SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Add Routing Functionality to the NASDAQ OMX BX Equities Market

February 6, 2013.

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 January 23, 2013, 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 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 proposes to add routing functionality to the NASDAQ OMX BX Equities Market. The text of the proposed rule change is below; proposed new language is italicized.

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4700. The NASDAQ OMX BX Equities Market

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4705. Execution Services

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4758. Order Routing

(a) Order Routing Process

(1) No change.

(b)–(d) No change.

(e)–(vi) No change.

(vii) BDRK is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(viii) BCST is a routing option under which orders check the System for available shares and simultaneously route the remaining shares to destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS and to certain, but not all, exchanges. If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

(b) No change.

(b)–(d) No change.

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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 attract additional business to and enhance the functionality offered by the Exchange’s NASDAQ OMX BX Equities Market by providing additional optional outbound routing services. Most equities exchanges today provide routing services and the Exchange offers a variety of routing strategies. Currently, Rule 4758, Order Routing, describes the order routing process and states that all routing shall be in compliance with Rule 611 of Regulation NMS under the Act.3 Furthermore, it enumerates BX’s routing strategies: BSTG, BSKN, BSCP, BTFY, BMOP and BCRT.

Proposed Rule 4758a[1][A][viii] will provide that BDRK is a routing option under which orders check the System for available shares and simultaneously route to certain destinations on the System routing table that are not posting Protected Quotations within the meaning of Regulation NMS (i.e. "dark venues" or "dark pools"). If shares remain un-executed after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center. This strategy is intended to attract market participants that seek to execute on BX or on dark pools without executing on another exchange. Members may seek to execute in this manner to interact with resting liquidity in addition to that available on BX, while also minimizing market impact and transaction fees.

For example, if the National Best Bid/Offer ("NBBO") is $10.00–$10.01, and BX, DarkVenueA and ARCA each offer 100 shares at $10.01, a BDRK order to buy 1000 shares at $10.01 IOC will be handled as follows: 100 shares for execution on BX and 100 shares routed to DarkVenueA simultaneously at $10.01; the remaining 800 shares are not routed and not executed, and cancelled back to the entering participant because it was an IOC order. The order did not route to ARCA because it is not a dark venue. As a second example, if the NBBO is $10.00–$10.01, and BX, DarkVenueA and ARCA each offer 100 shares at $10.01, a BDRK order to buy 1000 shares at $10.01 DAY will be

15 17 CFR 242.611.
III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (f)(6) of Rule 19b–4 thereunder.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. The Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change.

IV. Solicitation of Comments

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

Electronic Comments

• Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or
• Send an email to rule-comments@sec.gov. Please include File Number SR–BX–2013–008 on the subject line.

Paper Comments

• Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to File Number SR–BX–2013–008. 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

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change To Require Members To Report OTC Equity Transactions as Soon As Practicable, But No Later Than 10 Seconds, Following Execution

February 6, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)

and Rule 19b–4 thereunder, notice is hereby given that on February 1, 2013, Financial Industry Regulatory Authority, Inc. (“FINRA”) 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 FINRA. 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

FINRA is proposing to amend FINRA trade reporting rules to require that members report over-the-counter (“OTC”) transactions in NMS stocks and OTC Equity Securities, and cancellations of such transactions, to FINRA as soon as practicable, but no later than 10 seconds, following execution (or cancellation, as applicable).


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

In its filing with the Commission, FINRA 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. FINRA 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA trade reporting rules require that members report OTC transactions in NMS stocks and OTC Equity Securities that are executed during the hours that the FINRA Facilities are open within 30 seconds of execution. In addition, members must report the cancellation of a trade within 30 seconds of the time of cancellation if the trade is both executed and cancelled on the same day during normal market hours. Under current FINRA guidance, members are expected to report transactions as soon as practicable and should not withhold trade reports, e.g., by programming their systems to delay reporting until the last permissible second.

FINRA is proposing to amend its trade reporting rules to require members to report OTC trades in NMS stocks and OTC Equity Securities as soon as practicable, but no later than 10 seconds, following execution and to report trade cancellations as soon as practicable, but no later than 10 seconds, after the time of cancellation.

Under the proposed rule change, all transactions not reported within 10 seconds will be marked late (unless expressly subject to a different reporting requirement or excluded from the trade reporting rules altogether). FINRA understands that there will be isolated instances where a member is unable to report trades within the time period prescribed by rule, and FINRA will continue to look for a pattern and practice of unexcused late trade reporting before taking action against a member. Pursuant to Rules 6181 and 6623, unexcused late reporting occurs when there are “repeated reports of executions submitted after the required time period without reasonable justification or exceptional circumstances.” The rules also provide that “[e]xceptional circumstances will be determined on a case-by-case basis and may include instances of system failure by a member or service bureau, or unusual market conditions, such as extreme volatility in a security, or in the market as a whole.”

FINRA also is proposing to adopt Supplementary Material to clarify the requirement that members report trades and trade cancellations “as soon as practicable...”


Members must report all cancellations of previously reported trades to FINRA; however, where the trade is executed or cancelled outside of normal market hours, the 30-second requirement does not apply to the reporting of the cancellation.


FINRA also is proposing conforming changes to replace the reference to 30 seconds with 10 seconds in the rules relating to the reporting of stop stock and “prior reference price” transactions. See FINRA Rules 6282(a)(4), 6380A(a)(5), 6380B(b)(2)(A) and 6622(f)(2)(A).

For example, the proposed rule change will not amend the reporting requirements applicable to transactions in Restricted Equity Securities, as defined in Rule 6420, effected under Securities Act Rule 144A, which transactions currently are not subject to the 30-second reporting requirement. See Rule 6622(f)(2)(A).

The Commission notes that FINRA Rules refer to “a pattern or practice.” See, e.g., FINRA Rule 6282 (emphasis added).