Officers' Club, 50 Moraga Avenue, Presidio of San Francisco, California. The Presidio Trust was created by Congress in 1996 to manage approximately eighty percent of the former U.S. Army base known as the Presidio, in San Francisco, California.

The purposes of this meeting are to take action on the minutes of a previous Board meeting; to provide the Chairperson's report; to provide the Interim Leadership Team's report; to provide partners' reports; to provide committee reports; to take action on the formation and composition of Board committees; to take action on the Audit, Finance, Governance and Human Resources, Planning and Real Estate, and Programs and Communications committee charters; and to receive public comment in accordance with the Trust's Public Outreach Policy.

Individuals requiring special accommodation at this meeting, such as needing a sign language interpreter, should contact Mollie Matull at 415.561.5300 prior to October 1, 2015.

Time: The meeting will begin at 6:30 p.m. on Thursday, October 8, 2015.

ADDRESSES: The meeting will be held at the Officers' Club, 50 Moraga Avenue, Presidio of San Francisco.

FOR FURTHER INFORMATION CONTACT: Andrea Andersen, Acting General Counsel, the Presidio Trust, 103 Montgomery Street, P.O. Box 29052, San Francisco, California 94129–0052, Telephone: 415.561.5300.

Dated: September 3, 2015.

Andrea Andersen,

Acting General Counsel.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–75827; File No. SR–BX–2015–032]

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto To Establish a New Auction, BX PRISM

September 3, 2015.

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 August 19, 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. On September 2, 2015, the Exchange filed Amendment No. 1 to the proposed rule change.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, 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 Web site at *http://nasdaqomxbx.cchwallstreet.com,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at 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,[4] Professional customer, 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.[5] The Exchange intends to retitle Chapter VI, Section 9, which is currently reserved, as ''Price Improvement Auction (''PRISM'').'' The Exchange believes that the PRISM auction, as proposed herein, will encourage BX Market Makers to quote at the NBBO with additional size and thereby result in tighter and deeper markets, resulting in more liquidity on BX. Specifically, by offering BX Market Makers the ability to receive priority in the proposed allocation during the PRISM auction up to the size of their quote, a BX Market Maker will be encouraged to quote with additional size outside of the PRISM auction at the best and most aggressive prices. BX believes that this incentive may result in a narrowing of quotes and thus further enhance BX's market quality. Within the PRISM auction, BX believes that the rules that are proposed will encourage BX Market Makers to compete vigorously to provide the opportunity for price improvement in a competitive auction process.

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 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 least one minimum trading increment specified in Chapter VI, Section 5[6] better than any limit order

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

[2] 17 CFR 240.19b–4.

[3] BX filed Amendment No. 1 to correct an inadvertent rule text error in Chapter VI, Section 9(ii)(A)(6) by removing stray brackets. Also, BX filed this amendment to conform rule text in Chapter VI, Section 9(ii)(K) to the language in the proposed 19b4 for clarity and consistency.

[4] For purposes of this Rule, a Public Customer order does not include a Professional order, and therefore a Professional would not be entitled to Public Customer priority as described herein. 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 for purposes of BX Rule at Chapter VI, Section 10(a)(C)(1)(a), which governs allocation priority. 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).

[5] BX will only conduct an auction for Simple Orders.

[6] The Board may establish minimum quoting increments for options contracts traded on BX

Continued

on the limit order book on the same side of the market as the PRISM Order.[7] 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 displayed BX BBO price improved by at least the minimum trading 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.[8] There is a distinction between proposed Chapter VI, Section 9(i)(A) and Section 9(i)(B) in that a PRISM Order that is a Public Customer Order must trade at an improved price if there is a limit order on the book. A PRISM Order that is for a non-Customer (account of a broker-dealer or any other person or entity that is not a Public Customer) is always required to improve the same side of the BX BBO even if there is no resting limit order on the book.

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.[9]

Auction Process

Only one Auction may be conducted at a time in any given series. Once commenced, an Auction may not be cancelled and would 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;[10] 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 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 no circumstances will the Initiating Participant receive an allocation percentage of more than 50% with one competing order or 40% with multiple competing orders at the final price point, except for rounding, when competing orders have contracts available for execution.[11] 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. 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.[12] 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.[13] 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.[14] Surrender information will not be available to other market participants and may not be modified.

When the Exchange receives a PRISM Order for Auction processing, a PAN detailing the side, size and options series of the PRISM Order will be sent over the Exchange's Specialized Quote Feed (''SQF'').[15] The Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader Web site. The Auction period will be no less than one hundred milliseconds [16] and no more than one second.[17] Any person or entity may submit a response 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, including the initiator, 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 would be the minimum price improvement increment established pursuant to proposed rule at Chapter VI, Section 9(ii)(A)(1).[18]

NASDAQ OMX PHLX LLC (''Phlx'') staff distributed a survey to all Phlx market maker firms inquiring as to the timeframe within which these market participants respond to an auction with a duration time ranging from less than fifty (50) milliseconds to more than one (1) second. The market marker firms on Phlx represent membership similar to BX Market Makers.[19] An overwhelming number of the market maker firms that responded to the survey indicated that they were capable of responding to auctions with a duration time of at least 50 milliseconds.[20] Based on the results of the survey, the Exchange believes that allowing for an auction period of no less than one hundred (100) milliseconds

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).

[7] *See* proposed rule at Chapter VI, Section 9(i)(A).

[8] *See* proposed rule at Chapter VI, Section 9(i)(B).

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

[10] This is accomplished by marking the Initiating Order with a market (MKT) price.

[11] *See* proposed rule at Chapter VI, Section 9(ii)(A)(1).

[12] The Chicago Board Options Exchange, Incorporated's (''CBOE'') has a process whereby initiating participants may elect to receive last priority in an allocation. See CBOE Rule 6.74A(b)(3)(J) (Automated Improvement Mechanism (''AIM'')). *See also* MIAX Rule 5.15(A)(a)(2)(iii)(J). BX will allow surrender only for the entire amount, not for a partial amount.

[13] Surrender will not be applied if both the Initiating Order and PRISM Order are Public Customer Orders.

[14] 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.

[15] SQF is available to Market Makers at no cost. The Depth Feed is available to all other market participants that pay to subscribe to the service to receive broadcast information regarding auctions.

[16] 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).

[17] CBOE's AIM auction is a duration of one second. *See* CBOE Rule 6.74A(b)(1)(C).

[18] *See* proposed rule at Chapter VI, Section 9(ii)(A)(2) through (6).

[19] Ninety (90) percent of the BX Market Maker firms participated in the survey.

[20] Of the thirty five (35) Phlx market maker firms that were surveyed, twenty (20) of these market makers responded to the survey and of those respondents 100% indicated that that their firm could respond to auctions with a duration time of at least 50 milliseconds. This survey was conducted in May 2014.

and no more than one (1) second would provide a meaningful opportunity for BX Participants to respond to the PRISM Auction while at the same time facilitating the prompt execution of orders. The Exchange believes that BX Participants will have sufficient time to ensure competition for PRISM Orders, and could provide orders within the PRISM auction additional opportunities for price improvement.

BX believes the proposed rule change could provide orders within PRISM an opportunity for price improvement. Also, the shorter duration of time for the auction reduce the market risk for all Participants executing trades in PRISM. Initiating Participants are required to guarantee an execution at the NBBO or at a better price, and are subject to market risk while their PRISM Order is exposed to other BX Participants. While other Participants are also subject to market risk, those providing responses in PRISM may cancel or modify their orders. BX believes that the Initiating Participant acts in a critical role within the PRISM auction. Their willingness to guarantee the orders entered into PRISM an execution at NBBO or a better price is the keystone to an order gaining the opportunity for price improvement. BX believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit Participants trading in PRISM. BX believes it is in these Participants' best interests to minimize the auction time while continuing to allow Participants adequate time to electronically respond. Both the order being exposed and the responding orders are subject to market risk during the auction.

While some Participants may wait to respond until later in the auction, presumably to minimize their market risk, the Exchange believes that a majority of the orders would respond earlier in the auction. Based on experience with the Phlx's PIXL mechanism on BX's affiliated exchange, BX believes that 100 milliseconds will continue to provide all market participants with sufficient time to respond, compete, and provide price improvement for orders and will provide investors and other market participants with more timely executions, thereby reducing their market risk. The proposed rule allows people to respond quickly at the most favorable price while reducing the risk that the market will move against the response.

BX believes that its Participants operate electronic systems that enable them to react and respond to orders in a meaningful way in fractions of a second. BX believes that its Participants will be able to compete within 100 milliseconds and this is a sufficient amount of time to respond to, compete for, and provide price improvement for orders, and will provide investors and other market participants with more timely executions, and reduce their market risk.

Finally, with respect to the impact of this proposal, more specifically the timing of the responses proposed herein, on System [21] capacity, BX has analyzed its capacity and represents that it and the Options Price Reporting Authority (''OPRA'') have the necessary systems capacity to handle the potential additional traffic associated with auction transactions resulting specifically from the implementation of the auction period of no less than one hundred milliseconds and no more than one second. Additionally, in terms of overall capacity the Exchange represents that its Systems will be able to sufficiently maintain an audit trail for order and trade information with the PRISM auction.

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.[22] 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.[23]

Conclusion of an Auction

The PRISM Auction would conclude at the earlier of the end of the Auction period, any time the BX BBO crosses the PRISM Order stop price on the same side of the market as the PRISM Order [24] or any time there is a trading halt [25] on the Exchange in the affected series.[26]

If the Auction concludes at the earlier of the BX BBO crossing the PRISM Order stop price on the same side of the market as the PRISM Order or any time there is a trading halt on the Exchange in the affected series, the entire PRISM Order will be executed as follows: (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 trading increment better than the price of such limit order at the time of the conclusion of the Auction; 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. In the event of a trading halt, since the Initiating Participant has guaranteed that an execution will occur at the stop price (or better), and PAN responses offer no such guarantee, the stop price is the only valid price at which to execute the PRISM Order, and the Initiating Member is the appropriate contra-side.

Any unexecuted PAN responses will be cancelled.[27] 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.[28] If contracts remain from such unrelated order at the time the auction ends, they will be considered for participation in the order allocation process.[29]

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

[21] The term ''System'' is defined in BX Rules at Chapter VI, Section 1(a).

[22] The modification and cancellation of a PAN response will be similar to the manner in which a cancel-replace order would be handled outside of the auction process. *See* BX Rules at Chapter VI, Section 1(e)(1).

[23] *See* proposed rule at Chapter VI, Section 9(ii)(A)(7) through (10).

[24] This provision regarding the BX BBO crossing the PRISM Order stop price on the same side of the market as the PRISM Order, as a conclusion to a PRISM Auction, shall be effective subject to a pilot period scheduled to expire July 18, 2016, as proposed.

[25] This provision regarding the trading halt, as a conclusion to a PRISM Auction, shall be effective subject to a pilot period scheduled to expire July 18, 2016, as proposed.

[26] *See* proposed rule at Chapter VI, Section 9(ii)(B).

[27] *See* proposed rule at Chapter VI, Section 9(ii)(C). The Exchange will not route away any orders to another market center submitted into the PRISM auction.

[28] *See* proposed rule at Chapter VI, Section 9(ii)(D).

[29] This provision shall be effective for a pilot period scheduled to expire on July 18, 2016, as proposed.

Pro-Rata, as described in Chapter VI, Section10(1)(C)(1)(a) with priority as is described below. First, Public Customer orders would have time priority at each price level. Next, the Initiating Participant would 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 would 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, would 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 would 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 would 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 Public 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 would 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 would 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 would 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 would be entitled to receive up to 40% (multiple competing orders) or 50% (one competing order) of the contracts remaining at the final price point (including situations where the final price is the stop price), after Public 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 would 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 would 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 Public 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 would be allocated to the Initiating Participant.[30]

Next, BX Options Market Makers that were at a price that is equal to or better [31] 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'') would have priority up to their displayed quote size in the NBBO which was present when the PRISM Auction was initiated (''Initial Displayed NBBO'') at each price level at or better than such Initial Displayed NBBO after Public Customer and Initiating Participants have received allocations.[32] 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).[33] Priority Market Maker status is only valid for the duration of the particular PRISM auction.

Next, Non-Priority Market Makers and Priority Market Maker interest which exceeded their displayed size in the Initial Displayed NBBO would 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).[34]

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).[35]

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 would have time priority at each price level. Next, the Initiating Participant would 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 would be allocated pursuant to proposed Chapter VI, Section 9(ii)(F)(3) and (4), among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, would 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 would be allocated an equal number of

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

[31] Price Improving Orders are submitted to the System at price increments smaller than the displayed Minimum Price Variation and are displayed as part of the BX BBO at the Minimum Price Variation. *See* BX Rules at Chapter VI, Section 1(e)(6). Price Improving interest from a BX Market Maker will be considered as Priority Market Maker interest provided the BX BBO is equal to the NBBO.

[32] MIAX allocates executions resulting from Priority Public 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-Public Customer interest.

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

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

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

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 would 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 Public 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) and (4). Any remaining contracts would 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 would 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) and (4), 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 would 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 would 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 Public 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 would 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 would 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 Public 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) and (4). Any remaining contracts would be allocated to the Initiating Participant.

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 would 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).[36]

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).[37] The Exchange believes using the Price/Time allocation method for interest remaining after proposed Chapter VI, Section 9(ii)(E)(1) through (3) have been satisfied provides consistency with the underlying symbol allocation designation. Since the Exchange considers all interest present in the System, and not solely auction Responses, for execution against the PRISM Order, those participants who are not explicit responders to the auction will expect executions based on their Price/Time priority. In addition, the Exchange believes executing such remaining interest in a Price/Time fashion does not unfairly advantage/disadvantage one participant over another since executions are done with price priority first and time only becoming a factor when considering equally priced interest for execution.[38] Other options markets utilize Price/Time in auctions.[39] With respect to either allocation method, Size Pro-Rata or Price/Time, a single quote, order or PAN response would 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,[40] all other rounding is down to the nearest integer. If rounding 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.[41] The Initiating Participant is not eligible to receive residual contracts if already allocated, unless no other interest is available to trade. 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 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 one minimum trading 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.[42]

With respect to Intermarket Sweep Orders or ''ISO'' Orders,[43] under any allocation, if a PRISM Auction is initiated for an order designated as an ISO Order, all executions which are at a price inferior to the Initial Displayed NBBO would be allocated pursuant to the Size Pro-Rata execution algorithm, as described in Chapter VI, Section 10(1)(C)(1)(a), or Price/Time execution algorithm, as described in Chapter VI, Section 10(1)(C)(2)(i), and the aforementioned priority in proposed Chapter VI, Section 9(ii)(E) and (F) would not apply, with the exception of allocating to the Initiating Participant, which will be allocated in accordance with the priority as specified in proposed Chapter VI, Section 9(ii)(E)

[36] *See* proposed rule at Chapter VI, Section 9(ii)(F)(3).

[37] *See* proposed rule at Chapter VI, Section 9(ii)(F)(4).

[38] *See* proposed rule at Chapter VI, Section 9(ii)(F)(2)(a) through (c).

[39] The International Securities Exchange, LLC (''ISE'') executes Priority Customer interest in a Price/Time fashion within its PIM auction. See ISE Rule 723. Complex orders are also executed within its auction in price time priority. *See* ISE Rule 722. BOX also permits Price/Time priority within PIP and COPIP. *See* BOX Rules 7150(g) and 7245(g). *See also* example number 14 below.

[40] When the decimal is exactly 0.5, the rounding direction is up to the nearest integer.

[41] Similar rounding exists for BX's Direct Market Maker and Lead Market Maker. *See* BX Rules at Chapter VI, Section 10.

[42] *See* proposed rule at Chapter VI, Section 9(ii)(G)–(J).

[43] 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 would 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).

and (F).[44] Specifically, a PRISM ISO is the transmission of two orders for crossing without regard for better priced Protected Bids or Protected Offers because the Participant transmitting the PRISM ISO to the Exchange has, simultaneously with the routing of the PRISM ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRISM Auction price and has swept all interest in the Exchange's book priced better than the proposed PRISM Auction starting price. The Exchange will accept a PRISM ISO provided the order adheres to the PRISM Order acceptance requirements, but without regard to the NBBO. The Exchange will execute the PRISM ISO in the same manner as other PRISM Orders, except that it will not protect prices away. Instead, order flow providers will bear the responsibility to clear all better priced interest away simultaneously with submitting the PRISM ISO Order. There is no other impact to PRISM functionality. Specifically, liquidity present at the end of the PRISM Auction will continue to be included in the PRISM Auction as it is with PRISM Orders not marked as ISOs. This order type is offered by other options exchanges.[45]

With respect to Post Only Orders resting on the book at the time the PRISM Auction is initiated,[46] 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 is eligible for an execution in the PRISM Auction and would be considered the remover of liquidity.[47] Post Only Orders submitted by a Marker Maker during a PRISM Auction will not be considered as Priority Market Maker interest[48] 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.[49] 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.[50] 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 proposed subparagraph (ii)(E) and (ii)(F) to Chapter VI, Section 9.[51]

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.[52]

BX Rules at Chapter VII, Section 12[53] 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 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.[54]

Pilot Program Information to the Commission

Subject to a Pilot expiring July 18, 2016, there will be no minimum size requirement for orders to be eligible for the Auction. During this Pilot Period,

[44] *See* proposed rule at Chapter VI, Section 9(ii)(K).

[45] *See* NASDAQ OMX PHLX LLC Rules at 1080(n). PIXL ISO Orders are permissible. *See also* CBOE Rule 6.53(q).

[46] ''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).

[47] *See* proposed rule at Chapter VI, Section 9(ii)(L).

[48] Only Market Maker interest submitted through SQF will be eligible for Priority Market Maker interest.

[49] *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.''

[50] *See* proposed rule at Chapter VI, Section 9(iv).

[51] *See* proposed rule at Chapter VI, Section 9(v).

[52] *See* proposed rule at Chapter VI, Section 9(vi).

[53] 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 would not reveal contra party identities. BX would 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) unless 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.

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

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, there are opportunities for significant price improvement for orders executed through PRISM and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any raw data which is submitted to the Commission will be provided on a confidential basis.[55]

The Exchange represents that, in support of its proposed pilot program, it proposes three components on a pilot basis: (1) Auction eligibility requirements; (2) the early conclusion of the PRISM Auction; and (3) no minimum size requirement of orders. the Exchange will provide the following additional information on a monthly basis:

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

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

(3) The number of orders of 50 contracts or greater entered into the PRISM; and

(4) The number of orders of fewer than 50 contracts entered into the PRISM.

Implementation

If the Commission approves this proposed rule change, as amended, 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 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (PRISM Contra & Priority Market Maker interest fully satisfies PRISM order for Pro-Rata or Price/Time):

NBBO = .97 − 1.03

BX BBO = .95 − 1.03 (60) with Market Maker A and Market Maker B offering 30 contracts each

PRISM Order to buy 100 contracts stopped at 1.02 is received.

Auction begins.

During auction, Market Maker C responds to sell 20 at 1.02 and Market Maker A and Market Maker B each respond to sell 30 contracts at 1.02.

Auction ends, PRISM contra is allocated 40 contracts at 1.02 (40% carve out); Market Maker A and Market Maker B each trade 30 contracts since they are Priority Market Makers for 30 contracts. Market Maker C does zero.

The outcome in this example is the same regardless of the underlying symbol being designated as Pro-Rata or Price/Time.

EXAMPLE #2 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Pro-Rata among Priority Market Maker interest):

NBBO = .97 − 1.03

BX BBO = .95 − 1.03(60) with Market Maker A and Market Maker B offering 30 contracts each

PRISM Order to buy 100 contracts stopped at 1.02 is received.

Auction begins.

During auction, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond to sell 30 contracts at 1.02, and Market Maker D responds to sell 10 contracts at 1.02.

Auction ends, Market Maker C 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); Market Maker A and Market Maker B each trade 27 contracts (pro rata among Priority Market Makers A and B). Market Maker D does zero since there were no contracts open after Priority Market Maker A and Priority Market Maker B were filled at that price.

EXAMPLE #3 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Price/Time symbol with contracts trading at improving prices and at the initial NBBO price):

NBBO = .97 − 1.03

BX BBO = .95 − 1.03(60) with Market Maker A and Market Maker B offering 30 contracts each (Market Maker A arrived first)

PRISM Order to buy 90 contracts stopped at 1.03 is received

Auction begins.

During auction, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond to sell 10 contracts at 1.02, and Market Maker D responds to sell 10 contracts at 1.02.

Auction ends, Market Maker C trades 10 at 1.01 since he was only interest offered at best price; Market Maker A and Market Maker B each trade 10 contracts at 1.02 since they have priority status for up to 30 contracts; Market Maker D then trades 10 contracts at 1.02; PRISM Contra trades 40% or 20 contracts at the stop price of 1.03. Assuming Market Maker A was at the BX BBO of 1.03 before Market Maker B, Market Maker A would execute 30 contracts at 1.03. Market Maker B would not trade any at 1.03 since the order is filled before getting to his quote in a price time fashion.

EXAMPLE #4 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Pro-Rata symbol with Market Makers receiving both priority status and non-priority status based on their size at initial NBBO):

NBBO = .97–1.03

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

PRISM Order to buy 90 contracts stopped at 1.03 is received.

Auction begins.

During auction, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond to sell 50 contracts at 1.02 (priority status for 30 contracts each and non-priority status for 20 contracts each), and Market Maker D responds to sell 50 contracts at 1.02.

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

EXAMPLE #5 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Initiating Order utilizes Auto-Match specifying the No Worse Than (NWT) feature for Pro-Rata or Price/Time):

NBBO = .97–1.03

BX BBO = .95–1.03(60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond to sell 50 contracts at 1.02 (priority status for 30 contracts each and non-priority status for 20 contracts each), and Market Maker D responds to sell 50 contracts at 1.02.

Auction ends, Market Maker C 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, Market Maker A and Market Maker B

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

each trade 24 contracts at 1.02 since they have priority ahead of Market Maker D up to their size at the NBBO when the auction started.

The outcome in this example is the same regardless of Pro-Rata or Price/Time designation.

EXAMPLE #6 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Pro-Rata Symbol with Market Makers receiving both priority status and non-priority status based on their size at initial NBBO and Initiating Order utilizes NWT feature):

NBBO = .97–1.03

BX BBO = .95–1.03 (60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond to sell 50 contracts at 1.02, and Market Maker D responds to sell 50 contracts at 1.02.

Auction ends, Market Maker C 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; Market Maker A and Market Maker B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started; Market Maker A, Market Maker B, and Market Maker D then pro-rata split the balance with Market Maker A and Market Maker B each trading 5 additional contracts at 1.02 (20/90*24) and Market Maker D trading 13 contracts at 1.02 (50/90*24). The residual 1 contract will be allocated among the three MM (Market Maker A) in time priority.

EXAMPLE #7 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Price/Time symbol with Market Makers receiving both priority status and non-priority status based on their size at initial NBBO, Initiating Order utilizes NWT feature, and quotes move during Auction):

NBBO = .97–1.03

BX BBO = .95–1.03(60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond in that time order (A before B) to sell 50 contracts at 1.02 (30 of the 50 contracts are considered as Priority Market Maker interest), and Market Maker D responds to sell 50 contracts at 1.02.

During auction, Market Maker A moves his quote and BX BBO becomes .95–1.02 for 30 contracts and NBBO becomes .97–1.02. Market Maker A maintains his Priority Market Maker status.

Auction ends, Market Maker C trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01 based on his NWT price of 1.01; PRISM Contra is allocated 40% or 52 contracts at 1.02 since it will be the final price point; Market Maker A and Market Maker B each trade 30 contracts at 1.02 since they have priority up to their size at the NBBO when the auction started (since Market Maker A has both a response and quote interest, Market Maker A's 30 contracts are allocated in a time fashion among Market Maker A's interest at 1.02 with each of the responses trading all 30 contracts); the residual 18 contracts are traded in a Price/Time fashion at 1.02 among residual Market Maker interest with Market Maker A response trading all 18 contracts.

EXAMPLE #8 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Pro Rata symbol with Market Makers receiving both priority status and non-priority status based on their size at initial NBBO and Initiating Order utilizes NWT feature):

NBBO = .97–1.03

BX BBO = .95–1.03 with Market Maker A and Market Maker 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, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond in that order to sell 50 contracts at 1.02 (30 of the 50 contracts will be considered as Priority Market Maker), and Market Maker D responds to sell 50 contracts at 1.02.

Auction ends, Market Maker C 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 Market Maker interest trading ahead of non-Priority Market Maker interest, Market Maker A and Market Maker B each trade 30 contracts as Priority Market Maker then Market Maker A, Market Maker B, and Market Maker D Pro Rata split the balance with Market Maker A and Market Maker B each trading 4 contracts at 1.02 (20/90 *18) and Market Maker D trading 10 contracts at 1.02 (50/90*18).

EXAMPLE #9 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Price/Time symbol with Market Makers receiving both priority status and non-priority status based on their size at initial NBBO, Initiating Order utilizes NWT feature, and quotes move during Auction and Public Customer Order received):

NBBO = .97–1.03

BX BBO = .95–1.03(60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond in that order to sell 50 contracts at 1.02 (30 of the 50 contracts are considered as Priority Market Maker), and Market Maker D responds to sell 50 contracts at 1.02.

During auction, Market Maker A moves his quote (but maintains Priority Market Maker status) and BX BBO becomes .95–1.02 for 30 contracts and NBBO becomes .97–1.02. Then, a Public Customer order is received on the opposite side of the PRISM Order, offering 10 contracts at 1.02 which does not cause an early auction termination.

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

EXAMPLE #10 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Price/Time symbol with Market Makers receiving both priority status and non-priority status based on their size at initial NBBO, Initiating Order utilizes NWT feature, and Priority Market Maker quote moves during Auction and maintains priority status and Public Customer Order received):

NBBO = .97–1.03

BX BBO = .95–1.03(60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 10 at 1.01, Market Maker A responds to sell 10 contracts at 1.02 (considered as Priority Market Maker), Market Maker B responds to sell 50 contracts at 1.02 (30 of the 50 contracts are considered as Priority Market Maker), and Market Maker D responds to sell 50 contracts at 1.02.

During auction, Market Maker A moves his quote (maintains Priority Market Maker status) and BX BBO becomes .95–1.02 for 10 contracts and NBBO becomes .97–1.02.

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

Auction ends, Market Maker C trades 10 at 1.01 and PRISM Contra matches and trades 10 at 1.01; Public Customer order then trades 10 contracts at 1.02. After Public Customer is satisfied, PRISM Contra is allocated 40% of remaining which equates to 48 contracts; Priority Market Maker interest is then traded with Market Maker 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 Market Maker) and Market Maker B response trades 30 contracts at 1.02. The remaining 22 contracts are allocated in price time fashion among remaining Market Maker interest at 1.02 with Market Maker B response trading 20 contracts and Market Maker D response trading 2 contracts.

EXAMPLE #11 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Price/Time symbol with all executions occurring at initial NBBO price):

NBBO = .97–1.03

BX BBO = .95–1.03 (60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 20 at 1.03 and Public Customer offers 2 contracts at 1.03.

Auction ends, Public Customer trades 2 contracts at 1.03 and PRISM contra is allocated 40% of residual or 39 contracts at 1.03; remaining allocation is purely Price/Time with Market Maker A trading 30 contracts and Market Maker B trading 29 contracts.

EXAMPLE #12 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Pro-Rata symbol with all executions occurring at initial NBBO price and Public Customer order received):

NBBO = .97–1.03

BX BBO = .95–1.03 (60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 20 at 1.03 and Public Customer offers 2 contracts at 1.03.

Auction ends, Public Customer 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 Market Maker interest with Market Maker A trading 29 contracts (30/60*59), Market Maker B trading 29 contracts (30/60*59), and the residual 1 contract being allocated to Market Maker A based on time.

EXAMPLE #13 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Price/Time symbol with Initiating Order specifying Auto-Match with the NWT feature and non-Market Maker interest is present for execution):

NBBO = .97–1.03

BX BBO = .95–1.03(60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 5 at 1.01, Market Maker A responds to sell 10 contracts at 1.02, Market Maker B responds to sell 50 contracts at 1.02 (30 of the 50 contracts are considered as Priority Market Maker), and Market Maker D responds to sell 40 contracts at 1.02.

During auction, Market Maker A moves his quote for 10 contracts at 1.02, now alone at that price, (maintains Priority Market Maker status) and BX BBO becomes .95–1.02 for 10 contracts and a Firm order arrives offering 10 contracts at 1.02.

Auction ends, Market Maker C 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 Market Maker interest is fully allocated with Market Maker A response trading 10, Market Maker B response trading 30, and Market Maker A quote trading 10 at 1.02. Non-Priority MM is allocated in Price/Time with Market Maker B trading an additional 20 contracts and Market Maker D trading 40 contracts at 1.02. After all Market Maker 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 Market Maker B trading all 25 contracts at 1.03.

EXAMPLE #14 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Pro-Rata symbol with Initiating Order specifying Auto-Match with the NWT feature, non-Market Maker interest is present for execution, Priority Market Maker has multiple price levels of interest, and executions occurring at initial NBBO price):

NBBO = .97–1.03

BX BBO = .95–1.03(60) with Market Maker A and Market Maker 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, Market Maker C responds to sell 5 at 1.01, Market Maker A responds to sell 10 contracts at 1.02 (considered as Priority Market Maker), Market Maker B responds to sell 50 contracts at 1.02 (30 of the 50 contracts are considered as Priority Market Maker), Market Maker D responds to sell 40 contracts at 1.02, and Market Maker A responds with 30 additional contracts at 1.03 (considered as Priority Market Maker).

During auction, Market Maker A moves his quote (maintain Priority Market Maker status) and BX BBO becomes .95–1.02 for 10 contracts and a Firm order arrives offering 10 contracts at 1.02.

Auction ends, Market Maker C 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 Market Maker interest is fully allocated with Market Maker A response trading 10, Market Maker B response trading 30, and Market Maker A quote trading 10 at 1.02. Non-priority Market Maker is allocated with Market Maker B trading an additional 20 contracts and Market Maker D trading 40 contracts at 1.02. After all Market Maker 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 Market Maker A and Market Maker B as Priority Market Maker each trading 15 contracts at 1.03.

EXAMPLE #15 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(c)(i)) (Price/Time symbol with Market Makers receiving both priority status and non-priority status at multiple price levels based on their size at initial NBBO):

NBBO = .97–1.03

BX BBO = .95–1.03 (20) with Market Maker A and Market Maker 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), Market Maker C responds to sell 10 at 1.01, Market Maker A responds to sell 40 at 1.01 (10 of 40 contracts is considered Priority Market Maker), Market Maker A and Market Maker B each respond to sell 50 contracts at 1.02 (10 of 50 contracts is considered Priority Market Maker), and Market Maker D responds to sell 50 contracts at 1.02.

During auction, Market Maker A moves his quote (maintains Priority Market Maker status) and BX BBO becomes .95–1.02 for 10 contracts and NBBO becomes .97–1.02.

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

Auction ends, Market Maker A trades 10 contracts at 1.01 as a priority MM, then Market Maker C trades 10 at 1.01 in price/time and Market Maker 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; Public 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 Market Maker A and Market Maker B trading 10 contracts each as priority Market Maker and 34 contracts are then allocated in price/time to Market Maker A at 1.02.

EXAMPLE #16 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Price/Time symbol with Initiating Participant utilizing Surrender):

NBBO = .97–1.03

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

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

Auction begins.

During auction, Market Maker C responds to sell 5 at 1.01, Market Maker A responds to sell 5 contracts at 1.02, Market Maker B responds to sell 20 contracts at 1.02, and Market Maker D responds to sell 20 contracts at 1.02.

During auction, Market Maker A moves his quote (maintains Priority Market Maker status) and BX BBO becomes .95–1.02 for 5 contracts and NBBO becomes .97–1.02.

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

EXAMPLE #17 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Pro-Rata symbol with Initiating Participant utilizing Surrender):

NBBO = .97–1.03

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

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

Auction begins.

During auction, Market Maker C responds to sell 5 at 1.01, Market Maker A responds to sell 5 contracts at 1.02, Market Maker B responds to sell 40 contracts at 1.02, and Market Maker D responds to sell 20 contracts at 1.02.

During auction, Market Maker A moves his quote (maintains Priority Market Maker status) and BX BBO becomes .95–1.02 for 5 contracts and NBBO becomes .97–1.02.

Auction ends, Market Maker C trades 5 at 1.01; Priority Market Maker interest at 1.02 then trades with Market Maker A response executing 5 contracts, Market Maker B response volume with Priority status executes 30 contracts, and Market Maker A quote executes 5 contracts; Non Priority Market Maker interest at 1.02 then executes with Market Maker B trading 10 contracts and Market Maker D 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.

EXAMPLE #18 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Price Improving Orders counted as Priority Market Maker interest):

NBBO = .90–1.05 in a non-penny stock (.05 MPV).

BX BBO = .90–1.05(60) with Market Maker A and Market Maker B offering 30 contracts each (Market Maker A arrived first); Market Maker A quote is .90–1.04(30) which is displayed at 1.05 due to this being a non-penny symbol and Market Maker B quote is .90–1.05(30). Both Market Maker A and Market Maker B have Priority status since quotes are displayed at NBBO price of 1.05.

PRISM Order to buy 90 contracts stopped at 1.05 is received.

Auction begins.

During auction, Market Maker C responds to sell 10 at 1.01, Market Maker A and Market Maker B each respond to sell 10 contracts at 1.02, and Market Maker D responds to sell 10 contracts at 1.02.

Auction ends, Market Maker C trades 10 at 1.01 since he was only interest offered at best price; Market Maker A and Market Maker B each trade 10 contracts at 1.02 since they have priority status for up to 30 contracts; Market Maker D then trades 10 contracts at 1.02; Market Maker A then executes his quote of 30 contracts at 1.04. PRISM Contra trades 50% or 10 contracts at the stop price of 1.05 since only one Market Maker at 1.05. Market Maker B then trades the remaining 10 contracts at 1.05.

The outcome of this example is the same in both Pro-Rata or Price/Time allocation models.

EXAMPLE #19 (Related to proposed Chapter VI, Section 9(ii)(A)(1)(a)) (Price/Time symbol with Initiating Participant utilizing Surrender and no responders):

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

PRISM Order to buy 20 contracts stopped at 1.02 marked as 'Surrender' is received.

Auction begins.

During auction, Market Maker C quotes .95–1.02 for 10 contracts and BX BBO becomes .95–1.02 for 10 contracts and NBBO becomes .97–1.02.

During auction, Market Maker A moves his quote (maintains Priority Market Maker status) and joins the BX BBO at .95–1.02 for 10 contracts and NBBO remains .97–1.02.

Auction ends, Priority MM interest trades first: Market Maker A gets allocated 10 contracts of PRISM Order. Non priority interest trades next: Market Maker C gets allocated 10 contracts. The PRISM contra executes no contracts. Market Maker B receives no allocation in this example.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act [56] in general, and furthers the objectives of Section 6(b)(5) of the Act [57] in particular, in that it is designed to prevent fraudulent and manipulative

[56] 15 U.S.C. 78f(b).

[57] 15 U.S.C. 78f(b)(5).

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 Public Customer orders that are provided with the opportunity to receive price improvement over the NBBO.

The Exchange believes that the PRISM auction will encourage BX Market Makers to quote at the NBBO with additional size and thereby result in tighter and deeper markets, resulting in more liquidity on BX. Specifically, by offering BX Market Makers the ability to receive priority in the proposed allocation during the PRISM auction, a BX Market Maker will be encouraged to quote outside of the PRISM auction at the their best and most aggressive prices with additional size. BX believes that this incentive may result in a narrowing of quotes and thus further enhance BX's market quality. Within the PRISM auction, BX believes that the rules that are proposed will encourage BX Market Makers to compete vigorously to provide the opportunity for price improvement in a competitive auction process.

Further, the new functionality may lead to an increase in Exchange volume and should allow the Exchange to better compete against other markets that already offer an electronic solicitation mechanism, while providing an opportunity for price improvement for agency orders. The Exchange believes that its proposal will allow the Exchange to better compete for solicited transactions, while providing an opportunity for price improvement for agency orders and assuring that Public Customers on the book are protected. The new solicitation mechanism should promote and foster competition and provide more options contracts with the opportunity for price improvement, which should benefit market participants, investors, and traders. The Exchange has proposed a range between no less than one hundred milliseconds and no more than one second for the duration of the PRISM Auction; therefore the proposed rule change will provide investors with more timely execution of their options orders than a mechanism that has a one second auction, while ensuring that there is an adequate exposure of orders in BX PRISM. The Exchange preliminary expects to use a default of 100 milliseconds for all symbols. The time will be announced in an Options Trader Alert. The proposed auction response time, no less than one hundred milliseconds and no more than one second, should allow investors the opportunity to receive price improvement through PRISM while reducing market risk. The Exchange believes a briefer time period reduces the market risk for the Initiating Participant, versus an auction with a one second period, as well as for any Participant providing orders in response to a broadcast. As such, BX believes the proposed rule change would help perfect the mechanism for a free and open national market system, and generally help protect investors' and the public interest. The Exchange believes the proposed rule change is not unfairly discriminatory because the PRISM duration would be the same for all Participants and symbols. All Participants will have an equal opportunity to respond with their best prices during the PRISM auction.

The Exchange believes using the Price/Time allocation method for interest remaining after proposed Chapter VI, Section 9(ii)(E)(1) through (3) have been satisfied provides consistency with the underlying symbol allocation designation. Since the Exchange considers all interest present in the System, and not solely auction Responses, for execution against the PRISM Order, those participants who are not explicit responders to the auction will expect executions based on their Price/Time priority. In addition, the Exchange believes executing such remaining interest in a Price/Time fashion does not unfairly advantage/disadvantage one participant over another since executions are done with price priority first and time only becoming a factor when considering equally priced interest for execution. Also, other exchanges utilize Price/Time in their auctions today.[58]

With respect to trading halts, as described herein, 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. The Exchange believes that executing the stop price solely against the Initiating Order promotes just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities since the Initiating Member has guaranteed that an execution will occur at the stop price (or better) prior to the trading halt, and PAN responses offer no such guarantee, the stop price is the only valid price at which to execute the PRISM Order, and the Initiating Member is the appropriate contra-side.[59]

With respect to rounding, the Initiating Participant will be rounded up or down to the nearest integer, all other rounding is down to the nearest integer. If rounding 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. The Exchange believes that rounding differently for the Initiating Participant as compared to all other market participants is not unfairly discriminatory in that the Initiating Participant is not eligible to receive residual contracts as are other market participants, unless no other interest is available to trade. The Exchange is permitting the Initiating Participant to receive the benefit of the rounding in an allocation of less than one contract, only if the Initiating Participant did not otherwise receive an allocation. because the Initiating Participant is not eligible to receive residual contracts.

The Exchange further believes that the proposal is consistent with the requirements of Section 11(a) of the Act[60] and Rule 11a2–2(T)[61] 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 (collectively ''Covered Accounts''). Rule 11a2–2(T) under the Act,[62] known as the effect versus execute'' rule, provides exchange members with an exemption from the

[58] ISE executes Priority Customer interest in a Price/Time fashion within its PIM auction. *See* ISE Rule 723(d). Complex orders are also executed within its auction in price time priority. *See* ISE Rule 722. BOX also permits Price/Time priority within PIP and COPIP. *See* BOX Rules 7150(f)(4) and 7245(f)(3). *See also* example number 14 below.

[59] The Exchange notes that trading on the Exchange in any option contract will be halted whenever trading in the underlying security has been paused or halted by the primary listing market. *See* BX Rules at Chapter V, Section 3.

[60] 15 U.S.C. 78k(a)(1).

[61] 17 CFR 240.11a2–2(T).

[62] CFR 240.11a2–2(T).

Section 11(a)(1) prohibition. Rule 11a2–2(T) permits an exchange member, subject to certain conditions, to effect transactions for Covered Accounts by arranging for an unaffiliated member to execute transactions on the exchange.[63] To comply with Rule 11a2–2(T)'s conditions, a member: (i) Must transmit the order from off the exchange floor; (ii) may not participate in the execution of the transaction once it has been transmitted to the member performing the execution;[64] (iii) may not be affiliated with the executing member; and (iv) with respect to an account over which the member has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the Rule. For the reasons set forth below, the Exchange believes that Exchange members entering orders into PRISM would satisfy the requirements of Rule 11a2–2(T).

The Exchange does not operate a physical trading floor, rather the Exchange operates an electronic market. The Rule's first condition is that orders for Covered Accounts be transmitted from off the exchange floor. In the context of automated trading systems, the Commission has found that the off-floor transmission requirement is met if a Covered Account order is transmitted from a remote location directly to an exchange's floor by electronic means.[65] BX represents that the System and the proposed PRISM auction receive all orders electronically through remote terminals or computer-to-computer interfaces. The Exchange represents that orders for Covered Accounts from Participants will be transmitted from a remote location directly to the proposed PRISM mechanisms by electronic means.

The second condition of Rule 11a2–2(T) requires that neither a member nor an associated person participate in the execution of its order once the order is transmitted to the floor for execution. The Exchange represents that, upon submission to the PRISM auction, an order will be executed automatically pursuant to the rules set forth for PRISM. In particular, execution of an order sent to the mechanism depends not on the Initiating Participant entering the order, but rather on what other orders are present and the priority of those orders. Thus, at no time following the submission of an order is a Participant able to acquire control or influence over the result or timing of order execution.[66] Once the PRISM Order has been transmitted, the Exchange Initiating Member that transmitted the order will not participate in the execution of the PRISM Order. Initiating Members submitting PRISM Orders will relinquish control of their PRISM Orders upon transmission to the Exchange's System. Further, no Participant, including the Initiating Participant, will see a PAN response submitted into PRISM and therefore and will not be able to influence or guide the execution of their PRISM Orders. Finally, the Surrender feature will not permit a Participant to have any control over an order. The election to Surrender an order is available prior to the submission of the order and therefore could not be utilized to gain influence or guide the execution of the PRISM Order. The information provided with respect to the Surrender feature by the market participant will not be broadcast and further, the information may not be modified by the market participant during the auction.

Rule 11a2–2(T)'s third condition requires that the order be executed by an exchange member who is unaffiliated with the member initiating the order. The Commission has stated that the requirement is satisfied when automated exchange facilities, such as the PRISM are used, as long as the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange.[67] The Exchange represents that the PRISM is designed so that no Participant has any special or unique trading advantage in the handling of its orders after transmitting its orders to the mechanism.

Rule 11a2–2(T)'s fourth condition requires that, in the case of a transaction effected for an account with respect to which the initiating member or an associated person thereof exercises investment discretion, neither the initiating member nor any associated person thereof may retain any compensation in connection with effecting the transaction, unless the person authorized to transact business for the account has expressly provided otherwise by written contract referring to Section 11(a) of the Act and Rule 11a2–2(T) thereunder.[68] The Exchange recognizes that Participants relying on Rule 11a2–2(T) for transactions effected through the PRISM must comply with this condition of the Rule and the Exchange will enforce this requirement

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

[64] The member may, however, participate in clearing and settling the transaction.

[65] *See, e.g.,* Securities Exchange Act Release Nos. 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR–BATS–2009–031) (approving BATS options trading); 59154 (December 23, 2008), 73 FR 80468 (December 31, 2008) (SR–BSE–2008–48) (approving equity securities listing and trading on BSE); 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR–NASDAQ–2007–004 and SR–NASDAQ–2007–080) (approving NOM options trading); 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006) (File No. 10–131) (approving The Nasdaq Stock Market LLC); 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (SR–PCX–00–25) (approving Archipelago Exchange); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (SR–NYSE–90–52 and SR–NYSE–90–53) (approving NYSE's Off-Hours Trading Facility); and 15533 (January 29, 1979), 44 FR 6084 (January 31, 1979) (''1979 Release'').

[66] The Exchange notes that a Participant may cancel or modify an order, or modify the instructions for executing an order, but that such instructions would be transmitted from off the floor of the Exchange. The Commission has stated that the non-participation requirement is satisfied under such circumstances so long as such modifications or cancellations are also transmitted from off the floor. *See* 1978 Release (stating that the ''non-participation requirement does not prevent initiating members from canceling or modifying orders (or the instructions pursuant to which the initiating member wishes to be executed) after the orders have been transmitted to the executing member, provided that any such instructions are also transmitted from off the floor'').

[67] In considering the operation of automated execution systems operated by an exchange, the Commission noted that, while there is not an independent executing exchange member, the execution of an order is automatic once it has been transmitted into the system. Because the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated that executions obtained through these systems satisfy the independent execution requirement of Rule 11a2–2(T). *See* 1979 Release.

[68] *See* 17 CFR 240.11a2–2(T)(a)(2)(iv). In addition, Rule 11a2–2(T)(d) requires a member or associated person authorized by written contract to retain compensation, in connection with effecting transactions for Covered Accounts over which such member or associated persons thereof exercises investment discretion, to furnish at least annually to the person authorized to transact business for the account a statement setting forth the total amount of compensation retained by the member in connection with effecting transactions for the account during the period covered by the statement which amount must be exclusive of all amounts paid to others during that period for services rendered to effect such transactions. See *also* 1978 (stating ''[t]he contractual and disclosure requirements are designed to assure that accounts electing to permit transaction-related compensation do so only after deciding that such arrangements are suitable to their interests'').

pursuant to its obligations under Section 6(b)(1) of the Act to enforce compliance with federal securities laws.

The Exchange believes that the instant proposal is consistent with Rule 11a2–2(T), and that therefore the exception should apply in this case.

The Exchange also believes that the proposed rule changes would further the objectives of the Act to protect investors by promoting the intermarket price protection goals of the Options Intermarket Linkage Plan.[69] The Exchange believes its proposal would help ensure inter-market competition across all exchanges and facilitate compliance with best execution practices. The Exchange believes that these objectives are consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 11A of the Act.

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 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.

With respect to intra-market competition, the auction will be available to all BX Participants. Moreover, as explained above, the proposal should encourage BX Participants to compete amongst each other by responding with their best price and size for a particular auction. With respect to overall market quality, the Exchange believes that the PRISM auction, as proposed herein, will encourage BX Market Makers to quote at the NBBO with additional size and thereby result in tighter and deeper markets, resulting in more liquidity. Specifically, by offering BX Market Makers the ability to receive priority in the proposed allocation during the PRISM auction, a BX Market Maker will be encouraged to quote outside of the PRISM auction at the their best and most aggressive prices. BX believes that this incentive may result in a narrowing of quotes and thus further enhance BX's and overall market quality. Within the PRISM auction, BX believes that the rules that are proposed will encourage BX Market Makers to compete vigorously to provide the opportunity for price improvement in a competitive auction process. The Exchange does not believe that providing BX Market Makers with an opportunity to receive priority allocation will create an undue burden on intra-market competition. BX Market Makers have obligations to the market unlike other market participants.[70] The allocation seeks to reward BX Market Makers with an opportunity to receive additional allocations.

The Exchange's proposal is a competitive response to similar provisions in the price improvement auction rules of other options exchanges.[71] The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges and to establish more uniform price improvement auction rules on the various options exchanges. The Exchange anticipates that this auction proposal will create new opportunities for BX to attract new business and compete on equal footing with those options exchanges with auctions and for this reason the proposal does not create an undue burden on inter-market competition. Rather, the Exchange believes that the proposed rule would bolster inter-market competition by promoting fair competition among individual markets, while at the same time assuring that market participants receive the benefits of markets that are linked together, through facilities and rules, in a unified system, which promotes interaction among the orders of buyers and sellers. The Exchange believes its proposal would help ensure inter-market competition across all exchanges and facilitate compliance with best execution practices. In addition, the Exchange believes that the proposed rule change would help promote fair and orderly markets by helping ensure compliance with Options Order Protection and Locked and Crossed Market Rules.[72] Thus, the Exchange does not believe the proposal creates any significant impact on competition.

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, as amended, 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 email 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 email 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 Web site 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

[69] *See* BX Rule at Chapter XII, Section 3 regarding Locked and Crossed Markets.

[70] *See* BX Rules at Chapter VII, Section 6.

[71] Today, the following options markets offer auctions: CBOE, ISE, BOX, MIAX and Phlx. *See* CBOE Rule 6.74A, ISE Rule 723, BOX Rule 7150, MIAX Rule 5.15 and Phlx Rule 1080(n).

[72] *See* Chapter XII of BX Rules.

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 October 1, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[73]

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2015–22742 Filed 9–9–15; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–75832; File No. SR–BATS–2015–69]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of Proposed Rule Change To Amend Rules 1.5(r), 11.1(a), 11.23, 14.6, 14.11, and 14.12 and Adopt Rule 11.1(a)(1)

September 3, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on September 1, 2015, BATS Exchange, Inc. (the ''Exchange'' or ''BATS'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II 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 filed a proposal to amend the definition of Pre-Opening Session under Rule 1.5(r) to state that the Pre-Opening Session will start at 7:00 a.m. rather than 8:00 a.m. Eastern Time, Rule 11.1(a) to account for the Pre-Opening Session starting at 7:00 a.m. Eastern Time, and to make related changes to Rules 11.23, 14.6, 14.11, and 14.12. The Exchange also proposes to adopt new Rule 11.1(a)(1) to define Effective Start Time, which would be an order instruction enabling Members[3] [sic] indicate a time upon which their order may become eligible for execution.

The text of the proposed rule change is available at the Exchange's Web site at *www.batstrading.com,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at 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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend the definition of Pre-Opening Session under Rule 1.5(r) to state that the Pre-Opening Session will start at 7:00 a.m. rather than 8:00 a.m. Eastern Time, Rule 11.1(a) to account for the Pre-Opening Session starting at 7:00 a.m. Eastern Time, and to make related changes to Rules 11.23, 14.6, 14.11, and 14.12. The Exchange also proposes to adopt new Rule 11.1(a)(1) to define Effective Start Time, which would be an order instruction enabling Members indicate a time upon which their order may become eligible for execution.

Pre-Opening Session 7:00 a.m. Start

The Exchange trading day is currently divided into two sessions: (i) The Pre-Opening Session which starts at 8:00 a.m. and ends at 9:30 a.m. Eastern Time; and (ii) the Regular Trading Hours which runs from 9:30 a.m. to 4:00 p.m. Eastern Time. The Exchange proposes to amend the definition of ''Pre-Opening Session'' under Rule 1.5(r) to state that the Pre-Opening Session will start at 7:00 a.m. rather than 8:00 a.m. Eastern Time.[4]

The Exchange also proposes to amend Rule 11.1(a) to account for the Pre-Opening Session starting at 7:00 a.m. Eastern Time. Other than the proposal to change the start of the Pre-Opening Session from 8:00 a.m. to 7:00 a.m. Eastern Time discussed above, the Exchange does not propose to amend the substance or operation of Rule 11.1(a).

As amended, orders entered between 6:00 a.m. and 7:00 a.m. Eastern Time, rather than 6:00 a.m. and 8:00 a.m. Eastern Time, would not eligible for execution until the start of the Pre-Opening Session or Regular Trading Hours,[5] depending on the Time-in-Force (''TIF'')[6] selected by the User.[7] Rule 11.1(a) will also be amended to state that the Exchange will not accept the following orders prior to 7:00 a.m. Eastern Time, rather than 8:00 a.m.: BATS Post Only Orders,[8] Partial Post Only at Limit Orders,[9] Intermarket Sweep Orders (''ISOs''),[10] BATS Market Orders[11] with a TIF other than Regular Hours Only,[12] Minimum Quantity Orders[13] that also include a TIF of Regular Hours Only, and all orders with a TIF instruction of Immediate-or-Cancel (''IOC'')[14] or Fill-or-Kill (''FOK'').[15] At the commencement of the Pre-Opening Session, orders entered between 6:00 a.m. and 7:00 a.m. Eastern Time, rather than 6:00 a.m. and 8:00 a.m. Eastern Time, will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the BATS Book,[16] routed,

[73] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] The term ''Member'' is defined as ''any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a ''member'' of the Exchange as that term is defined in Section 3(a)(3) of the Act. Membership may be granted to a sole proprietor, partnership, corporation, limited liability company or other organization which is a registered broker or dealer pursuant to Section 15 of the Act, and which has been approved by the Exchange.'' *See* Exchange Rule 1.5(n).

[4] The Exchange notes that NYSE Arca, Inc. (''NYSE Arca'') operates an Opening Session that starts at 4:00 a.m. Eastern Time (1:00 a.m. Pacific Time) and ends at 9:30 a.m. Eastern Time (6:30 a.m. Pacific Time). *See* NYSE Arca Rule 7.34(a)(1). The Nasdaq Stock Market LLC (''Nasdaq'') operates a pre-market session that also opens at 4:00 a.m. and ends at 9:30 a.m. Eastern Time. *See* Nasdaq Rule 4701(g). *See also* Securities Exchange Act Release No. 69151 (March 15, 2013), 78 FR 17464 (March 21, 2013) (SR–Nasdaq–2013–033) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Pre-Market Hours of the Exchange to 4:00 a.m. EST).

[5] ''Regular Trading Hours'' is defined as ''the time between 9:30 a.m. and 4:00 p.m. Eastern Time.'' *See* Exchange Rule 1.5(w).

[6] The Times-In-Force instructions available on the Exchange are set forth under Exchange Rule 11.9(b).

[7] ''User'' is defined as ''any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.'' *See* Exchange Rule 1.5(cc).

[8] *See* Exchange Rule 11.9(c)(6).

[9] *See* Exchange Rule 11.9(c)(7).

[10] *See* Exchange Rule 11.9(d).

[11] *See* Exchange Rule 11.9(a)(2).

[12] *See* Exchange Rule 11.9(b)(7).

[13] *See* Exchange Rule 11.9(c)(5).

[14] *See* Exchange Rule 11.9(b)(1).

[15] *See* Exchange Rule 11.9(b)(6).

[16] *See* Exchange Rule 1.5(e).