

OMB APPROVAL
OMB Number: 3235-0045
Estimated average burden hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 46

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

File No.* SR - 2012 - * 77
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 *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

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 Market Participant Categories, Rebates and Fees for Adding and Removing Liquidity in Select Symbols and Multiply Listed Options

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	<input type="text"/>

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

By

(Name *)

Executive Vice President and General Counsel

(Title *)

Edward S Knight,

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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDDS 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](#)

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 Sent As Paper Document



Exhibit 3 - Form, Report, or Questionnaire

[Add](#) [Remove](#) [View](#)

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 Sent As Paper Document



Exhibit 4 - Marked Copies

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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: (i) amend certain definitions in the Preface Section, including certain categories of market participants; (ii) delete the Directed Participant category in Section I of the Pricing Schedule and add a Specialist category in Sections I, II and III; (iii) amend the title of Section II fees to “Multiply Listed Options” and amend Firm fees; and (iv) make other technical modifications to the Pricing Schedule.

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on June 1, 2012.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable portion of the Exchange’s Pricing Schedule is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on August 19, 2011. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

a. Purpose

The Exchange proposes to amend the Pricing Schedule, specifically the Preface, Section I, entitled “Rebates and Fees for Adding and Removing Liquidity in Select Symbols” and Section II, entitled “Equity Options Fees.”³ The Exchange also proposes to make other conforming and technical amendments to other sections of the Pricing Schedule. The Exchange will describe the purpose of each amendment to the Pricing Schedule in greater detail below.

Preface and Market Participant Categories

The Exchange is proposing to amend its categories of market participants to specifically define a Specialist⁴ separate and apart from other Market Makers. Today, the Exchange defines a Market Maker in the Preface to the Pricing Schedule to include Specialists and Registered Options Traders.⁵ The Exchange is proposing to redefine a

³ Equity options fees include options overlying equities, ETFs, ETNs, indexes and HOLDERS which are Multiply Listed, except SOX, HGX and OSX.

⁴ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

⁵ A Registered Options Trader (“ROT”) includes a Streaming Quote Trader (“SQT”), a Remote Streaming Quote Trader (“RSQT”) and a Non-SQT, which by definition is neither a SQT or a RSQT. A ROT is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014 (b)(i) and (ii).

Market Maker to include ROTs, SQTs and RSQTs. The Exchange will eliminate the category “Directed Participant”⁶ from the categories of market participants, and instead include a Specialist as a category of market participant. The Exchange would therefore define its pricing in terms of the following categories of market participants: Customers, Specialists, Market Makers, Firms, Broker-Dealers and Professionals.⁷

The Exchange is proposing to amend the Preface to remove the definition of “Directed Participant” and redefine the term “Market Maker” to exclude a Specialist. A “Specialist” would be separately defined in the Preface. Sections I, II and III would replace the “Directed Participant” category with a “Specialist” category and also add “Specialist” throughout the text of the Pricing Schedule and remove “Directed Participant.”⁸

The Exchange believes that the proposed changes to the market participant categories will provide additional clarity to the Exchange’s Pricing Schedule by creating categories of market participants which exist on other exchanges.

⁶ The term “Directed Participant” applies to transactions for the account of a Specialist, Streaming Quote Trader or Remote Streaming Quote Trader resulting from a Customer order that is (1) directed to it by an order flow provider, and (2) executed by it electronically on Phlx XL II.

⁷ The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).

⁸ The Exchange will make conforming amendments to Sections I, II and III of the Pricing Schedule.

Section I – Rebates and Fees for Adding and Removing Liquidity in Select Symbols

The Exchange proposes to amend the categories of market participants, as specified herein, by amending the pricing tables in Parts A and B of Section I. The Exchange is proposing to amend the Fees for Removing Liquidity in Part A of Section I of the Pricing Schedule, applicable to Single contra-side orders in Select Symbols, to assess the same \$0.38 per contract Fee for Removing Liquidity to a Specialist and Market Maker for Single contra-side orders. Today, a Specialist is assessed the \$0.38 per contract Fee for Removing Liquidity when transacting a Single contra-side order.

Also, the Exchange is proposing to amend the Fees for Removing Liquidity in Part B of Section I of the Pricing Schedule, applicable to Complex Orders in Select Symbols, to assess the same \$0.36 per contract Fee for Removing Liquidity to a Specialist and Market Maker for Complex Orders. Today, a Specialist is assessed the \$0.36 per contract Fee for Removing Liquidity when transacting a Complex Order.⁹

The Exchange is proposing to delete the Directed Participant categories in both Parts A and B of Section I from the pricing table. For Single contra-side orders (Part A) the Exchange would delete the \$0.23 per contract Rebate for Adding Liquidity along with the \$0.36 per contract Fee for Removing Liquidity. For Complex Orders (Part B) the Exchange would delete the \$0.10 per contract Fee for Adding Liquidity along with the \$0.34 per contract Fee for Removing Liquidity. The Exchange proposes to add a notation within the Pricing Schedule, as opposed to within the pricing tables in Parts A and B, to specify that a Specialist or Market Maker that transacts against a Customer

⁹ Today a Specialist falls into the Market Maker category and pays a Complex Order Fee for Removing Liquidity in Select Symbols of \$0.38 per contract and a Fee for Removing Liquidity in Select Symbols in Complex Orders of \$0.36.

Order directed to it for execution¹⁰ will receive a \$0.02 per contract reduction of the Fees for Removing Liquidity. This notation represents the current Fees for Removing Liquidity that the Exchange assesses to Directed Participants (\$0.36 per contract Fee for Removing Liquidity for Single contra-side orders and \$0.34 Fee for Removing Liquidity for Complex Orders) in Select Symbols. A Specialist or Market Maker receiving a directed order (today a Directed Participant) transacting a Single contra-side order would continue to receive a \$0.23 per contact Rebate for Adding Liquidity. Also, a Specialist or Market Maker receiving a directed order (today a Directed Participant) transacting a Complex Order would continue to be assessed a \$0.10 per contract Fee for Adding Liquidity. Despite the fact that the Directed Participant category is being removed from the pricing table as a category, Specialists and Market Makers would continue to be assessed the same pricing as today.

The Exchange believes that noting the fees for Market Makers and Specialists who receive directed orders with a notation under the pricing table is similar to the manner in which other Exchanges display similar fees.¹¹

Section II – Equity Options Fees

First, the Exchange proposes to amend the title of Section II of the Pricing Schedule from “Equity Options Fees” to “Multiply Listed Options Fees”¹² to more

¹⁰ Today a Specialist or Market Maker transacting a Customer Order directed to that Specialist or Market Maker for execution is termed a “Directed Participant” and subject to that pricing.

¹¹ See the International Securities Exchange, LLC’s (“ISE”) Fee Schedule.

¹² This currently includes, and will continue to include options overlying equities, ETFs, ETNs and HOLDRS which are Multiply Listed.

specifically define the pricing in this section. The Exchange proposes to make the necessary amendments throughout the Pricing Schedule to amend the title of Section II as proposed herein.¹³

Second, the Exchange proposes to amend the Firm electronic fees for both Penny Pilot and non-Penny Pilot Options as well as a current fee discount applicable to Firms. The Exchange proposes to increase the Penny Pilot Firm electronic Options Transaction Charge from \$.25 to \$.40 per contract and also increase the non-Penny Pilot Firm electronic Options Transaction Charge from \$.40 to \$.45 per contract.

Today, the Exchange provides a Firm fee discount for Firm electronic Options Transaction Charges in Penny Pilot¹⁴ and non-Penny Pilot Options. The Exchange provides that Firm electronic Options Transaction Charges in Penny Pilot and non-Penny Pilot Options will be reduced to \$0.11 per contract for a given month provided the Firm

¹³ The Exchange will make conforming amendments to Sections I, II and IV of the Pricing Schedule.

¹⁴ The Penny Pilot was established in January 2007; and in October 2009, it was expanded and extended through June 30, 2012. See Securities Exchange Act Release Nos. 55153 (January 23, 2007), 72 FR 4553 (January 31, 2007) (SR-Phlx-2006-74) (notice of filing and approval order establishing Penny Pilot); 60873 (October 23, 2009), 74 FR 56675 (November 2, 2009) (SR-Phlx-2009-91) (notice of filing and immediate effectiveness expanding and extending Penny Pilot); 60966 (November 9, 2009), 74 FR 59331 (November 17, 2009) (SR-Phlx-2009-94) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61454 (February 1, 2010), 75 FR 6233 (February 8, 2010) (SR-Phlx-2010-12) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62028 (May 4, 2010), 75 FR 25890 (May 10, 2010) (SR-Phlx-2010-65) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62616 (July 30, 2010), 75 FR 47664 (August 6, 2010) (SR-Phlx-2010-103) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 63395 (November 30, 2010), 75 FR 76062 (December 7, 2010) (SR-Phlx-2010-167) (notice of filing and immediate effectiveness extending the Penny Pilot); and 65976 (December 15, 2011), 76 FR 79247 (December 21, 2011) (SR-Phlx-2011-172) (notice of filing and immediate effectiveness extending the Penny Pilot). See also Exchange Rule 1034.

has volume greater than 750,000 electronically-delivered contracts in a month. The Exchange proposes to define this discount as the “Electronic Firm Fee Discount” and further qualify the discount to apply per member organization when such members are trading in their own proprietary account. The Exchange’s Monthly Firm Fee Cap is similarly applicable when such members are trading in their own proprietary account.

The Exchange believes that utilizing the term “Multiply Listed” provides greater clarity to the Pricing Schedule. Amending the Firm electronic fees brings those fees more closely in line with Broker-Dealer fees and amending the Electronic Firm Fee Discount to apply per member organization when such members are trading in their own proprietary account is similar to other Exchange pricing.

Miscellaneous

The Exchange proposes to reorder, renumber and delete certain notes in the Preface. Remove outdated references to a “Fee Schedule” and replace it with “Pricing Schedule.”¹⁵ The Exchange also proposes to capitalize certain terms and add certain acronyms in Sections I, II and IV to provide further clarity and consistency to the Pricing Schedule.

b. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is

¹⁵ See Securities Exchange Act Release No. 66668 (March 28, 2012), 77 FR 20090 (April 3, 2012) (SR-Phlx-2012-35) (a rule change which amended the title of the Exchange’s Fee Schedule to a “Pricing Schedule”).

consistent with Section 6(b) of the Act¹⁶ in general, and furthers the objectives of Section 6(b)(4) of the Act¹⁷ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

Preface and Market Participant Categories

The Exchange's amendment of its market participant categories to define a Specialist¹⁸ separate and apart from other Market Makers is reasonable because other exchanges today similarly define a Specialist separate from other Market Makers.¹⁹ The Exchange believes that separately defining a Specialist is equitable and not unfairly discriminatory because the Exchange is not proposing any changes to the fees currently assessed today for a Specialist. The Exchange will continue to assess Specialists and Market Makers the same fees and other pricing.

Section I – Rebates and Fees for Adding and Removing Liquidity in Select Symbols

The Exchange's amendments to the Single contra-side and Complex Order Fees for Removing Liquidity in Select Symbols, in Section I, Parts A and B are reasonable, equitable and not unfairly discriminatory because the Exchange will continue to assess Specialist and Market Makers the same fees as they are assessed today.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(4).

¹⁸ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

¹⁹ See NYSE Amex LLC's ("Amex") Fee Schedule.

The Exchange believes that its proposal to eliminate the category “Directed Participant” from the categories of market participants is reasonable, equitable and not unfairly discriminatory because the Exchange today recognizes Market Makers, which includes Specialists, as a category of market participant. The Exchange instead proposes to amend the Pricing Schedule to define fees applicable to Specialists and Market Makers that execute Customer orders directed to them for execution similar to other exchanges and continues to maintain a \$0.02 fee differential. Specialists and Market Makers will continue to receive the same \$0.02 reduction in Fees for Removing Liquidity as they do today when executing against a Customer Single contra-side order (\$0.36 per contract) or Customer Complex Order (\$0.34 per contract) directed to the Specialist or Market Maker for execution. The fee differential of \$0.02 per contract as between a Specialist and Market Maker that do not execute Customer orders directed to them for execution and Market Makers and Specialists that do execute Customer orders directed to them for execution is comparable to the fee differential at ISE.²⁰ Also, Specialists and Market Makers that receive directed orders would continue to receive the \$0.23 per contact Rebate for Adding Liquidity for a Directed Participant for a Single contra-side order and would continue to be assessed the \$0.10 per contract Fee for Adding Liquidity for a Directed Participant for a Complex Order. The proposed changes are being made to accommodate the elimination of the Directed Participant category and will not result in any fee changes for Specialists and Market Makers. For these reasons, the Exchange

²⁰ ISE has a \$.02 fee differential as between ISE Market Makers who remove liquidity from the Complex Order Book by trading with orders that are preference to them (\$0.32 per contract) and non-preferred ISE Market Makers (\$0.34 per contract). See ISE’s Fee Schedule.

believes that the proposed amendments to Section I to remove the category of Directed Participant and add the notation to the Pricing Schedule are reasonable, equitable and not unfairly discriminatory. The Exchange also believes that the amendment to relocate the text concerning the \$0.02 fee differential from the pricing table to the section below the pricing table is reasonable, equitable and not unfairly discriminatory because the Exchange will continue to assess the same fees. As noted above, the pricing for Market Makers and Specialists will remain the same.

Section II – Equity Options Fees

The Exchange's proposal to amend the title of Section II of the Pricing Schedule from "Equity Options Fees" to "Multiply Listed Options Fees" is reasonable, equitable and not unfairly discriminatory because it more specifically describes the rebates and fees in Section II in terms of applicable symbols, similar to the descriptions for Sections I (referring to Select Symbols) and III (referring to Singly-Listed Options) of the Pricing Schedule.

The Exchange's proposal to increase the Firm electronic Options Transaction Charges for both Penny Pilot and non-Penny Pilot Options is reasonable because these amendments more closely align Firm and Broker-Dealer fees. The Exchange is reducing the fee differentials as between Firms and Broker-Dealers for Firm electronic Options Transaction Charges so that the Firm fees approximate the fees assessed Broker-Dealers

transacting electronic Penny Pilot and electronic non-Penny Pilot Options. These fees are also within the range of fees assessed by other exchanges.²¹

The Exchange believes that increasing both the Firm electronic Penny Pilot and electronic non-Penny Pilot Options Transaction Charges to \$.40 and \$.45 per contract, respectively, is equitable and not unfairly discriminatory for the reasons that follow.

Today, Firms are assessed a similar electronic Penny Pilot Options Transaction Charge as a Professional (\$.25 per contract) and a higher electronic non-Penny Pilot Options Transaction Charge (\$.40 per contract) as compared to a Professional (\$.25 per contract).

Similarly, Firms are assessed higher rates today as compared to Specialists and Market Makers.²² Today a Firm pays an electronic Penny Pilot Options Transaction Charge of \$.25 per contract as compared to a Specialist and Market Maker electronic Penny Pilot Options Transaction Charge of \$.22 per contract.²³ Today a Firm pays an electronic non-Penny Pilot Options Transaction Charge of \$.40 per contract as compared to a Specialist and Market Maker electronic non-Penny Pilot Options Transaction Charge of \$.23 per contract. The Firm electronic Penny Pilot and electronic non-Penny Pilot Options Transaction Charges which would increase to \$.40 and \$.45 per contract, respectively, would result in Firms being assessed higher fees as compared to Professionals,

²¹ NOM assesses Fees for Removing Liquidity of \$0.45 per contract for Penny Pilot Options and assesses Fees for Removing Liquidity of \$0.45 for Customers and \$0.50 for all other market participants in Non-Penny Pilot Options. See Chapter XV, Section 2, “NASDAQ Options Market – Fees and Rebates.” NYSE Arca, Inc. (“NYSE Arca”) assesses Firm electronic orders a take fee of \$0.45 per contract. See NYSE Arca’s Fee Schedule.

²² Today Specialists are included in the current definition of Market Maker.

²³ Section II of the Pricing Schedule contains electronic vs. non-electronic Options Transaction Charges only for Specialists, Market Makers, Broker-Dealers and Firms.

Specialists and Market Makers.²⁴ The Exchange notes that Specialists and Market Makers are assessed lower Options Transaction Charges as compared to other market participants, except Customers, because they have burdensome quoting obligations²⁵ to the market which do not apply to Customer, Professionals, Firms and Broker-Dealers. In addition, Specialists and Market Makers are subject to Payment for Order Flow Fees²⁶ whereas Professionals, Firms and Broker-Dealers are not subject to such fees.²⁷ The Exchange further notes that it is reasonable, equitable and not unfairly discriminatory to assess Market Makers and Specialists lower transaction fees when compared to Firms and Broker-Dealers because Market Makers and Specialist incur higher costs than other

²⁴ Customers are not assessed Options Transaction Charges in either Penny or non-Penny Pilot options.

²⁵ See Rule 1014 titled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders.”

²⁶ Payment for Order Flow Fees are \$.25 per contract for options that are trading in the Penny Pilot Program and \$.70 per contract for other equity options. See Section II of the Pricing Schedule.

²⁷ Payment for Order Flow Fees are assessed on transactions resulting from Customer orders and are available to be disbursed by the Exchange according to the instructions of the Specialist units/Specialists or Directed ROTs to order flow providers who are members or member organizations, who submit, as agent, customer orders to the Exchange or non-members or non-member organizations who submit, as agent, Customer orders to the Exchange through a member or member organization that is acting as agent for those Customer orders. Specialists and Directed ROTs who participate in the Exchange's payment for order flow program are assessed a Payment for Order Flow Fee, in addition to ROTs. Therefore, the Payment for Order Flow Fee is assessed, in effect, on equity option transactions between a Customer and an ROT, a Customer and a Directed ROT, or a Customer and a Specialist. A ROT, as defined in Exchange Rule 1014(b), is a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014(b)(i) and (ii).

market participants in the form of SQT and RSQT assignment fees,²⁸ ports,²⁹ posts³⁰ and other technology fees.³¹

With respect to Professionals, they have access to more information and technological advantages as compared to Customers, but do not bear the obligations of Specialists and Market Makers. Also, Professionals engage in trading activity similar to that conducted by Specialists and Market Makers. For example, Professionals continue to join bids and offers on the Exchange and thus compete for incoming order flow. For these reasons, the Exchange believes that Professionals may be priced higher than a Customer and may be priced equal to or higher than a Specialist or Market Maker. Also, unlike a Firm, a Professional is not able to cap certain fees and is not qualified to receive certain discounts, which provides Firms the ability to reduce certain transaction fees.³²

The Exchange believes that increasing the Firm electronic Penny Pilot and electronic non-Penny Pilot Options Transaction Charges to \$.40 and \$.45 per contract, respectively, does not misalign the current rate differentials between a Firm and Broker-Dealer, but actually narrows that differential. The proposed rate differentials as between

²⁸ See Sections VI, A and B of the Pricing Schedule.

²⁹ See Section VII, B of the Pricing Schedule.

³⁰ See Section VII, A of the Pricing Schedule.

³¹ Market Makers and Specialists incur costs related to obtaining data such as TOPO and also increased co-location fees related to a higher volume of message traffic needed to support their regulatory quoting obligations to the market. With respect to TOPO, in order to gain access to additional information helpful in auctions, Market Makers may for example subscribe to TOPO to obtain information that is valuable to them to assist them in successfully making continuous markets as compared to other market participants who do not have similar obligations.

³² See Monthly Firm Fee Cap and proposed Electronic Firm Fee Discount in Section II of the Pricing Schedule.

a Firm and Broker-Dealer would now be \$.05 per contract for electronic Penny Pilot Options Transaction Charges as compared to \$.20 per contract and \$.15 per contract for electronic non-Penny Pilot Options Transaction Charges as compared to \$.20 per contract. These fee differentials are lower than differentials at other options exchanges for such market participants.³³

The Exchange's proposed amendment to the Electronic Firm Fee Discount requiring Firms to trade in their own proprietary account is reasonable because the Exchange is seeking to incentivize members for trades on their behalf rather than on behalf of other members. The Exchange currently applies a similar exception with caps applicable to certain strategy executions in Section II of the Pricing Schedule and the Exchange's Monthly Firm Fee Cap. The Exchange's proposed amendment to the Electronic Firm Fee Discount requiring Firms to trade in their own proprietary account is equitable because it will be uniformly applied among market participants.

Miscellaneous

The Exchange's proposals to amend the Table of Contents and Section II of the Pricing to change "Equity Options" to "Multiply Listed Options," reorder notes in the Preface, capitalize certain terms, add acronyms in Sections I, II and IV and make other conforming amendments to Sections I, II, III and IV as proposed herein are reasonable,

³³ CBOE currently assesses a Clearing Trading Permit Holder Proprietary an equity options fee of \$.20 per contract and a Broker-Dealer electronic order an equity options fee of \$.45 per contract. See CBOE's Fees Schedule. Similarly, ISE assesses a Firm Proprietary execution fee of \$.20 per contract/side and a Non-ISE Market Maker a fee of \$.45 per contract side. See ISE's Fee Schedule.

equitable and not unfairly discriminatory because they provide further clarity and consistency to the Pricing Schedule.

The Exchange operates in a highly competitive market, comprised of nine exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee and rebate levels at a particular venue to be excessive. Accordingly, the fees that are assessed and the rebates paid by the Exchange must remain competitive with fees charged and rebates paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

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. To the contrary, the Exchange believes the proposed changes and fee increases are in line with descriptions and fees assessed by other exchanges.

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

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,³⁴ the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person,

³⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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. Applicable portion of the Exchange's Pricing Schedule.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2012-77)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Market Participant Categories, Rebates and Fees for Adding and Removing Liquidity in Select Symbols and Multiply Listed Options

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 May 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: (i) amend certain definitions in the Preface Section, including certain categories of market participants; (ii) delete the Directed Participant category in Section I of the Pricing Schedule and add a Specialist category in Sections I, II and III; (iii) amend the title of Section II fees to “Multiply Listed Options” and amend Firm fees; and (iv) make other technical modifications to the Pricing Schedule.

While the changes proposed herein are effective upon filing, the Exchange has designated these changes to be operative on June 1, 2012.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXfilings>, 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

The Exchange proposes to amend the Pricing Schedule, specifically the Preface, Section I, entitled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols" and Section II, entitled "Equity Options Fees."³ The Exchange also proposes to make other conforming and technical amendments to other sections of the Pricing Schedule. The Exchange will describe the purpose of each amendment to the Pricing Schedule in greater detail below.

³ Equity options fees include options overlying equities, ETFs, ETNs, indexes and HOLDERS which are Multiply Listed, except SOX, HGX and OSX.

Preface and Market Participant Categories

The Exchange is proposing to amend its categories of market participants to specifically define a Specialist⁴ separate and apart from other Market Makers. Today, the Exchange defines a Market Maker in the Preface to the Pricing Schedule to include Specialists and Registered Options Traders.⁵ The Exchange is proposing to redefine a Market Maker to include ROTs, SQTs and RSQTs. The Exchange will eliminate the category “Directed Participant”⁶ from the categories of market participants, and instead include a Specialist as a category of market participant. The Exchange would therefore define its pricing in terms of the following categories of market participants: Customers, Specialists, Market Makers, Firms, Broker-Dealers and Professionals.⁷

The Exchange is proposing to amend the Preface to remove the definition of “Directed Participant” and redefine the term “Market Maker” to exclude a Specialist. A “Specialist” would be separately defined in the Preface. Sections I, II and III would

⁴ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

⁵ A Registered Options Trader (“ROT”) includes a Streaming Quote Trader (“SQT”), a Remote Streaming Quote Trader (“RSQT”) and a Non-SQT, which by definition is neither a SQT or a RSQT. A ROT is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014 (b)(i) and (ii).

⁶ The term “Directed Participant” applies to transactions for the account of a Specialist, Streaming Quote Trader or Remote Streaming Quote Trader resulting from a Customer order that is (1) directed to it by an order flow provider, and (2) executed by it electronically on Phlx XL II.

⁷ The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).

replace the “Directed Participant” category with a “Specialist” category and also add “Specialist” throughout the text of the Pricing Schedule and remove “Directed Participant.”⁸

The Exchange believes that the proposed changes to the market participant categories will provide additional clarity to the Exchange’s Pricing Schedule by creating categories of market participants which exist on other exchanges.

Section I – Rebates and Fees for Adding and Removing Liquidity in Select Symbols

The Exchange proposes to amend the categories of market participants, as specified herein, by amending the pricing tables in Parts A and B of Section I. The Exchange is proposing to amend the Fees for Removing Liquidity in Part A of Section I of the Pricing Schedule, applicable to Single contra-side orders in Select Symbols, to assess the same \$0.38 per contract Fee for Removing Liquidity to a Specialist and Market Maker for Single contra-side orders. Today, a Specialist is assessed the \$0.38 per contract Fee for Removing Liquidity when transacting a Single contra-side order.

Also, the Exchange is proposing to amend the Fees for Removing Liquidity in Part B of Section I of the Pricing Schedule, applicable to Complex Orders in Select Symbols, to assess the same \$0.36 per contract Fee for Removing Liquidity to a Specialist and Market Maker for Complex Orders. Today, a Specialist is assessed the \$0.36 per contract Fee for Removing Liquidity when transacting a Complex Order.⁹

⁸ The Exchange will make conforming amendments to Sections I, II and III of the Pricing Schedule.

⁹ Today a Specialist falls into the Market Maker category and pays a Complex Order Fee for Removing Liquidity in Select Symbols of \$0.38 per contract and a Fee for Removing Liquidity in Select Symbols in Complex Orders of \$0.36.

The Exchange is proposing to delete the Directed Participant categories in both Parts A and B of Section I from the pricing table. For Single contra-side orders (Part A) the Exchange would delete the \$0.23 per contract Rebate for Adding Liquidity along with the \$0.36 per contract Fee for Removing Liquidity. For Complex Orders (Part B) the Exchange would delete the \$0.10 per contract Fee for Adding Liquidity along with the \$0.34 per contract Fee for Removing Liquidity. The Exchange proposes to add a notation within the Pricing Schedule, as opposed to within the pricing tables in Parts A and B, to specify that a Specialist or Market Maker that transacts against a Customer Order directed to it for execution¹⁰ will receive a \$0.02 per contract reduction of the Fees for Removing Liquidity. This notation represents the current Fees for Removing Liquidity that the Exchange assesses to Directed Participants (\$0.36 per contract Fee for Removing Liquidity for Single contra-side orders and \$0.34 Fee for Removing Liquidity for Complex Orders) in Select Symbols. A Specialist or Market Maker receiving a directed order (today a Directed Participant) transacting a Single contra-side order would continue to receive a \$0.23 per contact Rebate for Adding Liquidity. Also, a Specialist or Market Maker receiving a directed order (today a Directed Participant) transacting a Complex Order would continue to be assessed a \$0.10 per contract Fee for Adding Liquidity. Despite the fact that the Directed Participant category is being removed from the pricing table as a category, Specialists and Market Makers would continue to be assessed the same pricing as today.

¹⁰ Today a Specialist or Market Maker transacting a Customer Order directed to that Specialist or Market Maker for execution is termed a “Directed Participant” and subject to that pricing.

The Exchange believes that noting the fees for Market Makers and Specialists who receive directed orders with a notation under the pricing table is similar to the manner in which other Exchanges display similar fees.¹¹

Section II – Equity Options Fees

First, the Exchange proposes to amend the title of Section II of the Pricing Schedule from “Equity Options Fees” to “Multiply Listed Options Fees”¹² to more specifically define the pricing in this section. The Exchange proposes to make the necessary amendments throughout the Pricing Schedule to amend the title of Section II as proposed herein.¹³

Second, the Exchange proposes to amend the Firm electronic fees for both Penny Pilot and non-Penny Pilot Options as well as a current fee discount applicable to Firms. The Exchange proposes to increase the Penny Pilot Firm electronic Options Transaction Charge from \$.25 to \$.40 per contract and also increase the non-Penny Pilot Firm electronic Options Transaction Charge from \$.40 to \$.45 per contract.

Today, the Exchange provides a Firm fee discount for Firm electronic Options Transaction Charges in Penny Pilot¹⁴ and non-Penny Pilot Options. The Exchange

¹¹ See the International Securities Exchange, LLC’s (“ISE”) Fee Schedule.

¹² This currently includes, and will continue to include options overlying equities, ETFs, ETNs and HOLDRS which are Multiply Listed.

¹³ The Exchange will make conforming amendments to Sections I, II and IV of the Pricing Schedule.

¹⁴ The Penny Pilot was established in January 2007; and in October 2009, it was expanded and extended through June 30, 2012. See Securities Exchange Act Release Nos. 55153 (January 23, 2007), 72 FR 4553 (January 31, 2007) (SR-Phlx-2006-74) (notice of filing and approval order establishing Penny Pilot); 60873 (October 23, 2009), 74 FR 56675 (November 2, 2009) (SR-Phlx-2009-91) (notice of filing and immediate

provides that Firm electronic Options Transaction Charges in Penny Pilot and non-Penny Pilot Options will be reduced to \$0.11 per contract for a given month provided the Firm has volume greater than 750,000 electronically-delivered contracts in a month. The Exchange proposes to define this discount as the “Electronic Firm Fee Discount” and further qualify the discount to apply per member organization when such members are trading in their own proprietary account. The Exchange’s Monthly Firm Fee Cap is similarly applicable when such members are trading in their own proprietary account.

The Exchange believes that utilizing the term “Multiply Listed” provides greater clarity to the Pricing Schedule. Amending the Firm electronic fees brings those fees more closely in line with Broker-Dealer fees and amending the Electronic Firm Fee Discount to apply per member organization when such members are trading in their own proprietary account is similar to other Exchange pricing.

Miscellaneous

The Exchange proposes to reorder, renumber and delete certain notes in the Preface. Remove outdated references to a “Fee Schedule” and replace it with “Pricing

effectiveness expanding and extending Penny Pilot); 60966 (November 9, 2009), 74 FR 59331 (November 17, 2009) (SR-Phlx-2009-94) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 61454 (February 1, 2010), 75 FR 6233 (February 8, 2010) (SR-Phlx-2010-12) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62028 (May 4, 2010), 75 FR 25890 (May 10, 2010) (SR-Phlx-2010-65) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 62616 (July 30, 2010), 75 FR 47664 (August 6, 2010) (SR-Phlx-2010-103) (notice of filing and immediate effectiveness adding seventy-five classes to Penny Pilot); 63395 (November 30, 2010), 75 FR 76062 (December 7, 2010) (SR-Phlx-2010-167) (notice of filing and immediate effectiveness extending the Penny Pilot); and 65976 (December 15, 2011), 76 FR 79247 (December 21, 2011) (SR-Phlx-2011-172) (notice of filing and immediate effectiveness extending the Penny Pilot). See also Exchange Rule 1034.

Schedule.”¹⁵ The Exchange also proposes to capitalize certain terms and add certain acronyms in Sections I, II and IV to provide further clarity and consistency to the Pricing Schedule.

2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act¹⁶ in general, and furthers the objectives of Section 6(b)(4) of the Act¹⁷ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

Preface and Market Participant Categories

The Exchange’s amendment of its market participant categories to define a Specialist¹⁸ separate and apart from other Market Makers is reasonable because other exchanges today similarly define a Specialist separate from other Market Makers.¹⁹ The Exchange believes that separately defining a Specialist is equitable and not unfairly discriminatory because the Exchange is not proposing any changes to the fees currently assessed today for a Specialist. The Exchange will continue to assess Specialists and

¹⁵ See Securities Exchange Act Release No. 66668 (March 28, 2012), 77 FR 20090 (April 3, 2012) (SR-Phlx-2012-35) (a rule change which amended the title of the Exchange’s Fee Schedule to a “Pricing Schedule”).

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(4).

¹⁸ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

¹⁹ See NYSE Amex LLC’s (“Amex”) Fee Schedule.

Market Makers the same fees and other pricing.

Section I – Rebates and Fees for Adding and Removing Liquidity in Select Symbols

The Exchange’s amendments to the Single contra-side and Complex Order Fees for Removing Liquidity in Select Symbols, in Section I, Parts A and B are reasonable, equitable and not unfairly discriminatory because the Exchange will continue to assess Specialist and Market Makers the same fees as they are assessed today.

The Exchange believes that its proposal to eliminate the category “Directed Participant” from the categories of market participants is reasonable, equitable and not unfairly discriminatory because the Exchange today recognizes Market Makers, which includes Specialists, as a category of market participant. The Exchange instead proposes to amend the Pricing Schedule to define fees applicable to Specialists and Market Makers that execute Customer orders directed to them for execution similar to other exchanges and continues to maintain a \$0.02 fee differential. Specialists and Market Makers will continue to receive the same \$0.02 reduction in Fees for Removing Liquidity as they do today when executing against a Customer Single contra-side order (\$0.36 per contract) or Customer Complex Order (\$0.34 per contract) directed to the Specialist or Market Maker for execution. The fee differential of \$0.02 per contract as between a Specialist and Market Maker that do not execute Customer orders directed to them for execution and Market Makers and Specialists that do execute Customer orders directed to them for execution is comparable to the fee differential at ISE.²⁰ Also, Specialists and Market

²⁰ ISE has a \$.02 fee differential as between ISE Market Makers who remove liquidity from the Complex Order Book by trading with orders that are preference to them (\$0.32

Makers that receive directed orders would continue to receive the \$0.23 per contact Rebate for Adding Liquidity for a Directed Participant for a Single contra-side order and would continue to be assessed the \$0.10 per contract Fee for Adding Liquidity for a Directed Participant for a Complex Order. The proposed changes are being made to accommodate the elimination of the Directed Participant category and will not result in any fee changes for Specialists and Market Makers. For these reasons, the Exchange believes that the proposed amendments to Section I to remove the category of Directed Participant and add the notation to the Pricing Schedule are reasonable, equitable and not unfairly discriminatory. The Exchange also believes that the amendment to relocate the text concerning the \$0.02 fee differential from the pricing table to the section below the pricing table is reasonable, equitable and not unfairly discriminatory because the Exchange will continue to assess the same fees. As noted above, the pricing for Market Makers and Specialists will remain the same.

Section II – Equity Options Fees

The Exchange’s proposal to amend the title of Section II of the Pricing Schedule from “Equity Options Fees” to “Multiply Listed Options Fees” is reasonable, equitable and not unfairly discriminatory because it more specifically describes the rebates and fees in Section II in terms of applicable symbols, similar to the descriptions for Sections I (referring to Select Symbols) and III (referring to Singly-Listed Options) of the Pricing Schedule.

per contract) and non-preferred ISE Market Makers (\$0.34 per contract). See ISE’s Fee Schedule.

The Exchange's proposal to increase the Firm electronic Options Transaction Charges for both Penny Pilot and non-Penny Pilot Options is reasonable because these amendments more closely align Firm and Broker-Dealer fees. The Exchange is reducing the fee differentials as between Firms and Broker-Dealers for Firm electronic Options Transaction Charges so that the Firm fees approximate the fees assessed Broker-Dealers transacting electronic Penny Pilot and electronic non-Penny Pilot Options. These fees are also within the range of fees assessed by other exchanges.²¹

The Exchange believes that increasing both the Firm electronic Penny Pilot and electronic non-Penny Pilot Options Transaction Charges to \$.40 and \$.45 per contract, respectively, is equitable and not unfairly discriminatory for the reasons that follow. Today, Firms are assessed a similar electronic Penny Pilot Options Transaction Charge as a Professional (\$.25 per contract) and a higher electronic non-Penny Pilot Options Transaction Charge (\$.40 per contract) as compared to a Professional (\$.25 per contract). Similarly, Firms are assessed higher rates today as compared to Specialists and Market Makers.²² Today a Firm pays an electronic Penny Pilot Options Transaction Charge of \$.25 per contract as compared to a Specialist and Market Maker electronic Penny Pilot Options Transaction Charge of \$.22 per contract.²³ Today a Firm pays an electronic non-

²¹ NOM assesses Fees for Removing Liquidity of \$0.45 per contract for Penny Pilot Options and assesses Fees for Removing Liquidity of \$0.45 for Customers and \$0.50 for all other market participants in Non-Penny Pilot Options. See Chapter XV, Section 2, "NASDAQ Options Market – Fees and Rebates." NYSE Arca, Inc. ("NYSE Arca") assesses Firm electronic orders a take fee of \$0.45 per contract. See NYSE Arca's Fee Schedule.

²² Today Specialists are included in the current definition of Market Maker.

²³ Section II of the Pricing Schedule contains electronic vs. non-electronic Options Transaction Charges only for Specialists, Market Makers, Broker-Dealers and Firms.

Penny Pilot Options Transaction Charge of \$.40 per contract as compared to a Specialist and Market Maker electronic non-Penny Pilot Options Transaction Charge of \$.23 per contract. The Firm electronic Penny Pilot and electronic non-Penny Pilot Options Transaction Charges which would increase to \$.40 and \$.45 per contract, respectively, would result in Firms being assessed higher fees as compared to Professionals, Specialists and Market Makers.²⁴ The Exchange notes that Specialists and Market Makers are assessed lower Options Transaction Charges as compared to other market participants, except Customers, because they have burdensome quoting obligations²⁵ to the market which do not apply to Customer, Professionals, Firms and Broker-Dealers. In addition, Specialists and Market Makers are subject to Payment for Order Flow Fees²⁶ whereas Professionals, Firms and Broker-Dealers are not subject to such fees.²⁷ The

²⁴ Customers are not assessed Options Transaction Charges in either Penny or non-Penny Pilot options.

²⁵ See Rule 1014 titled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders.”

²⁶ Payment for Order Flow Fees are \$.25 per contract for options that are trading in the Penny Pilot Program and \$.70 per contract for other equity options. See Section II of the Pricing Schedule.

²⁷ Payment for Order Flow Fees are assessed on transactions resulting from Customer orders and are available to be disbursed by the Exchange according to the instructions of the Specialist units/Specialists or Directed ROTs to order flow providers who are members or member organizations, who submit, as agent, customer orders to the Exchange or non-members or non-member organizations who submit, as agent, Customer orders to the Exchange through a member or member organization that is acting as agent for those Customer orders. Specialists and Directed ROTs who participate in the Exchange's payment for order flow program are assessed a Payment for Order Flow Fee, in addition to ROTs. Therefore, the Payment for Order Flow Fee is assessed, in effect, on equity option transactions between a Customer and an ROT, a Customer and a Directed ROT, or a Customer and a Specialist. A ROT, as defined in Exchange Rule 1014(b), is a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014(b)(i) and (ii).

Exchange further notes that it is reasonable, equitable and not unfairly discriminatory to assess Market Makers and Specialists lower transaction fees when compared to Firms and Broker-Dealers because Market Makers and Specialists incur higher costs than other market participants in the form of SQT and RSQT assignment fees,²⁸ ports,²⁹ posts³⁰ and other technology fees.³¹

With respect to Professionals, they have access to more information and technological advantages as compared to Customers, but do not bear the obligations of Specialists and Market Makers. Also, Professionals engage in trading activity similar to that conducted by Specialists and Market Makers. For example, Professionals continue to join bids and offers on the Exchange and thus compete for incoming order flow. For these reasons, the Exchange believes that Professionals may be priced higher than a Customer and may be priced equal to or higher than a Specialist or Market Maker. Also, unlike a Firm, a Professional is not able to cap certain fees and is not qualified to receive certain discounts, which provides Firms the ability to reduce certain transaction fees.³²

²⁸ See Sections VI, A and B of the Pricing Schedule.

²⁹ See Section VII, B of the Pricing Schedule.

³⁰ See Section VII, A of the Pricing Schedule.

³¹ Market Makers and Specialists incur costs related to obtaining data such as TOPO and also increased co-location fees related to a higher volume of message traffic needed to support their regulatory quoting obligations to the market. With respect to TOPO, in order to gain access to additional information helpful in auctions, Market Makers may for example subscribe to TOPO to obtain information that is valuable to them to assist them in successfully making continuous markets as compared to other market participants who do not have similar obligations.

³² See Monthly Firm Fee Cap and proposed Electronic Firm Fee Discount in Section II of the Pricing Schedule.

The Exchange believes that increasing the Firm electronic Penny Pilot and electronic non-Penny Pilot Options Transaction Charges to \$.40 and \$.45 per contract, respectively, does not misalign the current rate differentials between a Firm and Broker-Dealer, but actually narrows that differential. The proposed rate differentials as between a Firm and Broker-Dealer would now be \$.05 per contract for electronic Penny Pilot Options Transaction Charges as compared to \$.20 per contract and \$.15 per contract for electronic non-Penny Pilot Options Transaction Charges as compared to \$.20 per contract. These fee differentials are lower than differentials at other options exchanges for such market participants.³³

The Exchange's proposed amendment to the Electronic Firm Fee Discount requiring Firms to trade in their own proprietary account is reasonable because the Exchange is seeking to incentivize members for trades on their behalf rather than on behalf of other members. The Exchange currently applies a similar exception with caps applicable to certain strategy executions in Section II of the Pricing Schedule and the Exchange's Monthly Firm Fee Cap. The Exchange's proposed amendment to the Electronic Firm Fee Discount requiring Firms to trade in their own proprietary account is equitable because it will be uniformly applied among market participants.

Miscellaneous

The Exchange's proposals to amend the Table of Contents and Section II of the Pricing to change "Equity Options" to "Multiply Listed Options," reorder notes in the

³³ CBOE currently assesses a Clearing Trading Permit Holder Proprietary an equity options fee of \$.20 per contract and a Broker-Dealer electronic order an equity options fee of \$.45 per contract. See CBOE's Fees Schedule. Similarly, ISE assesses a Firm Proprietary execution fee of \$.20 per contract/side and a Non-ISE Market Maker a fee of \$.45 per contract side. See ISE's Fee Schedule.

Preface, capitalize certain terms, add acronyms in Sections I, II and IV and make other conforming amendments to Sections I, II, III and IV as proposed herein are reasonable, equitable and not unfairly discriminatory because they provide further clarity and consistency to the Pricing Schedule.

The Exchange operates in a highly competitive market, comprised of nine exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee and rebate levels at a particular venue to be excessive. Accordingly, the fees that are assessed and the rebates paid by the Exchange must remain competitive with fees charged and rebates paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.³⁴ At any time within 60 days of the filing of the proposed rule

³⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

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. 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
[\(<http://www.sec.gov/rules/sro.shtml>\)](http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2012-77 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-2012-77. 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-2012-77 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.³⁵

Kevin M. O'Neill
Deputy Secretary

³⁵ 17 CFR 200.30-3(a)(12).

Exhibit 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX LLC¹ PRICING SCHEDULE

* * * * *

**Table of Contents
Sections**

Preface

- I. Rebates and Fees for Adding and Removing Liquidity in Select Symbols
- II. [Equity] Multiply Listed Options Fees
(Includes options overlying equities, ETFs, ETNs, indexes and HOLDRS which are Multiply Listed)

* * * * *

¹ PHLX® is a registered trademark of The NASDAQ OMX Group, Inc.

PREFACE

For purposes of assessing fees, the following references should serve as guidance.

The term "**Customer**" applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Rule 1000(b)(14)).²

The term ["**Directed Participant**"] Specialist applies to transactions for the account of a Specialist³ (as defined in Exchange Rule 1020(a)).[, Streaming Quote Trader⁴ (an "SQT") or Remote Streaming Quote Trader⁵ (an "RSQT") resulting from a Customer order that is (1) directed to it by an order flow provider⁶, and (2) executed by it electronically on Phlx XL II.⁷]

The term "[**Specialist,]ROT, SQT and RSQT**" applies to transactions for the accounts of [Specialists,] Registered Option Traders^[8]⁴ ("ROTs"), Streaming Quote Traders ("SQTs")⁵, and Remote Streaming Quote Traders ("RSQTs")⁶[, unless the Directed Participant transaction fee applies]. For purposes of the [Fee] Pricing Schedule, the term "**Market Maker**" will be utilized to describe fees and rebates applicable to [Specialists], ROTs, SQTs and RSQTs.

² Rule 1000(b)(14) provides in relevant part: "The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

³ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). An options Specialist includes a Remote Specialist which is a defined as an options specialist in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Rule 501.

⁴ A Registered Option Trader is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. A ROT includes SQTs and RSQTs as well as on and off-floor ROTs.

⁵⁵ A Streaming Quote Trader is defined in Exchange Rule 1014(b)(ii)(A) as an ROT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned.

⁵⁶ A Remote Streaming Quote Trader is defined Exchange Rule in 1014(b)(ii)(B) as an 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.

⁶ An Order Flow Provider is defined in Exchange Rule 1080(l)(1)(B) as "any member or member organization that submits, as agent, customer orders to the Exchange."]

⁷ A ROT includes a SQT, a RSQT and a Non-SQT, who by definition is neither a SQT or a RSQT. See Exchange Rule 1014 (b)(i) and (ii).]

⁸ A Registered Option Trader is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. A ROT includes SQTs and RSQTs as well as on and off-floor ROTs.]

The term "**Firm**" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC.

The term "**Professional**" applies to transactions for the accounts of Professionals (as defined in Exchange Rule 1000(b)(14)).

The term "**Broker-Dealer**" applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

I. Rebates and Fees for Adding and Removing Liquidity in Select Symbols

Select Symbols shall be defined as options overlying the following symbols: AA, ABX, AMD, BAC, CSCO, DELL, DIA, EBAY, EEM, EFA, EWZ, F, FAS, FAZ, FXI, GDX, GE, GLD, GLW, INTC, IWM, MSFT, NEM, NOK, ORCL, PFE, PG, POT, QQQ, RIMM, SBUX, SDS, SIRI, SLV, SNDK, SPY, TBT, TLT, TZA, UAL, UNG, USO, VALE, VXX, VZ, XLE, XLF, XLI, and YHOO. The following fees in this Section I shall only apply to Select Symbols.

Part A. Single contra-side						
	Customer	[Directed Participant] Specialist	Market Maker	Firm	Broker-Dealer	Professional
Rebate for Adding Liquidity	\$0.26	\$0.23	\$0.23	\$0.00	\$0.00	\$0.23
Fees for Adding Liquidity	\$0.00	\$0.00	\$0.00	\$0.05	\$0.05	\$0.00
Fee for Removing Liquidity	\$0.39	\$0.3[6]8	\$0.38	\$0.45	\$0.45	\$0.45

Part B. Complex Order						
	Customer	[Directed Participant] Specialist	Market Maker	Firm	Broker-Dealer	Professional
Rebate for Adding Liquidity	\$0.32	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rebate for Removing Liquidity	\$0.06	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Fee for Adding Liquidity	\$0.00	\$0.10	\$0.10	\$0.20	\$0.20	\$0.20
Fee for Removing Liquidity	\$0.00	\$0.3[4]6	\$0.36	\$0.38	\$0.38	\$0.38

- Customer Complex Order Rebates for Adding and Removing Liquidity will be increased by \$0.01 per contract only in SPY.
- Fees for Removing Liquidity, applicable to Specialists and Market Makers, will be decreased by \$0.02 per contract when the Specialist or Market Maker transacts against a Customer Order directed to that Specialist or Market Maker for execution.
- Single contra-side orders that are executed against the individual components of Complex Orders will be assessed the fees in Part A. However, the individual components of such a Complex Order will be assessed the fees in Part B.

Part C. The following will apply to fees in Parts A and B:

- The Monthly Market Maker Cap on transaction fees that are currently applicable to Market Makers and Specialists transacting [equity] Multiply Listed options will not be applicable to electronic transactions in the Select Symbols, except for QCC Transaction Fees.
- The Monthly Firm Fee Cap will apply to non-electronic transactions for Section I and Section II symbols, subject to the fees and rebates in Section II, and QCC electronic and non-electronic transactions.
- Payment for Order Flow fees will not be collected on transactions in the Select Symbols.
- The Cancellation Fee for each cancelled electronically delivered Professional AON order will continue to apply to the Select Symbols. The Cancellation Fee will not apply for each cancelled electronically delivered Customer order in Select Symbols.
- Transactions in the Select Symbols executed via open outcry will be subject to the [Equity] Multiply Listed Options Fees (see [Equity] Multiply Listed Options Fees in Section II). However, if one side of the transaction is executed using the Options Floor Broker Management System (FBMS) and any other side of the trade was the result of an electronically submitted order or a quote, then these fees will apply to the FBMS contracts and contracts that are executed electronically on all sides of the transaction.
- A non-Complex electronic auction includes the Quote Exhaust auction and, for purposes of the these fees, the opening process. A Complex electronic auction includes, but is not limited to, the Complex Order Live Auction ("COLA").
 - Customer executions that occur as part of a Complex electronic auction will receive the Rebate for Adding Liquidity as set forth in Part B. Customer executions that occur as part of a non-Complex electronic auction will receive the Rebate for Adding Liquidity as set forth in Part A, except when contra to another Customer order. Customers will not be assessed a Fee for Removing Liquidity for transactions that occur in either Complex electronic auctions or non-Complex electronic auctions.
 - Professional, [Directed Participant] Firm, Broker-Dealer, Specialist and Market Maker executions that occur as part of a Complex electronic auction will be assessed the Fees for Removing Liquidity in Part B. Professional, [Directed Participant,] Firm, Broker-Dealer, Specialist and Market Maker executions that occur as part of a non-Complex electronic auction will be assessed the Fees for Removing Liquidity in Part A.
- The QCC Transaction fees and rebates, defined in Section II, are applicable to this Section I.

II. [Equity] Multiply Listed Options Fees(Includes options overlying equities, ETFs, ETNs, indexes and HOLDRS which are Multiply Listed⁹)

	Customer	Professional	<u>Specialist and Market Maker</u>		Broker-Dealer		Firm	
			Electronic	Non-Electronic	Electronic	Non-Electronic	Electronic	Non-Electronic
Options Transaction Charge (Penny Pilot)	\$.00	\$.25	\$.22	\$.25	\$.45	\$.25	\$.[25]40	\$.25
Options Transaction Charge (non-Penny Pilot)	\$.00	\$.25	\$.23	\$.25	\$.60	\$.25	\$.[40]45	\$.25
Options Surcharge in RUT, MNX and NDX	N/A	\$.15	\$.15	\$.15	\$.15	\$.15	\$.15	\$.15
Options Surcharge in BKX	N/A	\$.10	\$.10	\$.10	\$.10	\$.10	\$.10	\$.10
FLEX Options	\$.00	\$.10	\$.10	\$.10	\$.10	\$.10	\$.10	\$.10
Cabinet Options	\$.00	\$.10	\$.10	\$.10	\$.10	\$.10	\$.10	\$.10

- These fees are per contract.

⁹ The following symbols will be assessed the fees in Section III for Singly Listed Options: SOX, HGX and OSX.

- The Cabinet and FLEX Option Fees above are not in addition to the Options Transaction Charges.
- Firm electronic Options Transaction Charges in Penny Pilot and non-Penny Pilot Options will be reduced to \$.11 per contract for a given month provided that a Firm has volume greater than 750,000 electronically-delivered contracts in a month ("Electronic Firm Fee Discount"). The Electronic Firm Fee Discount will apply per member organization when such members are trading in their own proprietary account.
- QCC Transaction Fees for a Specialist, Market Maker, Professional, Firm and Broker-Dealer are \$0.20 per contract. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e). A rebate, as specified in the below QCC Rebate Schedule, will be paid for all qualifying executed QCC Orders, as defined in Exchange Rule 1080(o) and Floor QCC Orders, as defined in 1064(e), except where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend, merger or short stock interest strategy and executions subject to the Reversal and Conversion Cap (as defined in Section II).

QCC Rebate Schedule

Threshold	Rebate per Contract
0 to 199,999 contracts in a month	\$0.00
200,000 to 499,999 contracts in a month	\$0.01
500,000 to 699,999 contracts in a month	\$0.05
700,000 to 999,999 contracts in a month	\$0.07
Over 1,000,000 contracts in a month	\$0.11

- A rebate of \$0.07 per contract will be paid to members executing electronically-delivered Customer Orders when that member transacts an average daily volume of 50,000 Customer contracts or greater in a given month. Further, an additional rebate of \$0.03 per contract will be paid to members for those electronically-delivered Customer orders that: qualified for the \$0.07 rebate; and added liquidity in a Simple Order in a non-Penny Pilot Option or added or removed liquidity (including auctions) in a Complex Order in a Penny Pilot Option. PIXL Orders and QCC Orders are not eligible for the rebate and are excluded from the calculation of the average daily volume.
- Specialists and Market Makers are subject to a "Monthly Market Maker Cap" of \$550,000 for equity option transaction fees and QCC Transaction Fees, as defined in this section above. The trading activity of separate Specialist and Market Maker member organizations will be aggregated in calculating the Monthly Market Maker Cap if there is at least 75% common ownership between the member organizations. All dividend, merger, short stock interest and reversal and conversion strategy executions (as defined in this Section II) will be excluded from the Monthly Market Maker Cap. In addition, Specialists and Market Makers that (i) are on the contra-side of an electronically-delivered and executed Customer order; and (ii) have reached the Monthly Market Maker Cap will be assessed a \$0.07 per contract fee, excluding PIXL Orders. For QCC Orders as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e), a Service Fee of \$0.07 per side will apply once a Specialist and Market Maker has reached the Monthly Market Maker Cap. This \$0.07 Service Fee will apply to every contract side of the QCC Order and Floor QCC Order after a Specialist and Market Maker has reached the Monthly Market Maker Cap. The Service Fee will not be assessed to a Specialist and Market Maker that does not reach the Monthly Market Maker Cap in a particular calendar month.
- Firms are subject to a maximum fee of \$75,000 ("Monthly Firm Fee Cap"). Firm non-electronic equity option transaction fees and QCC Transaction Fees, as defined in this section above, in the aggregate, for one billing month will not exceed the Monthly Firm Fee Cap per member organization when such members are trading in their own proprietary account. All dividend, merger, short stock interest and reversal and conversion strategy executions (as defined in this Section II) will be excluded from the Monthly Firm Fee Cap. The Firm equity options transaction fees will be waived for members executing facilitation orders pursuant to Exchange Rule 1064 when such members are trading in their own proprietary account (including FLEX and Cabinet equity options transaction fees). QCC Transaction Fees are included in the calculation of the Monthly Firm Fee Cap. Member organizations must notify the Exchange in writing of all accounts in which the member is not trading in its own proprietary account. The Exchange will not make adjustments to billing invoices where transactions are commingled in accounts which are not subject to the Monthly Firm Fee Cap. For QCC Orders as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e), a Service Fee of \$0.01 per side will apply once a Firm has reached the Monthly Firm Fee Cap. This \$0.01 Service Fee will apply to every contract side of the QCC Order and Floor QCC Order after a Firm has reached the Monthly Firm Fee Cap. The Service Fee will not be assessed to a Firm that does not reach the Monthly Firm Fee Cap in a particular calendar month.

- Proprietary orders of affiliates of member organizations (non-member organizations) that qualify for the Monthly Firm Fee Cap ("Qualifying Member Organization") effected for purposes of hedging the proprietary over-the-counter trading of the Qualifying Member Organization or its affiliates will be included in calculating the Monthly Firm Fee Cap. Member organizations must notify the Exchange in writing of the account(s) designated for purposes of hedging the proprietary over-the-counter trading of the Qualifying Member Organization or its affiliates. The Exchange would require member organizations to segregate other orders from that of its affiliates for those orders to be eligible for the Monthly Firm Fee Cap. The Exchange will not make adjustments to billing invoices where transactions are commingled in accounts which are not subject to the Monthly Firm Fee Cap.
- Specialist, Market Maker, Professional, Firm and Broker-Dealer equity option transaction fees will be capped at \$1,000 for dividend, merger and short stock interest strategies executed on the same trading day in the same options class when such members are trading in their own proprietary accounts. Equity option transaction fees for dividend, merger and short stock interest strategies combined will be further capped at the greater of \$10,000 per member or \$25,000 per member organization per month when such members are trading in their own proprietary accounts. A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend. A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock. A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.
- Specialist, Market Maker, Professional, Firm and Broker-Dealer options transaction fees in Multiply Listed Options will be capped at \$500 per day for reversal and conversion strategies executed on the same trading day in the same options class ("Reversal and Conversion Cap") when such members are trading in their own proprietary accounts. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions are established by combining a long position in the underlying security with a long put and a short call position that shares the same strike and expiration. The Reversal and Conversion Cap will only apply to executions occurring on either of the two days preceding the standard options expiration date, which is typically the third Thursday and Friday of every month.

Payment For Order Flow Fees

Options that are trading in the Penny Pilot Program	\$.25 per contract
Remaining Equity Options	\$.70 per contract

- For trades resulting from either Directed or non-Directed Orders that are delivered electronically and executed on the Exchange, [:]the above fees will be [A]assessed on Specialists, Market Makers and Directed ROTs on those trades when the Specialist unit or Directed ROT elects to participate in the payment for order flow program.
- No payment for order flow fees will be assessed on trades that are not delivered electronically.
- No payment for order flow fees will be assessed on Professional orders.
- Payment for Order Flow Fees will be assessed on transactions resulting from [c]Customer orders and are available to be disbursed by the Exchange according to the instructions of the Specialist units/Specialists or Directed ROTs to order flow providers who are members or member organizations, who submit, as agent, [c]Customer orders to the Exchange or non-members or non-member organizations who submit, as agent, [c]Customer orders to the Exchange through a member or member organization who is acting as agent for those [c]Customer orders.
- Any excess payment for order flow funds billed but not utilized by the Specialist or Directed ROT will be carried forward unless the Directed ROT or Specialist elects to have those funds rebated to the applicable ROT, Directed ROT or Specialist on a pro rata basis, reflected as a credit on the monthly invoices. At the end of each calendar quarter, the Exchange will calculate the amount of excess funds from the previous quarter and subsequently rebate excess funds on a pro-rata basis to the applicable ROT, Directed ROT or Specialist who paid into that pool of funds.
- Each month, the Exchange will assess[es] an administrative fee of .45% on the total amount of the funds collected each month.

III. Singly Listed Options (Includes options overlying currencies¹⁰, equities, ETFs, ETNs, indexes and HOLDRS not listed on another exchange⁹)

Singly Listed Options

	Customer	Professional	<u>Specialist and Market Maker</u>	Firm	Broker-Dealer
Options Transaction Charge	\$0.35	\$0.45	\$0.35	\$0.45	\$0.45
Alpha and MSCI¹¹ Index Options	\$0.10	\$0.25	\$0.15	\$0.25	\$0.25

- These fees are per contract.

¹⁰U.S. dollar-settled foreign currency options include XDB, XDE, XDN, XDS, XDA, XDM, XEH, XEV, XDZ, XDC and XDV.

⁹ The following symbols will be assessed the fees in Section III for Singly Listed Options: SOX, HGX and OSX.

¹¹ Non-Customer executions in MSCI Index Options will be assessed a surcharge of \$0.05 per contract.

IV. Other Transaction Fees

A. PIXL Pricing

Initiating Order contra-side a PIXL Order for the symbols defined in Section I and Section II

Initiating Order	\$0.07 per contract
PIXL Order	Section II: Equity Option Fees, with a maximum fee of \$0.32 per contract

Executions in Select Symbols: The following rebates and fees apply when a PIXL Order is not contra-side to an Initiating Order in the [s]Select Symbols defined in Section I of the Pricing Schedule:

- A PIXL Order will be assessed the fee for removing liquidity, with a maximum fee of \$0.32 per contract, when executed against a resting contra-side order or quote that was present upon initial receipt of the PIXL Order. The resting contra-side order or quote will receive the rebate for adding liquidity.
- A PIXL Order will receive the rebate for adding liquidity when executed against contra-side order(s) that respond to the PIXL auction broadcast message as well as when executed against contra-side quotes and unrelated orders on the PHLX book that arrived after the PIXL auction was initiated. The PIXL Auction responders, contra-side order(s), and quote(s) will be assessed the fee for removing liquidity, with a maximum fee of \$0.32 per contract.

Executions in [equity] Multiply Listed [o]Options (including ETFs, ETNs, indexes and HOLDERS which are Multiply Listed): The following applies when the PIXL Order is not contra-side to an Initiating Order in [Equity]Multiply Listed Options as defined in Section II of the Pricing Schedule.

- Both the PIXL Order and the contra-side order or quote will be assessed the appropriate [Equity] Multiply Listed Options Fees in Section II of the Pricing Schedule, with a maximum fee of \$0.32 per contract. All other fees discussed in Section II, including Payment for Order Flow, will also apply as appropriate.

Executions in Singly Listed Options (Includes options overlying currencies, equities, ETFs, ETNs, indexes, and HOLDERS not listed on another exchange):

- The fees described in Section III will apply in all instances

* * * * *