

BX Retail Price Improvement

NASDAQ OMX BX has introduced the Retail Price Improvement Program (BX RPI), a program that encourages enhanced cost savings for individual investors, while offering the unparalleled liquidity and transparency.

Eligible Market Participants

Retail Member Organization (RMO)

Retail Member Organizations are Exchange Members who have been approved by BX to submit Retail Orders. To qualify as a RMO, a Member must meet the following criteria:

- Conduct a retail business or handle retail orders on behalf of another broker dealer.
- Complete the appropriate application process.
- Designate certain order entry ports as "Retail Only Ports".

Orders

Retail Order

Retail Orders are agency or riskless-principal orders that seek price improvement and originate from a natural person.

Retail Orders will always receive the most price improvement possible.

Retail orders can only be submitted to BX by an approved RMO and must meet the following conditions:

- Must be an "Immediate or Cancel" (IOC) order. Any Retail Orders submitted with a time-in-force greater other than IOC will be converted to an IOC order.
- Must be submitted with an explicit limit price.
- May not be submitted in sub-penny increments.
- Must be submitted through a Retail Only Port.

There are 2 types of Retail Orders:

Type 1:

Only interacts with price-improving liquidity.

- Shares that remain unexecuted after interacting with price improving liquidity are cancelled.
- Only executes at prices that are better than the NBBO.

Type 2:

Interacts with Retail Price Improving liquidity and liquidity on the BX Book.

- Shares that remain unexecuted after interacting with retail price improving liquidity can interact with non-price improving liquidity on the BX Book.
- May have routing instructions and execute at away destinations.

Retail Price Improvement Order (RPI Order)

RPI orders consist of non-displayed interest on BX that is priced better than the Protected National Best Bid or the Protected National Best Offer (NBBO) by at least \$0.001.

All RPI orders are booked in accordance with a price-time priority.

RPI Orders are only permitted to add liquidity and can only execute against incoming Retail Orders.

Additionally, RPI orders must meet the following conditions:

- Must be submitted with a limit price.
- RPI orders can be an explicitly priced limit order or implicitly priced at the NBBO with a positive offset.
- Must be submitted for securities priced greater than \$1.00.
- Must be submitted with a minimum increment of \$0.001.

Functionality

Retail Liquidity Indicator

The Retail Liquidity Indicator will be available on both ITCH and SIP data feeds. The message is a priceless, sizeless indication of interest that alerts the market that BX has RPI Orders available for execution on either the buy or the sell side. The implementation details of the indicator will vary by protocol; please refer to the appropriate specifications for details.

Order Entry

Both Retail and RPI Orders are supported by RASH, FIX and OUCH Protocols.

- Pegged RPI Orders are only available for entry via RASH.
- Routing for Retail Orders is only accessible via RASH.

Ports must be identified as either belonging to an RMO or not on a firm-account basis.

- RMO Ports may be used to enter orders other than Retail Orders.
- Non-RMO Ports cannot be used to enter Retail Orders.

Examples

Assume the following:

- The NBBO for ABCD is \$10.00 x \$10.01.
- Both BX and an away exchange are at the NBBO with 100 shares each.
- Firm M has 100 shares to sell at the midpoint.
- Firm A submits a RPI Order to buy 100 shares with a limit price of \$10.004.
- Firm B submits a pegged RPI order to sell 400 shares with an offset of \$0.003 and a limit price of \$9.999.
- Accordingly, ITCH will disseminate a Retail Liquidity Indicator on both sides of the market.
- Firm C submits a RPI Order to sell 100 shares with a limit price of 10.007.
- Firm B has priority relative to Firm C at \$10.007.

Scenario 1: Type 1 Retail Order

- Retail Firm R responds to the Retail Interest Indicator by submitting a Type 1 Retail Order to buy 3,000 shares with a limit price of \$10.50.
- The order exhausts the Firm M's midpoint liquidity (100 at 10.005), executes against all of Firm B's resting RPI

order (400 at 10.001), and then executes against Firm C's resting RPI order (100 at 10.007).

- The remaining 2,400 shares of Firm R's order are immediately canceled.

Scenario 2: Type 2 Retail Order (Non-Routable)

- Retail Firm R responds to the Retail Interest Indicator by submitting a Type 2 Retail Order to buy 3,000 shares with a limit price of \$1,000.
- The order exhausts the Firm M's midpoint liquidity (100 at 10.005), executes against all of Firm B's resting RPI order (400 at 10.007), executes against Firm C's resting RPI order (100 at 10.007), then takes out the BX displayed offer (100 at 10.01).
- The remaining 2,300 shares of Firm R's order are immediately canceled.

Scenario 3: Type 2 Retail Order (Routable)

- Retail Firm R responds to the Retail Interest Indicator by submitting a Type 2 Retail Order to buy 3,000 shares with a limit price of \$1,000.
- The order exhausts the Firm M's midpoint liquidity (100 at 10.005), executes against all of Firm B's resting RPI order (400 at 10.007), executes against Firm C's resting RPI order (100 at 10.007), then takes out the BX displayed offer (100 at 10.01).
- Firm R's order then routes out to all protected market venues and takes out an away exchange offer (100 at \$10.01).
- Having exhausted all available liquidity at the protected price level, the remaining 2,200 shares are immediately canceled.

For More Information

- Contact [Subscriber Services](#) at +1 212 231 5180.
- Contact [Transaction Services U.S. Market Sales](#) at +1 800 846 0477.
- Visit the [NASDAQ OMX Trader® website](#).