

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>10</sup>

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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

### IV. Solicitation of Comments

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

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2015-117 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-NASDAQ-2015-117. 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 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-NASDAQ-2015-117, and should be submitted on or before November 20, 2015.

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

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76258; File No. SR-BX-2015-059]

### Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Options Testing Facility

October 26, 2015.

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> notice is hereby given that, on October 16, 2015, NASDAQ OMX BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its Options Pricing at Chapter XV to adopt a new Section 9, entitled "Testing Facilities" which describes fees in connection with the use of the Testing Facility ("NTF") test environment located in Carteret, New Jersey.

While the changes proposed herein are effective upon filing, the Exchange

has designated that the amendments be operative on October 26, 2015.

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

BX proposes to amend its Options Pricing at Chapter XV to adopt a new Section 9, entitled "Testing Facilities" to establish fees to subscribe for testing. Currently, Options Participants may test in a virtual trading environment for purposes of testing in Ashburn, Virginia ("Ashburn"), at no cost. The NTF provides subscribers a virtual System environment for testing upcoming BX releases and product enhancements, as well as testing firm software prior to implementation. The test environment closely approximates the production environment to enable subscribers to test their automated systems that integrate with the Exchange.

The Exchange is moving the options test environment from the Ashburn location to Carteret, NJ ("Carteret"), which is also the location of BX's primary trading System. While Options Participants will be able to continue to utilize the Ashburn facility at no cost until that facility is no longer in use, Options Participants will be able to subscribe to the Carteret test facility for future testing.<sup>3</sup>

The relatively large distance between the Ashburn Testing Facility and the majority of BX firms results in expensive connectivity costs for customers that connect via

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

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

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

<sup>3</sup> The Exchange anticipates that it will sunset the Ashburn trading testing functionality on January 29, 2016.

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

telecommunication providers. As a consequence, a large majority of member firms do not connect to Ashburn for NTF connectivity. In an effort to improve the utility of the NTF, BX is developing a test environment located in Carteret that will provide the same functionality as the testing functionality of Ashburn, yet more closely approximate the live trading environment due to its proximity to the System and upgraded hardware. In particular, the Carteret test environment will take advantage of technology upgrades BX is making to its trading-related systems. Unlike the Ashburn test environment, the Carteret test environment will provide dedicated connectivity to the facility via a cross-connection to either a member firm's direct connection router in Carteret or its co-location cabinet.

BX notes that, because the Carteret facility also houses the System, subscribers to the Carteret test environment will no longer need to pay for third party connectivity to Ashburn,<sup>4</sup> provided the sole purpose for connecting to Ashburn is for testing and not also for co-location or disaster recovery. Such member firms may use an existing connection to Carteret to access the NTF through the use of a dedicated switch port and cross connect within the facility. Similar to the equities test facility,<sup>5</sup> the Exchange will assess a fee for the connection to this virtual trading environment for testing. Specifically, BX proposes a \$1,000 per hand-off, per month fee for connection to the Testing Facility. The hand-off fee includes either a 1Gb or 10Gb switch port and a cross connect to the Testing Facility. Subscribers shall also pay a one-time installation fee of \$1,000 per hand-off.

The connectivity provided under this rule also provides connectivity to the other test environments of The NASDAQ Stock Market LLC and NASDAQ OMX PHLX LLC. Additionally, the connectivity may be utilized for either equities or options testing. If for example a BX member has already paid the \$1,000 per hand-off, per month for connection to the Testing Facility in Carteret, there would be no need to pay this fee for options testing.

Notwithstanding the foregoing, BX will also continue to offer certain limited testing capabilities free of charge at Carteret. Options Participants that connect to Carteret's [sic] NTF through a virtual private network ("VPN") through

the internet for site-to-site limited order routing capability only will not be assessed a fee.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>6</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</sup> in particular. BX believes the proposal is consistent with Section 6(b)(4) of the Act<sup>8</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls.

The proposed fees are equitably allocated because all Options Participants desiring to connect to the Carteret test environment will be assessed a uniform fee for those services. The Exchange believes that offering subscribers the option to subscribe to either 1Gb or 10Gb for the same fee is an equitable allocation because, unlike the live trading environment, there is no competitive advantage to possessing a higher capacity switch port in the test environment. The test environment is designed to closely mirror the live trading environment for Options Participants, including matching the capacity of each Options Participant's live environment switch port. In the absence of any competitive advantage, charging a uniform fee for both 1Gb and 10Gb switch ports is an equitable allocation of fees. BX believes that charging a uniform fee will encourage member firms to subscribe to Carteret, and further encourage those that subscribe to use the same hardware as is used by them for connectivity to the live trading environment.

The proposed fees are reasonable because they are designed to cover the costs incurred by the Exchange to develop the test facility and the costs incurred by the Exchange to continue to offer the test environment. The proposed fee should allow the Exchange to recoup these costs and also make a profit, while providing Options Participants with a superior test environment that more closely mirrors that of the live trading environment on the Exchange. BX believes that offering both 1Gb and 10Gb connectivity for the same fee is reasonable as the increased incremental cost it incurs by offering the 10Gb switch port at the lower fee is outweighed by the benefit all subscribers will receive if Options

Participants use hardware identical to what they use in the live trading environment, hence furthering the goal of creating a test environment that closely mirrors the live trading environment.

Further, the connectivity provided under this rule also provides connectivity to the other test environments of The NASDAQ Stock Market LLC and NASDAQ OMX PHLX LLC. This connectivity may be utilized for either equities or options testing. If for example a BX member has already paid the \$1,000 per hand-off, per month for connection to the Testing Facility in Carteret, there would be no need to pay this fee for options testing.

The Exchange also believes the proposal furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in that it is designed to promote just and equitable principles of trade, 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 and is not designed to permit unfair discrimination between customer, issuers, brokers and dealers. BX does not believe that the proposed fees are unfairly discriminatory to subscribers to 10Gb live trading environment connectivity because, unlike the live trading environment where the capacity of connectivity to BX may confer a competitive advantage to a market participant and therefore price differentiation is appropriate for the benefit conferred, there is no such benefit conferred in the trade test environment. BX does not believe that the proposed fees are unfairly discriminatory among subscribers to the Carteret test facility because all Options Participants that subscribe to the service will be assessed the same fees. Because the proposed fees do not discriminate between 1Gb and 10Gb connectivity options, Options Participants are able to subscribe to Carteret without regard to the cost of their switch port capacity election. BX believes that by not discriminating on this basis it will encourage participants to connect to the Carteret test environment in the same manner as they do to the live trading environment, and thereby help Carteret more closely mirror the live test environment, as discussed above. Providing a more useful and accurate test environment will serve to improve live trading on BX and the national market system by permitting Options Participants the ability to accurately test changes prior to implementing them in the live trading environment, thereby

<sup>4</sup> Today, member firms pay fees to third party connectivity providers to provide connection from the member firm to Ashburn.

<sup>5</sup> See BX Rule 7030 concerning equities pricing.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

reducing the likelihood of a potentially disruptive system failure in the live trading environment, which has the potential to affect all market participants.

Finally, the Exchange will continue to offer Options Participants certain limited testing capabilities free of charge at Carteret through VPN. While this feature offers limited capability in terms of functionality, the Exchange continues to offer a free of charge alternative to Options Participants desiring to utilize the NTF.

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

BX does not believe that the proposed rule change will result in any intra-market or inter-market burdens on competition that are not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed fees for access to the Carteret test environment more closely approximate the live trading environment, subscribing member firms will be able to more accurately test their trading systems and avoid potentially disruptive system failures in the live trading environment. Despite the fee that will now be assessed to Options Participants for testing, the Exchange believes that Options Participants utilizing this service will benefit from the move to Carteret because the test environment is designed to closely mirror the live trading environment for Options Participants, including matching the capacity of each Options Participant's live environment switch port. Subscribing to the test facility is optional.

Also, the connectivity provided under this rule also provides connectivity to the other test environments of The NASDAQ Stock Market LLC and NASDAQ OMX PHLX LLC. Members that are already connected for equities testing would not incur an additional charge. This connectivity may be utilized for either equities or options testing. Finally, subscribing to the test facility is optional.

Additionally, the Exchange does not believe that the move to Carteret and imposition of connectivity fees to the NTF creates an undue burden on competition because the Exchange will continue to offer Options Participants certain limited testing capabilities free of charge at Carteret through VPN.

#### *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**

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### **IV. Solicitation of Comments**

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- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2015-059 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-2015-059. 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 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-2015-059, and should be submitted on or before November 20, 2015.

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

**Robert W. Errett,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-76267; File No. SR-NYSEArca-2015-56]

### **Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving Proposed Rule Change, and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1 and 2 Thereto, Adopting New Equity Trading Rules Relating to Orders and Modifiers and the Retail Liquidity Program To Reflect the Implementation of Pillar, the Exchange's New Trading Technology Platform**

October 26, 2015.

#### **I. Introduction**

On July 7, 2015, NYSE Arca, Inc. (the "Exchange" or "Arca") 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 adopt new equity trading rules relating to Orders and Modifiers, and the Retail Liquidity Program, to reflect the implementation of Pillar, the Exchange's new trading technology platform. The proposed rule change was published for comment in the **Federal Register** on July 28, 2015.<sup>3</sup> On July 29, 2015, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>4</sup> On September 1,

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

<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. 75497 (July 21, 2015), 80 FR 45022 ("Notice").

<sup>4</sup> Amendment No. 1 deletes references to IOC Routable Cross Orders and states that the Exchange

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).