**Withdrawal**

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<th>Initial *</th>
<th>Amendment *</th>
<th>Withdrawal</th>
<th>Section 19(b)(2) *</th>
<th>Section 19(b)(3)(A) *</th>
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**Pilot**

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<th>Extension of Time Period for Commission Action *</th>
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**Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010**

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<tr>
<th>Section 806(e)(1)</th>
<th>Section 806(e)(2)</th>
<th>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</th>
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**Note:**

- **Exhibit 2 Sent As Paper Document**
  - ☒
- **Exhibit 3 Sent As Paper Document**
  - ☒

**Description**

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

A Proposed Rule Change Relating to $0.50 and $1 Strike Price Intervals for Classes in the Short Term Option Series Program.

**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 action.

- **First Name** * Juri
- **Last Name** * Tryputenko
- **Title** * Associate General Counsel
- **E-mail** * jurij.tryputenko@nasdaqomx.com
- **Telephone** * (301) 978-8132
- **Fax** * (301) 978-8472

**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.

(Title *)

- **Date** 05/15/2013
- **By** 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.

Edward S Knight,
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

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies

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, security-based swap submission, or advance notice 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

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

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

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

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

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) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)\(^1\) and Rule 19b-4 thereunder,\(^2\) NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Rule 1012 (Series of Options Open for Trading) and Rule 1101A (Terms of Option Contracts) to give the Exchange the ability to initiate strike prices in more granular intervals for Short Term Options (“STOs”) in the same manner as on other options exchanges;\(^3\) while permitting, during the expiration week of non-Short Term Options that are on an index class that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”), for the Related non-Short Term Option series to have the same strike price interval setting parameters as STOs.\(^4\)

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\(^3\) STOs, also known as “Weekly options” as well as “Short Term Options”, are series in an options class that are approved for listing and trading on the Exchange in which the series are opened for trading on any Thursday or Friday that is a business day and that expire on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. See Rules 1000(b)(44), 1000A(b)(16), Commentary .11 to Rule 1012 and Rule 1101A(b)(vi) regarding the Short Term Option Series Program (also known as the “Program”) for equity, exchange traded fund (“ETF”) and index options. The Program has been operational since 2010. See Securities Exchange Act Release No. 62296 (June 15, 2010), 75 FR 35115 (June 21, 2010)(SR-Phlx-2010-84)(notice of filing and immediate effectiveness establishing the Short Term Option Series Program on the Exchange).

\(^4\) The Related non-Short Term Option will be the same option class as the Weekly option but will have a longer expiration cycle (e.g., a SPY monthly expiration option as compared to a SPY Weekly option.)
The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).5

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached 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 Governors of the Exchange (the “Board”) on July 10, 2012. Exchange staff will advise the Board of any action taken pursuant to delegated authority. 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 Jurij Trypupenko, Associate General Counsel, NASDAQ OMX, at (301) 978-8132.

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

a. **Purpose**

The purpose of this proposed rule change is to amend Rules 1012 and 1101A to amend the strike price interval setting parameters for STOs; while permitting, during the expiration week of Related non-Short Term Option series, for such options to have the same strike price interval setting parameters as STOs.

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The Commission recently approved the Exchange’s proposal regarding $0.50 and $1 strike price intervals for certain STOs. The Commission simultaneously approved an International Securities Exchange, LLC (‘‘ISE’’) filing regarding $0.50 strike price intervals for certain STOs that used a different methodology than Phlx for STO pricing.

The Exchange is now proposing to integrate the ISE and Phlx methodologies, and is basing this proposal on a Chicago Board Options Exchange, Incorporated (‘‘CBOE’’) filing that consolidated the Phlx and ISE methodologies for establishing strike price intervals for STOs.

The ISE and Phlx filings both made changes to the strike price interval setting parameter rules for their respective Short Term Option Programs. Weekly options are not listed to expire during the same week as Related non-Short Term Options. As a result, both the Exchange and ISE in their respective filings amended their rules to permit Related non-Short Term Options on classes that participate in the Short Term Options Program to have the same strike price interval setting parameters as STOs during the week that Related non-Short Term Options expire. However, other revisions to Exchange and ISE Short Term Options Programs differ. Specifically, ISE permits $0.50 strike price intervals for STOs for option classes that trade in one dollar increments and are in the Short Term Option Program. Phlx permits $0.50 strike price intervals when

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the strike price is below $75, and $1 strike price intervals when the strike price is between $75 and $150. Phlx also provides that Related non-Short Term Option series may be opened during the week prior to expiration week pursuant to the same strike price interval parameters that exist for STOs. Thus, a Related non-Short Term Option series may be opened in STO strike price intervals on a Thursday or a Friday that is a business day before the Related non-Short Term Option expiration week.\footnote{This opening timing is consistent with the principle that the Exchange may add new series of options until five business days prior to expiration. See Commentary 11 to Rule 1012 and Rule 1101A(b)(vi). The Exchange intends to submit a separate proposal that allows adding new series of options until two business days prior to expiration. See Securities Exchange Act Release Nos. 68606 (January 9, 2013), 78 FR 3065 (January 15, 2013)(SR-CBOE-2012-131)(notice of filing and immediate effectiveness to permit CBOE to list additional strike prices until the close of trading on the second business day prior to monthly expiration); and 68461 (December 18, 2012) (SR-NYSEArca-2012-94)(approval order to permit NYSE Arca to list additional strike prices until the close of trading on the second business day prior to monthly expiration).} If the Exchange is not open for business on the respective Thursday or Friday, however, the Related non-Short Term Option may be opened in STO intervals on the first business day immediately prior to that respective Thursday or Friday.\footnote{The STO opening process is set forth in Commentary .11 to Rule 1012 and Rule 1101A(b)(vi): “After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on the Friday of the following business week that is a business day (“Short Term Option Expiration Date”). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.”}

The Exchange is proposing to adopt both the strike price interval setting parameters that are currently in effect for the Exchange as well as for ISE in order to
remain competitive. The Exchange notes that while it believes that there is substantial overlap between the two strike price interval setting parameters, the Exchange believes there are gaps that would enable the Exchange to initiate a series that ISE would not be able to initiate and vice versa.\(^{11}\) Since strict inter-exchange rule uniformity is not required for the Short Term Option Programs that have been adopted by the various options exchanges, the Exchange proposes to revise its strike price intervals setting parameters so that it has the ability to initiate strike prices in the same manner (i.e., intervals) as ISE. Accordingly, the Exchange proposes to adopt the rule text language of the CBOE filing\(^{12}\) and in this way consolidate the ISE filing and Phlx filing approaches regarding strike price intervals for STOs.\(^{13}\)

\(^{11}\) The Exchange is making a distinction between initiating series and cloning series. The Exchange and the majority, if not all, of the other options exchanges that have adopted a Short Term Option Program have a rule similar to the Exchange’s that permits the listing of series that are opened by other exchanges. See Commentary 11 to Rule 1012 and Rule 1101A(b)(vi). This filing is concerned with the ability to initiate series. For example, if a class is selected to participate in the Short Term Option Program and Related non-Short Term Options on that class do not trade in dollar increments, the Exchange would be permitted to initiate $0.50 strikes on that class and ISE would not. Similarly, the strike price interval for ETF options is generally $1 or greater where the strike price is $200 or less. If an ETF class is selected to participate in the Short Term Option Program, the Exchange believes that ISE would be permitted to initiate $0.50 strike price intervals where the strike price is between $151 and $200, but Phlx would not be.

\(^{12}\) See supra note 8, and CBOE Rules 5.5 (non-index options) and 24.9 (index options).

\(^{13}\) The rule language proposed by the Exchange is, in all material respects, similar to the language of CBOE Rules 5.5 and 24.9. The proposed rule language would state, in relevant part, that notwithstanding any other provision regarding strike prices in the rules: “non-Short Term Options that are on a class [or index class] that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”) shall be opened during the week prior to the week that such Related non-
In support of this proposal, the Exchange states that the principal reason for the proposed expansion is in response to market and customer demand to list actively traded products in more granular strike price intervals and to provide Exchange members and their customers increased trading opportunities in the Short Term Option Program, which is one of the most popular and quickly-expanding options expiration programs.\textsuperscript{14} The Exchange has observed increased demand for STO classes and/or series, particularly when market moving events such as significant market volatility, corporate events, or large market, sector, or individual issue price swings have occurred. There are substantial benefits to market participants in the ability to trade eligible option classes at more granular strike price intervals. Furthermore, the Exchange supports the objective of responding to customer demand for harmonized listing between STO and Related non-Short Term Options and the availability of more granular strike price intervals.

\textsuperscript{14} Since the inception of the Short Term Options Series Program, it has steadily expanded to the point that by the end of 2012, STOs represented 7\% of the total options volume on the Exchange and 13\% of the total options volume in the United States.
The Exchange notes that the Short Term Option Series Program has been well-received by market participants, in particular by retail investors. The Exchange believes that the current proposed revisions to the Short Term Options Series Program will permit the Exchange to meet increased customer demand for more granular strike prices and the harmonization of strike prices between STOs and Related non-Short Term Options on the same classes.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the Short Term Option Series Program. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange represents that it will monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange's automated systems.

b. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder, including the requirements of Section 6(b) of the Act.\(^{15}\) In particular, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)\(^{16}\) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to


foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes that giving it the ability to initiate strike prices in $0.50 and $1 intervals for STO options, as provided for in the proposed rule text, is reasonable because it will benefit investors by providing them with the flexibility to more closely tailor their investment and hedging decisions. The Exchange also believes that it is reasonable to harmonize strike prices between STOs and Related non-Short Term Options during expiration week for Related non-Short Term Options, because doing so will ensure conformity between STOs and Related non-Short Term Options that are on the same class. While the proposed rule change may generate additional quote traffic, the Exchange does not believe that any increased traffic will become unmanageable since the proposal remains limited to a fixed number of classes. The Exchange also believes that the proposed rule change will ensure competition because it will allow the Exchange to initiate series in the same strike intervals as ISE, CBOE and other options exchanges.

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes the proposal is pro-competitive. The rule change is proposed as a competitive response to a recently approved ISE, and a CBOE, filing. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges regarding more granular strike price intervals for STOs.
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)

The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) \(17\) of the Act and Rule 19b-4(f)(6) thereunder. \(18\)

The Exchange asserts that the proposed rule change does not (i) significantly affect the protection of investors or the public interest, (ii) impose any significant burden on competition, and (iii) become operative for 30 days after its filing date, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

The proposed rule change is, as discussed, substantially similar in all material respects to existing rules of ISE and CBOE. \(19\) A proposed rule change filed under Rule


19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay period. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will ensure fair competition among exchanges by allowing the Exchange to initiate strikes prices in more granular intervals for STOs in the same manner as ISE and CBOE, while permitting, during the expiration week of a Related non-Short Term Options, a Related non-Short Term Options option on a class that is selected to participate in the Short Term Option Program to have the same strike price interval setting parameters as STOs.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

For the foregoing reasons, the Exchange believes the rule filing qualifies for expedited effectiveness as a “non-controversial” rule change under Rule 19b-4(f)(6) of the Act.

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

This proposed rule change is, as discussed, based on ISE Rules 504 and 2009 and CBOE Rules 5.5 and 24.9.\(^\text{20}\)

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

11. **Exhibits**

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

   5. Text of the proposed rule change.

\(^{20}\) Id.
Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to $0.50 and $1 Strike Price Intervals for Classes in the Short Term Option Series Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)\(^1\), and Rule 19b-4\(^2\) thereunder, notice is hereby given that on May 15, 2013, 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 is filing with the Commission a proposal to amend Rule 1012 (Series of Options Open for Trading) and Rule 1101A (Terms of Option Contracts) to give the Exchange the ability to initiate strike prices in more granular intervals for Short Term Options (“STOs”) in the same manner as on other options exchanges;\(^3\) while

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\(^3\) STOs, also known as “Weekly options” as well as “Short Term Options”, are series in an options class that are approved for listing and trading on the Exchange in which the series are opened for trading on any Thursday or Friday that is a business day and that expire on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. See Rules 1000(b)(44), 1000A(b)(16), Commentary .11 to Rule 1012 and Rule 1101A(b)(vi) regarding the Short Term Option Series Program (also known as the “Program”) for equity, exchange traded fund (“ETF”) and
permitting, during the expiration week of non-Short Term Options that are on an index class that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”), for the Related non-Short Term Option series to have the same strike price interval setting parameters as STOs.4

The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).5

The text of the proposed rule change is available on the Exchange’s Website at http://nasdaqomxphlx.cchwallstreet.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.


4 The Related non-Short Term Option will be the same option class as the Weekly option but will have a longer expiration cycle (e.g., a SPY monthly expiration option as compared to a SPY Weekly option.)

A. **Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

1. **Purpose**

The purpose of this proposed rule change is to amend Rules 1012 and 1101A to amend the strike price interval setting parameters for STOs; while permitting, during the expiration week of Related non-Short Term Option series, for such options to have the same strike price interval setting parameters as STOs.

The Commission recently approved the Exchange’s proposal regarding $ 0.50 and $ 1 strike price intervals for certain STOs. The Commission simultaneously approved an International Securities Exchange, LLC (“ISE”) filing regarding $ 0.50 strike price intervals for certain STOs that used a different methodology than Phlx for STO pricing. The Exchange is now proposing to integrate the ISE and Phlx methodologies, and is basing this proposal on a Chicago Board Options Exchange, Incorporated (“CBOE”) filing that consolidated the Phlx and ISE methodologies for establishing strike price intervals for STOs.

The ISE and Phlx filings both made changes to the strike price interval setting parameter rules for their respective Short Term Option Programs. Weekly options are not listed to expire during the same week as Related non-Short Term Options. As a result, both the Exchange and ISE in their respective filings amended their rules to permit

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Related non-Short Term Options on classes that participate in the Short Term Options Program to have the same strike price interval setting parameters as STOs during the week that Related non-Short Term Options expire. However, other revisions to Exchange and ISE Short Term Options Programs differ. Specifically, ISE permits $0.50 strike price intervals for STOs for option classes that trade in one dollar increments and are in the Short Term Option Program. Phlx permits $0.50 strike price intervals when the strike price is below $75, and $1 strike price intervals when the strike price is between $75 and $150. Phlx also provides that Related non-Short Term Option series may be opened during the week prior to expiration week pursuant to the same strike price interval parameters that exist for STOs. Thus, a Related non-Short Term Option series may be opened in STO strike price intervals on a Thursday or a Friday that is a business day before the Related non-Short Term Option expiration week. If the Exchange is not open for business on the respective Thursday or Friday, however, the Related non-Short Term Option may be opened in STO intervals on the first business day immediately prior to that respective Thursday or Friday.

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9 This opening timing is consistent with the principle that the Exchange may add new series of options until five business days prior to expiration. See Commentary 11 to Rule 1012 and Rule 1101A(b)(vi). The Exchange intends to submit a separate proposal that allows adding new series of options until two business days prior to expiration. See Securities Exchange Act Release Nos. 68606 (January 9, 2013), 78 FR 3065 (January 15, 2013)(SR-CBOE-2012-131)(notice of filing and immediate effectiveness to permit CBOE to list additional strike prices until the close of trading on the second business day prior to monthly expiration); and 68461 (December 18, 2012) (SR-NYSEArca-2012-94)(approval order to permit NYSE Arca to list additional strike prices until the close of trading on the second business day prior to monthly expiration).

10 The STO opening process is set forth in Commentary .11 to Rule 1012 and Rule 1101A(b)(vi): “After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or
The Exchange is proposing to adopt both the strike price interval setting parameters that are currently in effect for the Exchange as well as for ISE in order to remain competitive. The Exchange notes that while it believes that there is substantial overlap between the two strike price interval setting parameters, the Exchange believes there are gaps that would enable the Exchange to initiate a series that ISE would not be able to initiate and vice versa.\(^1\) Since strict inter-exchange rule uniformity is not required for the Short Term Option Programs that have been adopted by the various options exchanges, the Exchange proposes to revise its strike price intervals setting parameters so that it has the ability to initiate strike prices in the same manner (i.e., intervals) as ISE. Accordingly, the Exchange proposes to adopt the rule text language of Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on the Friday of the following business week that is a business day (“Short Term Option Expiration Date”). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.”

\(^1\) The Exchange is making a distinction between initiating series and cloning series. The Exchange and the majority, if not all, of the other options exchanges that have adopted a Short Term Option Program have a rule similar to the Exchange’s that permits the listing of series that are opened by other exchanges. See Commentary 11 to Rule 1012 and Rule 1101A(b)(vi). This filing is concerned with the ability to initiate series. For example, if a class is selected to participate in the Short Term Option Program and Related non-Short Term Options on that class do not trade in dollar increments, the Exchange would be permitted to initiate $0.50 strikes on that class and ISE would not. Similarly, the strike price interval for ETF options is generally $1 or greater where the strike price is $200 or less. If an ETF class is selected to participate in the Short Term Option Program, the Exchange believes that ISE would be permitted to initiate $0.50 strike price intervals where the strike price is between $151 and $200, but Phlx would not be.
the CBOE filing 12 and in this way consolidate the ISE filing and Phlx filing approaches regarding strike price intervals for STOs.13

In support of this proposal, the Exchange states that the principal reason for the proposed expansion is in response to market and customer demand to list actively traded products in more granular strike price intervals and to provide Exchange members and their customers increased trading opportunities in the Short Term Option Program, which is one of the most popular and quickly-expanding options expiration programs.14 The

12 See supra note 8, and CBOE Rules 5.5 (non-index options) and 24.9 (index options).

13 The rule language proposed by the Exchange is, in all material respects, similar to the language of CBOE Rules 5.5 and 24.9. The proposed rule language would state, in relevant part, that notwithstanding any other provision regarding strike prices in the rules: “non-Short Term Options that are on a class [or index class] that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”) shall be opened during the week prior to the week that such Related non-Short Term Option series expire in the same manner as permitted [in the Short Term Option Program rules].” See proposed Commentary .05(a)(vii) to Rule 1012 (regarding non-index options), and Rule 1101A(a) (regarding index options).

The proposed rule language would also state, in relevant part, that intervals on Short Term Option Series may be: “(i) $0.50 or greater where the strike price is less than $75, and $1 or greater where the strike price is between $75 and $150 for all classes [or index classes] that participate in the Short Term Options Series Program; or (ii) $0.50 for classes [or index classes] that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program. Related non-Short Term Options are options on a class [or index class] that has been selected to participate in the Short Term Option Series Program. Related non-Short Term Option series shall be opened during the week prior to the week that such Related non-Short Term Option series expire in the same manner as permitted [in the rules].” See proposed Commentary .11(e) to Rule 1012 (regarding non-index options), and Rule 1101A(b)(vi)(E) (regarding index options).

14 Since the inception of the Short Term Options Series Program, it has steadily expanded to the point that by the end of 2012, STOs represented 7% of the total options volume on the Exchange and 13% of the total options volume in the United States.
Exchange has observed increased demand for STO classes and/or series, particularly when market moving events such as significant market volatility, corporate events, or large market, sector, or individual issue price swings have occurred. There are substantial benefits to market participants in the ability to trade eligible option classes at more granular strike price intervals. Furthermore, the Exchange supports the objective of responding to customer demand for harmonized listing between STO and Related non-Short Term Options and the availability of more granular strike price intervals.

The Exchange notes that the Short Term Option Series Program has been well-received by market participants, in particular by retail investors. The Exchange believes that the current proposed revisions to the Short Term Options Series Program will permit the Exchange to meet increased customer demand for more granular strike prices and the harmonization of strike prices between STOs and Related non-Short Term Options on the same classes.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the Short Term Option Series Program. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange represents that it will monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange's automated systems.
2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder, including the requirements of Section 6(b) of the Act.\textsuperscript{15} In particular, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)\textsuperscript{16} requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes that giving it the ability to initiate strike prices in $0.50 and $1 intervals for STO options, as provided for in the proposed rule text, is reasonable because it will benefit investors by providing them with the flexibility to more closely tailor their investment and hedging decisions. The Exchange also believes that it is reasonable to harmonize strike prices between STOs and Related non-Short Term Options during expiration week for Related non-Short Term Options, because doing so will ensure conformity between STOs and Related non-Short Term Options that are on the same class. While the proposed rule change may generate additional quote traffic, the Exchange does not believe that any increased traffic will become unmanageable since the proposal remains limited to a fixed number of classes. The Exchange also believes that the proposed rule change will ensure competition because it will allow the Exchange to initiate series in the same strike intervals as ISE, CBOE and other options exchanges.

\textsuperscript{15} 15 U.S.C. 78f(b).

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes the proposal is pro-competitive. The rule change is proposed as a competitive response to a recently approved ISE, and a CBOE, filing. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges regarding more granular strike price intervals for STOs.

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 Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)\(^{17}\) of the Act and Rule 19b-4(f)(6)(iii) thereunder\(^{18}\) because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the

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\(^{18}\) 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:
- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2013-55 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-2013-55. 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 inspection and copying in the Commission’s Public Reference Room. 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-2013-55 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.19

Kevin M. O’Neill
Deputy Secretary

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EXHIBIT 5

Proposed new text is underlined. Deleted text is [bracketed].

NASDAQ OMX PHLX LLC Rules
Options Rules

* * * * *

Rule 1012. Series of Options Open for Trading

(a) – (d) No Change.

* * * Commentary:  ------------------

.01 – .04 No Change.

.05 (a) The interval of strike prices of series of options on individual stocks may be:

(i) – (vi) No Change.

(vii) Notwithstanding any other provision regarding strike prices in this rule, non-Short Term Options that are on a class that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”) shall be opened during the week prior to the week that such Related non-Short Term Option series expire in the same manner as permitted in this Rule 1012 and in the same strike price intervals that are permitted in Commentary .11 to this Rule 1012:

(A) During the expiration week of an option class that is selected for the Short Term Option Series Program pursuant to this rule (Short Term Option), the strike price intervals for the related non-Short Term Option shall be the same as the Short Term Option intervals permitted in Commentary .11 to this Rule 1012; and

(B) During the week before the expiration week of an option class that is selected for the Short Term Option Series Program pursuant to this rule (Short Term Option), the Exchange shall open the related non-Short Term Option for trading in Short Term Option intervals in the same manner as permitted in Commentary .11 to this Rule 1012.

(b) - (c) No Change.

.06 - .10 No Change.

.11 Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on
that class that expire on the Friday of the following business week that is a business day
("Short Term Option Expiration Date"). If the Exchange is not open for business on the
respective Thursday or Friday, the Short Term Option Opening Date will be the first
business day immediately prior to that respective Thursday or Friday. Similarly, if the
Exchange is not open for business on the Friday of the following business week, the
Short Term Option Expiration Date will be the first business day immediately prior to
that Friday. Regarding Short Term Option Series:

(a) – (d)  No Change.

(e) The interval between strike prices on Short Term Option Series [shall] may be (i)
$0.50 or greater where the strike price is less than $75, and $1 or greater where the strike
price is between $75 and $150 for all classes that participate in the Short Term Options
Series Program; or (ii) $0.50 for classes that trade in one dollar increments in Related
non-Short Term Options and that participate in the Short Term Option Series Program.
Related non-Short Term Options are options on a class that has been selected to
participate in the Short Term Option Series Program. Related non-Short Term Option
series shall be opened during the week prior to the week that such Related non-Short
Term Option series expire in the same manner as permitted in this Rule 1012 and in the
same strike price intervals that are permitted in Commentary .11 to this Rule 1012.

[During the expiration week of an option class that is selected for the Short Term Option
Series Program pursuant to this rule (Short Term Option), the strike price intervals for the
related non-Short Term Option shall be the same as the strike price intervals for the
Short Term Option.]

.12 - 13  No Change.

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Rule 1101A. Terms of Option Contracts

(a) The Exchange shall determine fixed point intervals of exercise prices for index
options (options on indexes). Generally, except as provided in Commentary .04 below,
the exercise (strike) price intervals will be no less than $5, provided that the Exchange
may determine to list strike prices at no less than $2.50 intervals for options on the
following indexes (which may also be known as sector indexes):

   (i) - (lxxx)  No Change.

The Exchange may also determine to list strike prices at no less than $2.50 intervals for
options on indexes delineated in this rule in response to demonstrated customer interest
or specialist request. For purposes of this paragraph, demonstrated customer interest
includes institutional (firm) corporate or customer interest expressed directly to the
Exchange or through the customer's floor brokerage unit, but not interest expressed by an
ROT with respect to trading for the ROT's own account.
Notwithstanding any other provision regarding strike prices in this Rule 1101A, non-Short Term Options that are on an index class that has been selected to participate in the Short Term Option Series Program (referred to as a “Related non-Short Term Option series”) shall be opened during the week prior to the week that such Related non-Short Term Option series expire in the same manner as permitted in this Rule 1101A and in the same strike price intervals that are permitted in this Rule 1101A(b)(vi):

- During the expiration week of an option class that is selected for the Short Term Option Series Program pursuant to this rule (Short Term Option), the strike price intervals for the related non-Short Term Option shall be the same as the Short Term Option intervals permitted in this Rule 1101A(b)(vi);

- During the week before the expiration week of an option class that is selected for the Short Term Option Series Program pursuant to this rule (Short Term Option), the Exchange shall open the related non-Short Term Option for trading in Short Term Option intervals in the same manner as permitted in this Rule 1101A(b)(vi)].

(b) No Change.

(i) – (v) No Change.

(vi) Short Term Option Series Program

After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(A) – (D) No Change.

(E) The interval between strike prices on Short Term Option Series [shall] may be (1) $0.50 or greater where the strike price is less than $75, and $1 or greater where the strike price is between $75 and $150 for all index classes that participate in the Short Term Option Series Program; or (2) $0.50 for index classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program. Related non-Short Term Options are options on an index class that has been selected to participate in the Short Term Option Series Program. Related non-Short Term Option series shall be opened during the week prior to the week that such Related non-Short Term Option series expire in the same manner as permitted in Rule 1101A and in the same strike price
intervals that are permitted in this Rule 1101A(b)(vi). [During the expiration week of an index option class that is selected for the Short Term Option Series Program pursuant to this rule (Short Term Option), the strike price intervals for the related index non-Short Term Option shall be the same as the strike price intervals for the Short Term Option.]

(c) No Change.

*** Commentary: ---------------

.01 - .04 No Change.

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