

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-BYX-2016-02 and should be submitted on or before March 15, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2016-03664 Filed 2-22-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77152; File No. SR-NASDAQ-2016-020]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Nasdaq Rule 7014 and Nasdaq Rule 7018

February 17, 2016.

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 February 10, 2016, The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

Nasdaq is proposing changes to amend Nasdaq Rule 7014(g) concerning the national best bid or best offer (“NBBO”) Program and Nasdaq Rule 7018(a), governing fees and credits assessed for execution and routing of securities.

The text of the proposed rule change is available at nasdaq.cchwallstreet.com, at Nasdaq’s principal office, 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, Nasdaq 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 those 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 purpose of the proposed rule change is to amend the NBBO Program in Nasdaq Rule 7014(g) and to amend Nasdaq Rule 7018(a), governing fees and credits assessed for execution and routing of securities listed on Nasdaq,³ listed on the New York Stock Exchange (“NYSE”)⁴ and listed on exchanges other than Nasdaq and NYSE⁵ (“Tape B”) (collectively, the “Tapes”).

Specifically, Nasdaq Rule 7014(g) will be amended to add a new credit and to clarify the NBBO Program language to indicate that this new credit will be in addition to any rebate or credit payable under Nasdaq Rule 7018(a) or the Investor Support Program (“ISP”), Qualified Market Maker (“QMM”) Program and NBBO Program under Nasdaq Rule 7014. A member will qualify for the additional \$0.0001 per share executed credit for displayed quotes/orders (other than supplemental orders or designated retail orders) that provide liquidity priced at \$1 or more if the member qualifies for the (i) NBBO Program and (ii) has a ratio of at least 25% NBBO liquidity provided⁶ to liquidity provided during the month.

For example, if a member provided liquidity of 0.55% total consolidated volume (“TCV”) during the month and provided NBBO liquidity of 0.15% TCV during the month, the member’s ratio would equal 27.27%. The member would meet the NBBO Program criteria (since it was greater than 0.5% TCV threshold set forth in Nasdaq Rule

7014(g)(1)) and because the ratio is greater than the proposed 25% threshold of NBBO liquidity provided to liquidity provided [sic] during the month. Therefore, the member would also qualify for the additional \$0.0001 per share executed credit. This credit will be in addition to any rebate or credit payable under Rule 7018(a) and the ISP, QMM Program, and NBBO Program under Rule 7014.

Nasdaq also proposes to amend across all three Tapes (Nasdaq Rules 7018(a)(1), (2) and (3)) one of the two criteria that a member must satisfy to qualify for the \$0.0030 per share executed credit for adding displayed liquidity. The first prong of the criteria will remain the same and requires that a member must have shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.575% or more of consolidated volume (“Consolidated Volume”) during the month. The second prong of the criteria will be amended. Specifically, the second prong requires that 0.15% or more of Consolidated Volume during the month must include shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE. The percentage of shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE will be reduced from 0.15% to 0.10% or more of Consolidated Volume, thus reducing the required activity to achieve the credit. The amended criteria will read for all three Tapes as “member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.575% or more of Consolidated Volume during the month, including shares of liquidity provided with respect to securities that are listed on exchanges other than NASDAQ or NYSE that represent 0.10% or more of Consolidated Volume”.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities which the Exchange operates or controls, and is not designed to permit unfair

³ Nasdaq Rule 7018(a)(1).

⁴ Nasdaq Rule 7018(a)(2).

⁵ Nasdaq Rule 7018(a)(3).

⁶ NBBO liquidity provided means liquidity provided from orders (other than Designated Retail Orders, as defined in Nasdaq Rule 7018), that establish the NBBO, and displayed a quantity of at least one round lot at the time of execution.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4) and (5).

²⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁹ Likewise, in *NetCoalition v. Securities and Exchange Commission*¹⁰ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.¹¹ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”¹²

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”¹³

The NBBO Program is intended to encourage members to add liquidity at prices that benefit all Nasdaq market participants and the Nasdaq market itself, and to enhance price discovery, by establishing a new NBBO.¹⁴ Specifically, Nasdaq believes that the proposed rule change to Nasdaq Rule 7014(g) that provides for an additional \$0.0001 per share executed credit¹⁵ for

displayed quotes/orders (other than supplemental orders or designated retail orders) that provide liquidity priced at \$1 or more is reasonable because it is in line with other credits provided on Nasdaq, as well as on other exchanges. For example, both the QMM Program¹⁶ and the ISP¹⁷ have credits of \$0.0001 per share executed. The Exchange also believes that the proposed additional credit will serve as an effective incentive to members to provide more liquidity provided from orders (other than Designated Retail Orders, as defined in Nasdaq Rule 7018), that establish the NBBO, and displayed a quantity of at least one round lot at the time of execution. Increasing such liquidity is reflective of the Exchange’s desire to improve liquidity and strengthen the NBBO Program.

The Exchange also believes that choosing the ratio of at least 25% NBBO liquidity provided of the liquidity provided during the month will incentivize participants to more aggressively pursue adding liquidity at the NBBO while still offering an attainable goal. This may focus participants on meeting the criteria in a way that relying on solely NBBO specific rebates has not. This proposed change is similar to other market incentive programs that require a certain level of activity in order to be eligible to receive a particular credit. For example, to receive an ISP credit a member is already required to provide a 40% of their [sic] liquidity through ISP designated ports (among other criteria).¹⁸

Additionally, minimum standards of specific activity (e.g., non-display activity and other performance requirements) are also sometimes required to be eligible to receive a particular credit. One example of this is in Nasdaq Rule 7018(a)(1), which states that a member seeking to receive the particular available credit must provide shares of liquidity in all securities through one or more of its Nasdaq Market Center MPIDs of more than 0.75% of Consolidated Volume during the month, as well as provide a daily average of at least 5 million shares of non-displayed liquidity.

Also, the clarifying language added to the NBBO Program under Nasdaq Rule 7014(g) regarding the applicability of this new credit is reasonable because it will lessen participant confusion as to

how these additional rebates/credits apply. The Exchange believes that the proposed changes to the NBBO Program overall will improve market quality and thus benefits all members.

Nasdaq believes that the proposed rule change is equitable and not unfairly discriminatory because the additional \$0.0001 per share executed credit for displayed quotes/orders that provide liquidity priced at \$1 or more under the NBBO Program is available to all members on an equal basis and provides an additional credit for activity that improves the Exchange’s market quality through increased activity at the NBBO. In this regard, the NBBO Program encourages higher levels of liquidity provision into the price discovery process and is consistent with the overall goals of enhancing market quality. Also, this new credit will be in addition to any rebate or credit payable under Nasdaq Rule 7018(a) or the ISP, QMM Program, and NBBO Program under Nasdaq Rule 7014.

Nasdaq believes that the proposed rule change to Nasdaq Rule 7018(a)(1), (2) and (3) is reasonable because it will further encourage market participant activity and will also support liquidity provision across all three Tapes by making it easier for members to satisfy one of the two criteria to qualify for the \$0.0030 per share executed credit for adding displayed liquidity. Specifically, by amending one prong of the criteria to reduce the percentage requirement from 0.15% to 0.10% of shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE [sic]. The Exchange believes this will allow more members to receive this credit and thereby incentivize the enhancement of liquidity with regard to displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) on Nasdaq. This, in turn, should positively impact market quality and benefit other Nasdaq members.

The Exchange also believes that the proposed rule change is an equitable allocation and is not unfairly discriminatory because it is reducing across all three Tapes one of the two criteria that a member must satisfy to qualify for the \$0.0030 per share executed credit for adding displayed liquidity. Additionally, members who currently qualify for the credit will continue to do so.

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

Nasdaq does not believe that the proposed rule change will result in a burden on competition that is not necessary or appropriate in furtherance

⁹ Securities Exchange Act Release No. 34–51808 (June 9, 2005) (“Regulation NMS Adopting Release”).

¹⁰ *NetCoalition v. SEC* 615 F.3d 525 (D.C. Cir. 2010).

¹¹ *Id.* at 534–535.

¹² *Id.* at 537.

¹³ *Id.* at 539 (quoting ArcaBook Order, 73 FR at 74782–74783).

¹⁴ See Securities Exchange Act Release No. 68209 (November 9, 2012), 77 FR 69519 (November 19, 2012) (SR–NASDAQ–2012–126).

¹⁵ The member will receive this additional credit if the member qualifies for the (i) NBBO Program

and (ii) has a ratio of at least 25% NBBO liquidity provided of the liquidity provided during the month.

¹⁶ See Nasdaq Rule 7014(e) Tier 1.

¹⁷ See Nasdaq Rule 7014(c)(2).

¹⁸ See Nasdaq Rule 7014(c)(2)(C).

of the purposes of the Act, as amended.¹⁹ In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or credit opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and credits to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees and credits in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed additional \$0.0001 per share executed credit for displayed quotes/orders that provide liquidity priced at \$1 or more in connection with the NBBO Program under Nasdaq Rule 7014(g), as well as the easing of the criteria under Nasdaq Rule 7018(a) to receive a \$0.0030 executed rebate for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) that provide liquidity, do not impose a burden on competition because the Exchange's execution services are voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. The Exchange believes that the competition among exchanges and other venues will help to drive price improvement and overall execution quality higher for investors.

In sum, if the rule change proposed herein is unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed change will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

Written comments were neither solicited nor received.

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁰ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2016-020 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-NASDAQ-2016-020. 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 such filing also will be available for

inspection and copying at the principal offices 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-NASDAQ-2016-020, and should be submitted on or before March 15, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016-03660 Filed 2-22-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77154 ; File No. SR-BOX-2016-08]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Reduce the Order Handling Period for Directed Orders From Three Seconds to One Second

February 17, 2016.

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 February 5, 2016, BOX Options Exchange LLC (the "Exchange") 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to reduce the order handling period for Directed Orders from three seconds to one second. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet Web site at <http://boxexchange.com>.

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁹ 15 U.S.C. 78f(b)(8).

²⁰ 15 U.S.C. 78s(b)(3)(A)(ii).