

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2012 - * 130

Amendment No. (req. for Amendments *)

Proposed Rule Change by NASDAQ OMX PHLX LLC.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>			
			Rule					
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	19b-4(f)(1) <input type="checkbox"/>	19b-4(f)(2) <input type="checkbox"/>	19b-4(f)(3) <input type="checkbox"/>	19b-4(f)(4) <input type="checkbox"/>	19b-4(f)(5) <input type="checkbox"/>	19b-4(f)(6) <input type="checkbox"/>

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Relating to SQT and RSQT Evaluations

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Angela Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaqomx.com

Telephone * (215) 496-5692 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 10/31/2012

By Edward S. Knight

(Name *)

Executive Vice President and General Counsel

(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Edward S Knight,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information (required)

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to amend Rule 510 titled “SQT and RSQT Performance Evaluation” to provide a different method for reviewing quote submissions in evaluating member organizations to determine whether they have fulfilled performance standards relating to the quality of markets.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the amended Exchange Rule is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Board of Directors of the Exchange approved the submission of this proposed rule change on October 29, 2012. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The purpose of the proposed rule change is to amend a standard by which Streaming Quote Traders³ and Remote Streaming Quote Traders⁴ are evaluated to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, efficient quote submission to the Exchange (including quotes submitted through a third party vendor), competition, observance of ethical standards, and administrative factors. Specifically, with respect to quote submission, the Exchange is proposing to amend its methodology for evaluating a factor of the Performance Evaluation with quote submissions.

By way of background, Rule 510 establishes specific criteria for each option assigned to an SQT or RSQT that would be regularly evaluated by the Exchange. The Exchange periodically conducts an evaluation of member organizations that have SQTs and RSQTs, as defined in Exchange Rule 1014,⁵ to determine whether they have fulfilled

³ A Streaming Quote Trader (“SQT”) is defined in Exchange Rule 1014(b)(ii)(A) as an Registered Options Trader (“ROT”) who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned.

⁴ A Remote Streaming Quote Trader (“RSQT”) is defined Exchange Rule in 1014(b)(ii)(B) as a ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange.

⁵ Rule 1014 titled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders” provides that transactions of a Specialist and a ROT should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and those members should not enter into transactions or make bids or offers that are inconsistent with such a course of dealings. See Rule 1014.

performance standards relating to, among other things, efficient quote submission to the Exchange.⁶ The Exchange may review the Performance Evaluations and consider other relevant information including, but not limited to, trading data, regulatory history and such other factors and data as may be pertinent in the circumstances.⁷

With respect to Performance Evaluations, Commentary .01 to Rule 510 specifies that the Exchange will evaluate Minimum Performance Standards on a monthly basis for each SQT and RSQT. Among other factors, the Exchange would review the percentage of total quotes that represent the PBBO, quoting requirements pursuant to Rule 1014, the number of requests for a quote spread parameter and efficient quote submission.

This proposal seeks to amend the method by which the Exchange reviews efficient quote submission. Today the Exchange considers how an SQT or RSQT optimizes the submission of quotes through the Specialized Quote Feed,⁸ by evaluating the number of individual quotes per quote block⁹ received by the Exchange. The Exchange believes that this measure of efficiency may be outdated because it focuses more on technological “load balance” that may be unrelated to actual number of quotes submitted. The Exchange proposes to replace this measure with quote-to-trade and quote-to-contracts traded ratios to evaluate how an SQT or RSQT optimizes the

⁶ This would include quotes that are submitted through a third party vendor.

⁷ See Rule 510(b). If the Exchange finds any failure by the SQTs and RSQTs to meet Minimum Performance Standards, the Exchange may restrict assignments or suspend or terminate an assignment or registration, after written notice and after opportunity for an informal meeting.

⁸ A Specialist, RSQT or SQT may establish an option pricing model via a specialized connection, which is known as a specialized quote feed (“SQF”). See Commentary .01 to Rule 1080.

⁹ A block contains up to 200 quotes.

submission of quotes submitted to the Exchange pursuant to Rule 1014. The Exchange believes that this method would be more useful in that it would allow the Exchange to better evaluate the efficiency with which an SQT or RSQT submits quotes and the quality of those quotes. For example, the Exchange would capture the following data in a report for each SQT and RSQT: executed contracts, trade count, total quotes, executed contract to quote ratio and trade count to quote ratio. The Exchange believes that this information would provide the Exchange with additional data that is not captured today. The number of contracts executed would be analyzed in addition to the number of quotes received by the Exchange. Today, only quotes are analyzed. The executed contract to quote ratio would provide the Exchange with efficiency information. For example, an SQT could be evaluated in comparison to other liquidity providers to determine how much of their quote usage is actually resulting in liquidity being accessed by participants in the marketplace. The trade count to quote ratio would provide an additional subset of information that would reflect participation at the NBBO. This information is relevant because smaller participants may execute lesser size, but may provide value due to their presence at the top of the market.

The Exchange believes that updating the methodology utilized to review quote submissions with different statistical information, specifically quote-to-trade and quote-to-contracts traded ratios, would allow the Exchange to obtain more precise information with which to evaluate SQTs and RSQTs and determine Performance Evaluations.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act¹¹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating 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 Exchange believes that the proposed rule change would be beneficial because it would provide the Exchange with a better means to evaluate quote submissions in comparison to other liquidity providers to evaluate how much their quote usage is actually resulting in liquidity being accessed by participants in the marketplace. The trade count to quote ratio would provide an additional subset of information that would reflect participation at the NBBO. This information, which relates to efficiency, would allow the Exchange to obtain more precise information with which to evaluate the performance of SQTs and RSQTs, particularly market participants that execute at a lesser size. The information would allow the Exchange to evaluate the value provided to the marketplace. The Exchange believes that the quote-to-trade and quote-to-contract data would provide valuable information to utilize in evaluations as compared to the number of individual quotes per quote block because the Exchange believes the proposed information would provide better metrics overall.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. 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.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Proposed Rule Text

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2012-130)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to SQT and RSQT Evaluations

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on October 31, 2012, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) 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 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 amend Rule 510 titled “SQT and RSQT Performance Evaluation” to provide a different method for reviewing quote submissions in evaluating member organizations to determine whether they have fulfilled performance standards relating to the quality of markets.

The text of the proposed rule change is available on the Exchange’s Website at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXRulefilings>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 amend a standard by which Streaming Quote Traders³ and Remote Streaming Quote Traders⁴ are evaluated to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, efficient quote submission to the Exchange (including quotes submitted through a third party vendor), competition, observance of ethical standards, and administrative factors. Specifically, with respect to quote submission, the Exchange is proposing to amend its methodology for evaluating a factor of the Performance Evaluation with quote submissions.

³ A Streaming Quote Trader (“SQT”) is defined in Exchange Rule 1014(b)(ii)(A) as an Registered Options Trader (“ROT”) who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned.

⁴ A Remote Streaming Quote Trader (“RSQT”) is defined Exchange Rule in 1014(b)(ii)(B) as a ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange.

By way of background, Rule 510 establishes specific criteria for each option assigned to an SQT or RSQT that would be regularly evaluated by the Exchange. The Exchange periodically conducts an evaluation of member organizations that have SQTs and RSQTs, as defined in Exchange Rule 1014,⁵ to determine whether they have fulfilled performance standards relating to, among other things, efficient quote submission to the Exchange.⁶ The Exchange may review the Performance Evaluations and consider other relevant information including, but not limited to, trading data, regulatory history and such other factors and data as may be pertinent in the circumstances.⁷

With respect to Performance Evaluations, Commentary .01 to Rule 510 specifies that the Exchange will evaluate Minimum Performance Standards on a monthly basis for each SQT and RSQT. Among other factors, the Exchange would review the percentage of total quotes that represent the PBBO, quoting requirements pursuant to Rule 1014, the number of requests for a quote spread parameter and efficient quote submission.

This proposal seeks to amend the method by which the Exchange reviews efficient quote submission. Today the Exchange considers how an SQT or RSQT

⁵ Rule 1014 titled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders” provides that transactions of a Specialist and a ROT should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and those members should not enter into transactions or make bids or offers that are inconsistent with such a course of dealings. See Rule 1014.

⁶ This would include quotes that are submitted through a third party vendor.

⁷ See Rule 510(b). If the Exchange finds any failure by the SQTs and RSQTs to meet Minimum Performance Standards, the Exchange may restrict assignments or suspend or terminate an assignment or registration, after written notice and after opportunity for an informal meeting.

optimizes the submission of quotes through the Specialized Quote Feed,⁸ by evaluating the number of individual quotes per quote block⁹ received by the Exchange. The Exchange believes that this measure of efficiency may be outdated because it focuses more on technological “load balance” that may be unrelated to actual number of quotes submitted. The Exchange proposes to replace this measure with quote-to-trade and quote-to-contracts traded ratios to evaluate how an SQT or RSQT optimizes the submission of quotes submitted to the Exchange pursuant to Rule 1014. The Exchange believes that this method would be more useful in that it would allow the Exchange to better evaluate the efficiency with which an SQT or RSQT submits quotes and the quality of those quotes. For example, the Exchange would capture the following data in a report for each SQT and RSQT: executed contracts, trade count, total quotes, executed contract to quote ratio and trade count to quote ratio. The Exchange believes that this information would provide the Exchange with additional data that is not captured today. The number of contracts executed would be analyzed in addition to the number of quotes received by the Exchange. Today, only quotes are analyzed. The executed contract to quote ratio would provide the Exchange with efficiency information. For example, an SQT could be evaluated in comparison to other liquidity providers to determine how much of their quote usage is actually resulting in liquidity being accessed by participants in the marketplace. The trade count to quote ratio would provide an additional subset of information that would reflect participation at the NBBO. This information is relevant

⁸ A Specialist, RSQT or SQT may establish an option pricing model via a specialized connection, which is known as a specialized quote feed (“SQF”). See Commentary .01 to Rule 1080.

⁹ A block contains up to 200 quotes.

because smaller participants may execute lesser size, but may provide value due to their presence at the top of the market.

The Exchange believes that updating the methodology utilized to review quote submissions with different statistical information, specifically quote-to-trade and quote-to-contracts traded ratios, would allow the Exchange to obtain more precise information with which to evaluate SQTs and RSQTs and determine Performance Evaluations.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act¹¹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating 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 Exchange believes that the proposed rule change would be beneficial because it would provide the Exchange with a better means to evaluate quote submissions in comparison to other liquidity providers to evaluate how much their quote usage is actually resulting in liquidity being accessed by participants in the marketplace. The trade count to quote ratio would provide an additional subset of information that would reflect participation at the NBBO. This information, which relates to efficiency, would allow the Exchange to obtain more precise information with which to evaluate the

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

performance of SQTs and RSQTs, particularly market participants that execute at a lesser size. The information would allow the Exchange to evaluate the value provided to the marketplace. The Exchange believes that the quote-to-trade and quote-to-contract data would provide valuable information to utilize in evaluations as compared to the number of individual quotes per quote block because the Exchange believes the proposed information would provide better metrics overall.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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 e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2012-130 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-Phlx-2012-130. This file number should be included on the subject line if e-mail 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 website 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 the 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-Phlx-2012-130 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).

Exhibit 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX RULES

* * * * *

Rule 510. SQT and RSQT Performance Evaluation

(a) – (e) No Change

••• *Commentary:* -----

.01 On a monthly basis, the Exchange will evaluate the following Minimum Performance Standards for each SQT and RSQT:

(a) Percentage of total quotes that represent the PBBO. If the percentage of the total quotes that represent the PBBO is in the lowest quartile of all SQTs or RSQTs for two or more consecutive months, this may be considered sub-standard performance (that is, performance that does not attain Minimum Performance Standards).

(b) Quoting requirements pursuant to Rule 1014. If an SQT or RSQT fails to meet the quoting requirements as prescribed by the Rule, this may be considered sub-standard performance (that is, performance that does not attain Minimum Performance Standards).

(c) The number of requests for quote spread parameter relief will also be considered for the purposes of evaluating performance standards.

(d) To evaluate efficient quote submission to the Exchange, the Exchange will utilize both quote-to-trade and quote-to-contracts traded ratios to evaluate [consider] how a SQT or RSQT optimizes the submission of quotes submitted to the Exchange pursuant to Rule 1014. [through the Specialized Quote Feed, as defined in Rule 1080, by evaluating the number of individual quotes per quote block received by the Exchange.]

.02 The Exchange may evaluate the first month's SQT or RSQT performance even if it is not a full calendar month.

* * * * *