

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2014 - * 07 Amendment No. (req. for Amendments *)
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Filing by NASDAQ OMX PHLX LLC.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
  
A proposal to permit an expedited application process for firms that are already approved members of NASDAQ or BX.

**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 \* John Last Name \* Pickford  
Title \* Assistant General Counsel  
E-mail \* john.pickford@nasdaqomx.com  
Telephone \* (215) 496-5273 Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
(Title \*)  
  
Date 01/30/2014 Executive Vice President and General Counsel  
By Edward S. Knight  
(Name \*)  
  
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.

Persona Not Validated - 1383935917270,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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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 \***

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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 \***

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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**

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC (“PHLX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend Rule 910 titled “Qualifications as Member Organization” to permit an expedited application process for firms that are already approved members of The NASDAQ Stock Market, LLC (“NASDAQ”) or NASDAQ OMX BX, Inc. (“BX”).

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on July 17, 2013. 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.

Questions and comments on the proposed rule change may be directed to John C. Pickford, Assistant General Counsel, at (215) 496-5273.

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

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

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

a. Purpose

The purpose of the proposed rule change is to amend a PHLX membership rule and provide for an expedited review of applicants seeking to become PHLX member organizations that have already successfully undergone a NASDAQ or BX membership evaluation and are currently members in good standing of NASDAQ or BX. Currently, PHLX Rule 910 provides the qualifications for a Member Organization, including the required terms and conditions. The Exchange is proposing to modify Rule 910 in order to recognize the new member review previously conducted by member regulation when a PHLX applicant has already been approved for membership on NASDAQ or BX.<sup>3</sup> The fundamental membership qualifications are standard across all three domestic exchanges owned by The NASDAQ OMX Group<sup>4</sup> and are all reviewed by NASDAQ member regulation as part of the new member application process. These membership requirements include but are not limited to: registration as a Broker Dealer with the United States Securities and Exchange Commission, maintaining a pre-determined minimum net capital, qualification of associated persons, maintaining sufficient written supervisory procedures. These and other reviews are considered in each new member review conducted by NASDAQ member regulation or by FINRA on behalf of NASDAQ<sup>5</sup>.

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<sup>3</sup> NASDAQ and BX are filing separate rule changes which would recognize the membership review conducted by PHLX.

<sup>4</sup> NASDAQ, BX, and PHLX.

<sup>5</sup> FINRA reviews the following membership applications for NASDAQ and BX pursuant to a Regulatory Services Agreement (i) waive-in applications for

The Exchange is proposing to amend Rule 910 to align PHLX rules with the expedited membership processes that already exist on other exchanges affiliated with PHLX. Specifically, NASDAQ Rule and BX Rule 1013(a)(5)(C) both allow for an expedited membership review process for applicants that are already approved on an affiliated exchange.<sup>6</sup> The membership review for firms that submit a Waive-In Membership Application largely relies the information previously supplied to NASDAQ and simply reviews any additional new information which has changed or has not yet been evaluated by NASDAQ or by FINRA on behalf of NASDAQ as part of the membership determination. However, the Exchange notes that there are three differences from NASDAQ Rule 1013(a)(5)(C) and BX Rule 1013(a)(5)(C) and the proposed rule. The first is that NASDAQ and BX also allow FINRA members to qualify for expedited registration. PHLX does not plan to include FINRA members in the expedited process.<sup>7</sup>

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FINRA members that seek to become NASDAQ members; (ii) applications for NASDAQ applicants that are not FINRA members; (iii) applications for applicants that are simultaneously applying for FINRA and NASDAQ Membership; (iv) applications for NASDAQ Options Market Participation; (v) applications for NASDAQ OMX BX; NASDAQ and BX membership applications.

<sup>6</sup> For example, NASDAQ rule 1013(a)(5)(C) states: An applicant that is an approved FINRA or NASDAQ OMX BX, Inc. (“BX”) member shall have the option to apply to become a Nasdaq member and to register with Nasdaq all associated persons of the firm whose registrations with the firm are approved with FINRA or BX in categories recognized by Nasdaq rules through an expedited process by submitting a Waive-in Membership Application Form and a Nasdaq Membership Agreement. NASDAQ and BX will file subsequent rule changes to recognize the membership review conducted on behalf of PHLX.

<sup>7</sup> NASDAQ and BX recognize the FINRA membership approval because the membership rules are the same and are covered under a 17d-2 agreement. PHLX does not plan to recognize FINRA’s approval because of the slight differences in membership rules but will review this issue if PHLX membership rules are modified and become more closely aligned with NASDAQ and BX rules

The second is that both NASDAQ and BX have a Short Form Membership application for firms that are already members of the other exchange. PHLX will still require applicants to complete an Organization Membership Application, which must be signed by the Authorized Applicant, the Executive Representative and the Qualifying Permit Holder but will not, as part of the rule change, require the submission of duplicative documentation. The final difference is that the proposed amended rule will still require applicants that require access to the physical trading floor demonstrate knowledge of floor rules and procedures through an on-floor examination.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. NASDAQ's membership department on behalf of PHLX, which performs similar functions for NASDAQ and BX, reviews: applicant business plans, clearing arrangements, FOCUS reports, organizational charts, and Written Supervisory Procedures for firms applying to any NASDAQ OMX market.<sup>10</sup> These

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

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

<sup>10</sup> FINRA conducts the new member application reviews for NASDAQ and BX pursuant to a 17d-2 agreement and Regulatory Services Agreement. These application reviews are administered by FINRA and subject to NASDAQ's final review and decision.

fundamental documents are required for membership to FINRA, as well as for membership on other national securities exchanges.

PHLX believes that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>11</sup> because it would eliminate the duplicate review for prospective PHLX firms that have already been reviewed and approved for membership by NASDAQ or BX and would require firms only to provide additional information if there had been a change in status from when the firm previously applied to become a member on a NASDAQ OMX exchange. As a consequence, the proposed change will both bring efficiency to the Exchange's membership review process and reduce the burden on applicants that have already been approved for membership on another NASDAQ OMX domestic market by reducing the duplicative information and documentation required to be provided in the process. As a further consequence, the Exchange will be able to focus its regulatory efforts on reviewing any changes or new information that may affect the applicant's eligibility for Exchange membership. Applicants must attest that the information previously provided as part of a new membership review is complete and accurate. Additionally, the proposed expedited review process replicates a process that is currently available to members of NASDAQ and BX under their rules, with the additional requirement that applicants must complete an Organization Membership Application, and to the extent access to the trading floor is sought, pass an on-floor examination. As discussed, PHLX would continue to apply additional scrutiny to applicants in instances where PHLX would be the Designated Examining Authority ("DEA") or where the

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<sup>11</sup> Supra note 8.

applicant's proposed business activities required additional review.<sup>12</sup> PHLX is required to conduct additional examinations for firms that which PHLX is the DEA which includes examining firms for compliance with financial responsibility requirements imposed by the Securities Exchange Act of 1934 and by SEC or SRO rules.

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. The expedited review of membership for PHLX applicants will not impose any burden on competition and will remove unnecessary burdens that currently exist for NASDAQ and BX firms when seeking PHLX membership. Currently, existing NASDAQ or BX firms that seek to become PHLX member firms are required to undergo a duplicative membership review in order to add a PHLX membership. This redundant review would not exist if they sought membership on one of the other NASDAQ exchanges. The Exchange seeks this rule modification in order to harmonize the rules and minimize duplicative membership reviews across all NASDAQ OMX 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.

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<sup>12</sup> Prospective members seeking to conduct business on the PHLX trading floor requires a particularized understanding of the PHLX trading floor rules. Additionally, applicants for which PHLX will be the DEA are required to file the following material; Branch Office Disclosure Form, FOCUS filings, Verification of an error account, Proprietary Account of Introducing Broker Dealer Agreement, Confirmation of U4 registrations, Copy of Joint Back Office Agreements (if applicable), Notification of Applicant's intent to use Electronic Storage Media for maintaining and storing records.



6. Extension of Time Period for Commission Action

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

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

Pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

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. This proposed rule change does not affect the protection of investors as PHLX will maintain the vigorous membership review that is already being conducted by the same regulatory staff for both the NASDAQ and BX markets. The modification of this rule furthers the interest of the investing public and removes a burden on competition because firms seeking PHLX membership would not be hindered by a duplicative process that is not present for members seeking membership on other NASDAQ OMX exchanges. Today, NASDAQ or BX member firms seeking membership at PHLX do not have the option of applying through an expedited process, as occurs for members of NASDAQ or BX seeking membership on the other exchange. The Exchange believes that same reciprocity should

be granted to BX or NASDAQ members desiring to become PHLX members because the documentation required by applicants and the review conducted by staff is substantially similar. The Exchange believes that permitting an expedited review similar to the process which exists today between NASDAQ and BX members would allow PHLX members to forego unnecessary paperwork previously obtained as part of an application to become a NASDAQ or BX member.

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

The proposed rule change is based substantially on NASDAQ Rule 1013(a)(5)(C) and BX Rule 1013(a)(5)(C) with minor additions to the text and changes to the process reflective of PHLX's unique structure.<sup>13</sup> In particular, the Exchange notes that there are three differences from the existing NASDAQ and BX rules in its proposed rule. The first is that NASDAQ and BX also allow FINRA members to qualify for expedited registration. PHLX does not plan to include FINRA members in the expedited process.<sup>14</sup> The second is that both NASDAQ and BX have a Short Form Membership application for firms that are already members of the other exchange. PHLX will still require applicants to complete an Organization Membership Application, which must be signed by the Authorized Applicant, the Executive Representative and the Qualifying Permit Holder but will not, as part of the rule change, require the submission of duplicative

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<sup>13</sup> NASDAQ and BX rules allow prospective members to follow an expedited process if they are already members of the other respective exchange.

<sup>14</sup> NASDAQ and BX recognize the FINRA membership approval because the membership rules are the same and are covered under a 17d-2 agreement. PHLX does not plan to recognize FINRA's approval because of the slight differences in membership rules but will review this issue if PHLX membership rules are modified and become more closely aligned with NASDAQ and BX rules.

documentation. The final difference is that the proposed amended rule will still require applicants that require access to the physical trading floor demonstrate knowledge of floor rules and procedures through an on-floor examination.

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.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2014-07)

February \_\_, 2014

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Membership Process

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 30, 2014, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Exchange Rule 910 to permit an expedited application process for firms that are already approved members of The NASDAQ Stock Market, LLC (“NASDAQ”) or NASDAQ OMX BX, Inc. (“BX”).

The text of the proposed rule change is attached as Exhibit 5, available on the Exchange’s Website at [nasdaqomxphlx.cchwallstreet.com](http://nasdaqomxphlx.cchwallstreet.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend a PHLX membership rule and provide for an expedited review of applicants seeking to become PHLX member organizations that have already successfully undergone a NASDAQ or BX membership evaluation and are currently members in good standing of NASDAQ or BX. Currently, PHLX Rule 910 provides the qualifications for a Member Organization, including the required terms and conditions. The Exchange is proposing to modify Rule 910 in order to recognize the new member review previously conducted by member regulation when a PHLX applicant has already been approved for membership on NASDAQ or BX.<sup>3</sup> The fundamental membership qualifications are standard across all three domestic exchanges owned by The NASDAQ OMX Group<sup>4</sup> and are all reviewed by NASDAQ member regulation as part of the new member application process. These membership requirements include but are not limited to: registration as a Broker Dealer with the

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<sup>3</sup> NASDAQ and BX are filing separate rule changes which would recognize the membership review conducted by PHLX.

<sup>4</sup> NASDAQ, BX, and PHLX.

United States Securities and Exchange Commission, maintaining a pre-determined minimum net capital, qualification of associated persons, maintaining sufficient written supervisory procedures. These and other reviews are considered in each new member review conducted by NASDAQ member regulation or by FINRA on behalf of NASDAQ<sup>5</sup>.

The Exchange is proposing to amend Rule 910 to align PHLX rules with the expedited membership processes that already exist on other exchanges affiliated with PHLX. Specifically, NASDAQ Rule and BX Rule 1013(a)(5)(C) both allow for an expedited membership review process for applicants that are already approved on an affiliated exchange.<sup>6</sup> The membership review for firms that submit a Waive-In Membership Application largely relies the information previously supplied to NASDAQ and simply reviews any additional new information which has changed or has not yet been evaluated by NASDAQ or by FINRA on behalf of NASDAQ as part of the membership determination. However, the Exchange notes that there are three differences from NASDAQ Rule 1013(a)(5)(C) and BX Rule 1013(a)(5)(c) and the proposed rule. The first is that NASDAQ and BX also allow FINRA members to qualify for expedited

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<sup>5</sup> FINRA reviews the following membership applications for NASDAQ and BX pursuant to a Regulatory Services Agreement (i) waive-in applications for FINRA members that seek to become NASDAQ members; (ii) applications for NASDAQ applicants that are not FINRA members; (iii) applications for applicants that are simultaneously applying for FINRA and NASDAQ Membership; (iv) applications for NASDAQ Options Market Participation; (v) applications for NASDAQ OMX BX; NASDAQ and BX membership applications.

<sup>6</sup> For example, NASDAQ rule 1013(a)(5)(C) states: An applicant that is an approved FINRA or NASDAQ OMX BX, Inc. (“BX”) member shall have the option to apply to become a Nasdaq member and to register with Nasdaq all associated persons of the firm whose registrations with the firm are approved with FINRA or BX in categories recognized by Nasdaq rules through an expedited process by submitting a Waive-in Membership Application Form and a Nasdaq Membership Agreement. NASDAQ and BX will file subsequent rule changes to recognize the membership review conducted on behalf of PHLX.

registration. PHLX does not plan to include FINRA members in the expedited process.<sup>7</sup> The second is that both NASDAQ and BX have a Short Form Membership application for firms that are already members of the other exchange. PHLX will still require applicants to complete an Organization Membership Application, which must be signed by the Authorized Applicant, the Executive Representative and the Qualifying Permit Holder but will not, as part of the rule change, require the submission of duplicative documentation. The final difference is that the proposed amended rule will still require applicants that require access to the physical trading floor demonstrate knowledge of floor rules and procedures through an on-floor examination.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. NASDAQ's membership department on behalf of PHLX, which performs similar functions for NASDAQ and BX, reviews: applicant business plans, clearing arrangements, FOCUS reports, organizational charts, and Written

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<sup>7</sup> NASDAQ and BX recognize the FINRA membership approval because the membership rules are the same and are covered under a 17d-2 agreement. PHLX does not plan to recognize FINRA's approval because of the slight differences in membership rules but will review this issue if PHLX membership rules are modified and become more closely aligned with NASDAQ and BX rules.

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

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

Supervisory Procedures for firms applying to any NASDAQ OMX market.<sup>10</sup> These fundamental documents are required for membership to FINRA, as well as for membership on other national securities exchanges.

PHLX believes that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>11</sup> because it would eliminate the duplicate review for prospective PHLX firms that have already been reviewed and approved for membership by NASDAQ or BX and would require firms only to provide additional information if there had been a change in status from when the firm previously applied to become a member on a NASDAQ OMX exchange. As a consequence, the proposed change will both bring efficiency to the Exchange's membership review process and reduce the burden on applicants that have already been approved for membership on another NASDAQ OMX domestic market by reducing the duplicative information and documentation required to be provided in the process. As a further consequence, the Exchange will be able to focus its regulatory efforts on reviewing any changes or new information that may affect the applicant's eligibility for Exchange membership. Applicants must attest that the information previously provided as part of a new membership review is complete and accurate. Additionally, the proposed expedited review process replicates a process that is currently available to members of NASDAQ and BX under their rules, with the additional requirement that applicants must complete an Organization Membership Application, and to the extent access to the trading floor is sought, pass an on-floor examination. As

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<sup>10</sup> FINRA conducts the new member application review for NASDAQ and BX pursuant to a 17d-2 agreement and Regulatory Services Agreement. These application reviews are administered by FINRA and subject to NASDAQ's final review and decision.

<sup>11</sup> Supra note 8.



discussed, PHLX would continue to apply additional scrutiny to applicants in instances where PHLX would be the Designated Examining Authority (“DEA”) or where the applicant’s proposed business activities required additional review.<sup>12</sup> PHLX is required to conduct additional examinations for firms that which PHLX is the DEA which includes examining firms for compliance with financial responsibility requirements imposed by the Securities Exchange Act of 1934 and by SEC or SRO rules.

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. The expedited review of membership for PHLX applicants will not impose any burden on competition and will remove unnecessary burdens that currently exist for NASDAQ and BX firms when seeking PHLX membership. Currently, existing NASDAQ or BX firms that seek to become PHLX member firms are required to undergo a duplicative membership review in order to add a PHLX membership. This redundant review would not exist if they sought membership on one of the other NASDAQ exchanges. The Exchange seeks this rule modification in order to harmonize the rules and minimize duplicative membership reviews across all NASDAQ OMX exchanges.

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.

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<sup>12</sup> Prospective members seeking to conduct business on the PHLX trading floor requires a particularized understanding of the PHLX trading floor rules. Additionally, applicants for which PHLX will be the DEA are required to file the following material; Branch Office Disclosure Form, FOCUS filings, Verification of an error account, Proprietary Account of Introducing Broker Dealer Agreement, Confirmation of U4 registrations, Copy of Joint Back Office Agreements (if applicable), Notification of Applicant’s intent to use Electronic Storage Media for maintaining and storing records.

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

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, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>13</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>14</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved. The Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change

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:

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2014-07 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-2014-07. 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-2014-07 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.<sup>15</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Deleted text is [bracketed]. New text is underlined.

**NASDAQ OMX PHLX Rules****Rules of the Exchange**

\* \* \* \* \*

**Rule 910. Qualification as Member Organization**

(a) The Board of Directors may permit a member of this Exchange to qualify an entity as a member organization, subject to such terms and conditions as may from time to time be prescribed by Rule or may be imposed by the Board of Directors.

(b) Only an organization whose principal purpose is the transaction of business as a broker or dealer in securities may be qualified as a member organization.

(c) A Member Organization shall be organized under the laws of a jurisdiction approved by the Membership Department.

(d) If it appears to the Membership Department that the business form of a member organization is being used to evade financial responsibility, such organization shall not be registered as a member organization.

(e) No bank and no investment trust may be qualified or registered as a member organization.

(f)

(1) To obtain and maintain the status of a member organization, an organization shall: (i) be a broker or dealer duly registered under the Exchange Act; (ii) be duly qualified by a permit holder who is primarily affiliated with such organization for purposes of nominating as provided in the By-Laws; (iii) have submitted to the Membership Department an application for such status in the form approved by the Membership Department and any other information and materials requested by the Membership Department; (iv) have had such application approved by the Membership Department; and (v) meet such other requirements as are set forth in these By-Laws or the Rules of the Exchange.

(2) To obtain and maintain the status of a Market Maker on PSX, a member organization whose market making has not previously been approved by FINRA under the NASD Rule 1000 Series (or such successor FINRA Rules as may be adopted by FINRA), NASDAQ under the NASDAQ Rule 1000 Series, or NASDAQ OMX BX under the BX Rule 1000 Series shall: (i) have submitted to the Membership Department an application for such status in the form approved by the Membership Department and any other information and material requested

by the Membership Department; (ii) have had such application approved by the Membership Department; and (iii) meet such other requirements as are set forth in the By-Laws or Rules of the Exchange. The information to be provided shall include a business plan, an organizational chart, written supervisory procedures reflecting the change, and such other information as the Membership Department may request.

(3) An applicant that is an approved member in good standing of NASDAQ Stock Market, LLC (“NASDAQ”) or NASDAQ OMX BX, Inc. (“BX”) shall have the option to apply to become a member of the Exchange and to register with the Exchange all associated persons of the firm whose registrations with the firm are approved with NASDAQ or BX in categories recognized by the Rules of the Exchange through an expedited process. The expedited process requires applicants to complete an Organization Membership Application and attest that the application material previously provided and reviewed as part of the NASDAQ or BX application is complete and accurate but does not require the applicant to submit duplicative documentation which was previously produced. Applicants seeking membership on the Exchange trading floor are also required to demonstrate knowledge of Exchange Options Floor Rules and Procedures through an on-floor examination.

(g) Upon any violation of the terms and conditions of its registration, or if at any time the requirements thereof are not met, the Board of Directors may terminate the registration of a member organization by the affirmative vote of a majority of all Directors.

(h) A member of the Exchange who has qualified a member organization or a member organization may apply to the Board of Directors for termination of the registration of the member organization. Such termination shall become effective upon such date as the Board of Directors may determine and in no event shall it be effective until and unless the member organization and the member have discharged all commitments and liabilities to the Exchange and to its members and member organizations, or have made provision therefor satisfactory to the Membership Department. If the member who has qualified the member organization is prevented by death or incapacity from applying for the termination of such registration, the application may be made under the same terms and conditions as herein provided by his legal representative.

(i) During the unavoidable absence or disability of an officer (or person in a similar position) of a member organization who is a member of the Exchange, any officer or director (or person in a similar position) of such member organization shall have the privilege of effecting transactions on the Exchange in the name of the member organization.

(j) A member who is a general partner in a member organization that is a partnership is liable for the same discipline and penalties for any act or omission of said organization as for his own personal act or omission. The Board of Directors, by the affirmative vote of a majority of all Directors, may relieve him from the penalty therefor or may remit or

reduce such penalty on such terms and conditions as the Board of Directors shall deem fair and equitable.