated as P/T):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each (arriving in that order)

PRISM Order to buy 300 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, and ABC responds to sell 40 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and a Firm FIX order arrives offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; All 1.02 interest is then allocated as follows: Priority MM interest is fully allocated with Participant A response trading 10, Participant B response trading 30, and Participant A quote trading 10 at 1.02. Non-Priority MM is allocated with Participant B trading an additional 20 contracts and ABC trading 40 contracts at 1.02. After all MM interest is satisfied, the Firm order is allocated its full size of 10 contracts at 1.02. The PRISM Contra order matches the full volume trading at 1.02 (b/c of NWT price) which is 120 contracts. The remaining 50 contracts are traded at 1.03 with the PRISM Contra trading 50% of remaining since only matching one other participant or 25 contracts. The other 25 contracts are traded in Price-Time fashion in accordance with the underlying algorithm with Participant B trading all 25 contracts at 1.03.

EXAMPLE #17 (assume symbol is designated as Pro-Rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each (arriving in that order)

PRISM Order to buy 300 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 10 contracts at 1.02, Participant B responds to sell 50 contracts at 1.02, ABC responds to sell 40 contracts at 1.02, and Participant A responds with 30 additional contracts at 1.03.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and a Firm FIX order arrives offering 10 contracts at 1.02.

Auction ends, XYZ MM trades 5 at 1.01 and PRISM Contra matches and trades 5 at 1.01; All 1.02 interest is then allocated as follows: Priority MM interest is fully allocated with Participant A response trading 10, Participant B response trading 30, and Participant A quote trading 10 at 1.02. Non-priority MM is allocated with Participant B trading an additional 20 contracts and ABC trading 40 contracts at 1.02. After all MM interest is satisfied, the Firm order is allocated its full size of 10 contracts at 1.02. The PRISM Contra order matches the full volume trading at 1.02 (b/c of NWT price) which is 120 contracts. The remaining 50 contracts are traded at 1.03 with the PRISM Contra trading 40% of remaining or 20 contracts. The other 30 contracts are traded in a Pro-Rata fashion in accordance with the underlying algorithm with Participant A and Participant B as Priority MM Participant A each trading 15 contracts at 1.03.

EXAMPLE #18 (assume symbol is designated as pro-rata):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 200 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction, XYZ MM responds to sell 10 at 1.01, Participant A MM responds to sell 40 at 1.01, Participant A and Participant B each respond in that order to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 30 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, Participant A MM trades 30 contracts at 1.01 as a priority MM, then XYZ MM trades 10 at 1.01, Participant A trades his additional 10 contracts at 1.01 which outsized his priority status, and PRISM Contra matches and trades a total of 50 at 1.01; Customer order of 10 contracts trades at 1.02 then PRISM Contra is allocated 40% of 90 or 36 contracts at 1.02. The remaining 54 contracts are then allocated at 1.02 in a pro-rata fashion among priority MM Participant A. Since both Participant A and Participant B have more than their priority status size (30) available at 1.02, they are considered as having 30 contracts each for the pro-rata calculation of priority MM interest at 1.02. Therefore, both Participant A and Participant B trade 27 contracts each (Participant A response trades all 27 contracts since the Participant A response has time priority over the updated Participant A quote at 1.02).

EXAMPLE #19 (assume symbol is designated as Price Time):

NBBO = .97 – 1.03

BX BBO = .95 – 1.03 (20) with Participant A and Participant B offering 10 contracts each

PRISM Order to buy 200 contracts stopped at 1.03 with an NWT of 1.01 is received

Auction begins

During auction (in the following order), XYZ MM responds to sell 10 at 1.01, Participant A MM responds to sell 40 at 1.01, Participant A and Participant B each respond to sell 50 contracts at 1.02, and ABC responds to sell 50 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 10 contracts and NBBO becomes .97 – 1.02.

Then, a Customer FIX order is received offering 10 contracts at 1.02.

Auction ends, Participant A MM trades 10 contracts at 1.01 as a priority MM, then XYZ MM trades 10 at 1.01 in price time and Participant A trades his additional 30 contracts at 1.01 which outsized his priority status, and PRISM Contra matches and trades a total of 50 at 1.01; Customer order of 10 contracts trades at 1.02 then PRISM Contra is allocated 40% of 90 or 36 contracts at 1.02. The remaining 54 contracts are then allocated at 1.02 with Participant A and Participant B trading 10 contracts each as priority MM Participant A and 34 contracts then being allocated in price time to Participant A at 1.02.

EXAMPLE #20 (assume symbol is designated as P/T) - Surrender:

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 20 contracts stopped at 1.03 marked as 'Surrender' is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 20 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01; Priority MM interest trades the remaining 15 contracts in a pro-rata fashion: Participant A executes 5 contracts (10/30*15) with all 5 being given to the Participant A response since he was first in time order of Participant A interest at 1.02 and Participant B response executes 10 contracts (20/30*15) at 1.02. The PRISM Contra executes no contracts.

EXAMPLE #21 (assume symbol is designated as Pro-Rata) - Surrender:

NBBO = .97 – 1.03

BX BBO = .95 – 1.03(60) with Participant A and Participant B offering 30 contracts each

PRISM Order to buy 100 contracts stopped at 1.02 marked as 'Surrender' is received

Auction begins

During auction, XYZ MM responds to sell 5 at 1.01, Participant A responds to sell 5 contracts at 1.02, Participant B responds to sell 40 contracts at 1.02, and ABC responds to sell 20 contracts at 1.02.

During auction, Participant A moves his quote and BX BBO becomes .95 – 1.02 for 5 contracts and NBBO becomes .97 – 1.02.

Auction ends, XYZ MM trades 5 at 1.01; Priority MM interest at 1.02 then trades with Participant A response executing 5 contracts, Participant B response volume with Priority status executes 30 contracts, and Participant A quote executes 5 contracts; Non Priority MM interest at 1.02 then executes with Participant B trading 10 contracts and ABC trading 20 contracts. The PRISM Contra then executes the remaining 25 contracts at 1.02 since there is no other interest to satisfy the PRISM Order at a price equal to or better than the stop price of 1.02.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[42] in general, and furthers the objectives of Section 6(b)(5) of the Act[43] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to

---

42 15 U.S.C. 78f(b).

43 15 U.S.C. 78f(b)(5).

promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in 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 interest.

The Exchange believes that the proposal will result in increased liquidity available at improved prices, with competitive final pricing out of the Initiating Participant's complete control. PRISM should promote and foster competition and provide more options contracts with the opportunity for price improvement. As a result of the increased opportunities for price improvement, the Exchange believes that participants will use PRISM to increase the number of customer orders that are provided with the opportunity to receive price improvement over the NBBO.

The Exchange further believes that the proposal is consistent with the requirements of Section 11(a) of the Act[44] and Rule 11a2-2(T)[45] thereunder. Section 11(a) prohibits a member of a national securities exchange from effecting transactions on the exchange for its own account, the account of an associated person, or an account in which it or an associated person exercises investment discretion, unless an exception applies. In enacting this provision, Congress was concerned about members benefiting in their principal transactions from special "time and place" advantages associated with floor trading--such as the ability to "execute decisions faster than public investors." The Commission, however, has adopted a number of exceptions to the general statutory prohibition for situations in which the principal transactions contribute to the fairness and

---

44 15 U.S.C. 78k(a)(1).

45 17 CFR 240.11a2-2(T).

orderliness of exchange markets or do not reflect any time and place trading advantages.[46]

One such exception is Rule 11a2-2(T) under the Act, known as the "Effect Versus Execute Rule." Rule 11a2-2(T) permits an exchange member, subject to certain conditions, to effect a transaction for such accounts, utilizing an unaffiliated member to execute transactions on an exchange floor. The Rule requires that: (1) The order must be transmitted from off the exchange floor; (2) once the order has been transmitted, the exchange member that transmitted the order may not participate in the execution; (3) the transmitting member may not be affiliated with the executing member; and (4) neither the member or the associated person may retain any compensation in connection with effecting such a transaction respecting accounts over which either has investment discretion without the express written consent of the person authorized to transact business in the account.

The Exchange believes that the instant proposal is consistent with Rule 11a2-2(T), and that therefore the exception should apply in this case. Finally, respecting non-retention of compensation for discretionary accounts, the Exchange represents that members who intend to rely on Rule 11a2-2(T) in connection with transactions in **PRISM** Orders must comply with the requirements of Section (a)(2)(iv) of the rule.

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

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

---

[46] See Securities Exchange Act Release No. 14563 (March 14, 1978), 43 FR 11542 (March 17, 1978); Securities Exchange Act Release No. 14713 (April 28, 1978), 43 FR 18557 (May 1, 1978); Securities Exchange Act Release No. 15533 (January 29, 1979), 44 FR 6093 (Jan. 31, 1979). The 1978 and 1979 Releases cite the House Report at 54-57

among the options exchanges is vigorous and this proposal is intended to afford the BX Options market the opportunity to compete for order flow by offering an auction mechanism on BX similar to that of other exchanges.

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

No written comments were either solicited or received.

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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2015-032 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BX-2015-032. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BX-2015-032 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[47]

Robert W. Errett
Deputy Secretary

[47] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined.

NASDAQ OMX BX Rules

* * * * *

Chapter VI Trading Systems

* * * * *

Sec. 9 Price Improvement Auction ("PRISM") [Reserved]

A Participant may electronically submit for execution an order it represents as agent on behalf of a Public Customer, broker dealer, or any other entity ("PRISM Order") against principal interest or against any other order (except as provided in sub-paragraph (i)(F) below) it represents as agent (an "Initiating Order") provided it submits the PRISM Order for electronic execution into the PRISM Auction ("Auction") pursuant to this Rule.

(i) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PRISM. A Participant (the "Initiating Participant") may initiate an Auction provided all of the following are met:

(A) if the PRISM Order is for the account of a Public Customer the Initiating Participant must stop the entire PRISM Order at a price that is equal to or better than the National Best Bid/Offer displayed ("NBBO") on the opposite side of the market from the PRISM Order, provided that such price must be at the minimum trading increment specified in Chapter VI, Section 5 ("Minimum Increment") or better than any limit order on the limit order book on the same side of the market as the PRISM Order.

(B) If the PRISM Order is for the account of a broker dealer or any other person or entity that is not a Public Customer the Initiating Participant must stop the entire PRISM Order at a price that is the better of: (i) the BX BBO price improved by at least the Minimum Increment on the same side of the market as the PRISM Order, or (ii) the PRISM Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the displayed NBBO.

(C) PRISM Orders that do not comply with the requirements of sub-paragraphs (A) and (B) above are not eligible to initiate an Auction and will be rejected.

(E) PRISM Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected.

(F) PRISM Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be rejected.

(G) An Initiating Order may not be a solicited order for the account of any BX Options Market Maker assigned in the affected series.

(ii) Auction Process. Only one Auction may be conducted at a time in any given series. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(A) Auction Period and PRISM Auction Notification ("PAN").

(1) To initiate the Auction, the Initiating Participant must mark the PRISM Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PRISM Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PRISM Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "No Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the BX BBO on the same side of the market as the PRISM Order represents a limit order on the book, the stop price must be at least the Minimum Increment or better than the booked limit order's limit price. Once the Initiating Participant has submitted a PRISM Order for processing pursuant to this subparagraph, such PRISM Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)-(c) above, the stop price or NWT price may be improved to the benefit of the PRISM Order during the Auction, but may not be cancelled. When starting an Auction, the Initiating Participant may submit the Initiating Order with a designation of "surrender" to the other PRISM Participants ("Surrender") which will result in the Initiating Participant forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per Section 9(ii)(E)(3)(A) and (B) and Section 9(ii)(F)(3)(A) and (B). If Surrender is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PRISM Order at prices which are equal to or improve upon the stop price. Under no circumstances will the Initiating Participant receive an allocation percentage of more than 50% with one competing order or 40% with multiple competing orders. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Participant than that which the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Rule.

(2) When the Exchange receives a PRISM Order for Auction processing, a PAN detailing the side and size of the PRISM Order will be sent over the BX Depth feed and the Exchange's Specialized Quote Feed.

(3) The Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction period will be no less than one hundred milliseconds and no more than one second.

(4) Any person or entity may submit responses to the PAN, provided such response is properly marked specifying price, size and side of the market.

(5) PAN responses will not be visible to Auction participants, and will not be disseminated to OPRA.

(6) The minimum price increment for PAN responses and for an Initiating Participant's stop price and/or NWT price shall be the minimum price improvement increment established pursuant to subparagraph (ii)(A)(1) above.

(7) A PAN response size at any given price point may not exceed the size of the PRISM Order. A PAN response with a size greater than the size of the PRISM Order will be rejected.

(8) A PAN response must be equal to or better than the displayed NBBO at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response submitted with a price that is outside the displayed NBBO will be rejected.

(9) PAN responses on the same side of the market as the PRISM Order are considered invalid and will be rejected.

(10) Multiple PAN responses from the same Participant may be submitted during the Auction. Multiple orders at a particular price point submitted by a Participant in response to a PAN may not exceed, in the aggregate, the size of the PRISM Order.

(B) Conclusion of Auction. The PRISM Auction shall conclude at the earlier to occur of (1) and (3) below, with the PRISM Order executing pursuant to paragraph (C)(1) and (2) below.

(1) The end of the Auction period;

(2) For a PRISM Auction any time the BX BBO crosses the PRISM Order stop price on the same side of the market as the PRISM Order;

(3) Any time there is a trading halt on the Exchange in the affected series.

(C) If the situations described in sub-paragraphs (B)(2) or (3) above occur, the entire PRISM Order will be executed at: (1) in the case of the BX BBO crossing the PRISM Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the Order Book on the same side of the market as the

PRISM Order, in which case the PRISM Order will be executed against that response, but at a price that is at the Minimum Increment better than the price of such limit order at the time of the conclusion of the Auction; otherwise execution would occur at the stop price; or (2) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PRISM Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.

(D) An unrelated market or marketable limit order (against the BX BBO) on the opposite side of the market from the PRISM Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction.

(E) Order Allocation – Size Pro-Rata. At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as follows for underlying symbols which are designated as Size Pro-Rata, as described in Chapter VI, Section10(1)(C)(1)(a) with the following priority:

(1) Public Customer orders shall have time priority at each price level.

(2) Initiating Participant shall be allocated after Public Customer Orders as follows:

(a) If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Participant at the stop price. However, if only one other participant matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated, pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below, among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

(b) If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the stop price is the final price) after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below. Any remaining contracts shall be allocated to the Initiating Participant.

(c) In the case of a PRISM, if the Initiating Participant selected the "stop and NWT" option of the PRISM Auction, contracts shall be allocated as follows:

(i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below, at each price point;

(ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% or 50% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(E)(3) through (5) below. Any remaining contracts shall be allocated to the Initiating Participant.

(3) BX Options Market Makers that were at a price that is equal to or better than the displayed NBBO on the opposite side of the market from the PRISM Order at the time of initiation of the PRISM Auction ("Priority Market Makers") shall have priority up to their quote size in the NBBO which was present when the PRISM Auction was initiated ("Displayed NBBO") at each price level at or better than such Displayed NBBO after Public Customer and Initiating Participants have received allocations. Priority Market Maker quotes, orders, and PAN responses will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).

(4) Non-Priority Market Makers and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO shall have priority at each price level at or better than the Initial Displayed NBBO after Public Customer, Initiating Participants and Priority Market Makers have received allocations. Non-Priority Market Maker and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).

(5) All other interest will be allocated, after Chapter VI, Section 9(ii)(E)(1) through (4) have been satisfied. Such interest will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B).

(F) Order Allocation – Price/Time. At the conclusion of the Auction, the PRISM Order will be allocated at the best price(s) as indicated below for underlying symbols designated as Price/Time as described in Chapter VI, Section10(1)(C)(2)(i).

(1) Public Customer orders shall have time priority at each price level.

(2) Initiating Participant shall be allocated after Public Customer Orders as follows:

(a) If the Initiating Participant selected the single stop price option of the PRISM Auction, PRISM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Participant at the stop price. However, if only one other participant matches the stop price, then the Initiating Participant may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to Chapter VI, Section 9(ii)(F)(3) through (5) below, among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Participant. The allocation will account for Surrender, if applicable.

(b) If the Initiating Participant selected the auto-match option of the PRISM Auction the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Participant shall be entitled to receive up to 40% or 50% of the contracts remaining at the final price point (including situations where the stop price is the final price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(F)(3) through (5) below. Any remaining contracts shall be allocated to the Initiating Participant.

(c) In the case of a PRISM, if the Initiating Participant selected the "stop and NWT" option of the PRISM Auction, contracts shall be allocated as follows:

(i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to Chapter VI, Section 9(ii)(F)(3) through (5) below, at each price point;

(ii) next, to quotes, orders and PAN responses at prices at the Initiating Participant's NWT price and better than the Initiating Participant's stop price, beginning with the NWT price. The Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price), after Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Participant shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Participant shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where

the final price is the stop price), after Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to Chapter VI, Section 9(ii)(F)(3) through (5) below. Any remaining contracts shall be allocated to the Initiating Participant.

(3) Priority Market Makers that were at a price that is equal to or better than the displayed NBBO on the opposite side of the market from the PRISM Order at the time of initiation of PRISM Auction shall have priority up to their displayed quote size in the Initial Displayed NBBO at each price level better than the Initial Displayed NBBO, after Public Customer and Initiating Participants have received allocations. Priority Market Maker interest at prices better than the Initial Displayed NBBO will be allocated pursuant to the Size Pro-Rata algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(B). Priority Market Maker interest at a price equal to or inferior to the Initial Displayed NBBO will not have priority over other participants and will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).

(4) All other interest will be allocated, after Chapter VI, Section 9(ii)(E)(1) through (3) have been satisfied. Such interest will be allocated pursuant to the Price/Time algorithm set forth in Exchange Rules at Chapter VI, Section 10(1)(A).

(G) A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Residual odd lots will be allocated in time-priority among interest with the highest priority. Rounding of the Initiating Participant will be up or down to the nearest integer, all other rounding is down to the nearest integer. If rounding would results in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant only if the Initiating Participant did not otherwise receive an allocation.

(H) If there are PAN responses that cross the then-existing NBBO (provided such NBBO is not crossed), such PAN responses will be executed, if possible, at their limit price(s).

(I) If the price of the PRISM Auction Order is the same as that of an order on the limit order book on the same side of the market as the PRISM Order, the PRISM Order may only be executed at a price that is at least the Minimum Increment better than the resting order's limit price or, if such resting order's limit price is equal to or crosses the stop price, then the entire PRISM Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

(J) Any unexecuted PAN responses will be cancelled.

(K) ISO Orders. If a PRISM Auction Order is initiated for an order designated as an ISO Order, all executions which are at a price inferior to the Initial Displayed NBBO shall be allocated pursuant to the Size Pro-Rata execution algorithm, as described in Chapter VI, Section10(1)(C)(1)(a), or Price/Time execution algorithm, as described in Chapter VI, Section10(1)(C)(2)(i), and the aforementioned priority in Chapter VI, Section 9(ii)(E) and

(F) shall not apply, with the exception of the PRISM contra side allocation which will be allocated in accordance with the priority as specified in Chapter VI, Section 9(ii)(E) and (F).

(L) Post Only Orders. Post Only Orders will be executed if such order would not result in the removal of liquidity when executing in the PRISM Auction, in accordance with Chapter VI, Section 1(e)(10). A Post Only Order will be cancelled if it eligible for an execution in the PRISM Auction and would be considered the remover of liquidity.

(iii) The PRISM Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 if an Initiating Participant submits a PRISM Order (initiating an Auction) and also submits its own PAN response in the same Auction.

(iv) A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceed, in the aggregate, the size of the PRISM Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110.

(v) A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PRISM Auction to conclude before the end of the PRISM Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 to engage in a pattern of conduct where the Initiating Participant breaks up a PRISM Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Participant would have otherwise received in accordance with the allocation procedures contained in subparagraph (ii)(E) and (ii)(F) above.

(vi) In lieu of the procedures in paragraphs (i) - (ii) above, an Initiating Participant may enter a PRISM Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PRISM Auction. The execution price for such a PRISM Order must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the NBBO or at the same price as any resting Public Customer order.

(a) Chapter VII, Section 12 prevents a Participant from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Participant was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a Participant to establish a relationship with a Public Customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Chapter VII, Section 12 for a Participant to circumvent Chapter VII, Section 12 by providing an opportunity for (i) a Public Customer affiliated with the Participant, or (ii) a

Public Customer with whom the Participant has an arrangement that allows the Participant to realize similar economic benefits from the transaction as the Participant would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PRISM Public Customer-to-Public Customer immediate crosses.

(vii) Subject to a Pilot expiring one year from the approval of this Rule [Date], there will be no minimum size requirement for orders to be eligible for the Auction. During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any data which is submitted to the Commission will be provided on a confidential basis. There will be no minimum size requirement for orders to be eligible for the Auction.

* * * * *