

For the Commission, by the Division of Investment Management, under delegated authority.

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66306; File No. SR-BX-2011-084]

### Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Order Granting Approval of Proposed Rule Change To Reduce the Duration of the Price Improvement Period ("PIP") From One Second to One Hundred Milliseconds

February 2, 2012.

#### I. Introduction

On December 7, 2011, NASDAQ OMX BX, Inc. ("Exchange") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to reduce the duration of the Price Improvement Period ("PIP") of the Boston Options Exchange Group, LLC ("BOX"), a facility of the Exchange, from one second to one hundred milliseconds. The proposed rule change was published for comment in the *Federal Register* on December 22, 2011.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

#### II. Description of the Proposal

The PIP is an auction system that is used by BOX Options Participants to execute their agency orders as principal, with a potential for customer price improvement. The BOX Options Participant may submit any size customer order, along with a matching contra proprietary order at a price equal to the national best bid or offer, into the PIP. After submission of that customer order, PIP will send out a broadcast message to other BOX Options Participants, who may enter orders ("Improvement Orders") competing against the original contra side proprietary order. At the conclusion of the auction, the customer order would be matched on a price and time priority with orders on the opposite side, subject to certain conditions. Currently, the PIP lasts one second from the dissemination

of the PIP broadcast. The Exchange proposes to reduce the duration of the PIP from one second to one hundred milliseconds.

#### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>4</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>5</sup> which, among other things, requires that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating 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 Commission believes that, given advances in the electronic trading environment, reducing the duration of the PIP from one second to one hundred milliseconds could facilitate the prompt execution of orders while continuing to provide market participants with an opportunity to compete for bids and/or offers without compromising the ability for adequate exposure and participation in PIP. To substantiate that BOX Options Participants could receive, process, and communicate a response back to BOX within one hundred milliseconds, the Exchange stated that it distributed a survey to its members that would be affected by this proposal or that regularly participate in the PIP. According to the Exchange, 14 of 16 participants responded, at least in part, to the survey, and nine participants responded that they can receive, process, and communicate multiple PIP responses back to BOX within substantially less than 100 milliseconds.<sup>6</sup>

In addition, the Exchange stated that BOX reviewed PIP execution data by its participants during the three-month period from May to July of 2011. The Exchange stated that BOX's review indicated that approximately 85% of Improvement Orders executed at the conclusion of a PIP were submitted within 100 milliseconds of the initial

PIP Order.<sup>7</sup> Approximately 78% of Improvement Orders executed at the end of a PIP were submitted in less than ten milliseconds, and 70% were submitted in less than five milliseconds.<sup>8</sup> Thus, according to the Exchange, participants whose PIP responses averaged greater than one hundred milliseconds made a conscious decision to delay responses, but such participants operate electronic systems which enable them to sufficiently react and respond to multiple PIP broadcasts within one hundred milliseconds, if they chose to do so.<sup>9</sup>

Based on the Exchange's statements regarding the survey results and the review of its PIP data, the Commission believes that market participants should continue to have meaningful opportunities to participate in the PIP if the exposure period is reduced to one hundred milliseconds, and accordingly, finds that the proposed rule change is consistent with the requirement of the Act.

#### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-BX-2011-084), be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66307; File No. SR-BATS-2011-051]

### Self-Regulatory Organizations; BATS Exchange, Inc.; Order Granting Approval of Proposed Rule Change To Implement a Competitive Liquidity Provider Program

February 2, 2012.

#### I. Introduction

On December 16, 2011, BATS Exchange, Inc. ("BATS" or the "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

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

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

<sup>3</sup> See Securities Exchange Act Release No. 65987 (December 16, 2011), 76 FR 79734 ("Notice").

<sup>4</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

<sup>6</sup> See Notice, *supra* note 3, 76 FR at 79735.