

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 20      SECURITIES AND EXCHANGE COMMISSION      File No.\* SR - 2014 - \* 46  
 WASHINGTON, D.C. 20549      Form 19b-4      Amendment No. (req. for Amendments \*)

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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <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 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       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 SPY and DIA Options.

**Contact Information**  
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Jurij      Last Name \* Trypupenko  
 Title \* Associate General Counsel  
 E-mail \* jurij.trypupenko@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 07/09/2014      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 \***

Add Remove View

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

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

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

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

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, 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**

Add Remove View

Exhibit Sent As Paper Document

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

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

Add Remove View

Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

Add Remove View

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

**Exhibit 5 - Proposed Rule Text**

Add Remove View

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

**Partial Amendment**

Add Remove View

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Commentary .05 to Rule 1012 (Series of Options Open for Trading) to allow \$1 or greater strike price intervals for options on the SPDR<sup>®</sup> S&P 500<sup>®</sup> Exchange Traded Fund (“SPY”) and the SPDR<sup>®</sup> Dow Jones<sup>®</sup> Industrial Average Exchange Traded Fund (“DIA”).<sup>3</sup>

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 Directors of the Exchange (the “Board”) on July 17, 2013. 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.

---

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

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

<sup>3</sup> S&P<sup>®</sup>, S&P 500<sup>®</sup>, Standard & Poor’s<sup>®</sup>, and SPDR<sup>®</sup> are registered trademarks of Standard & Poor’s<sup>®</sup> Financial Services LLC. Dow Jones<sup>®</sup>, DJIA<sup>SM</sup>, and Dow Jones Industrial Average<sup>SM</sup> are registered trade and service marks of Dow Jones<sup>®</sup> Trademark Holdings LLC.

Questions and comments on the proposed rule change may be directed to Jurij Trypupenko, Associate General Counsel, The NASDAQ OMX Group, Inc., 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 Commentary .05 to Rule 1012 by modifying the interval setting regime for SPY and DIA options listed on the SPDR S&P 500 Exchange Traded Fund ("ETF") and the SPDR Dow Jones Industrial Average ETF, respectively, to allow \$1 or greater strike price intervals.<sup>4</sup> Through this filing, the Exchange intends to make SPY and DIA options more tailored and easier for investors and traders to use.

Under current Rule 1012, the interval of strike prices of series of options on ETFs is \$1 or greater where the strike price is 200 or less and \$5 or greater where the strike price is more than 200.<sup>5</sup> The Proposal seeks to narrow those strike intervals to \$1 apart for SPY and DIA options, in effect matching the interval for these products to ETF option strike prices at or below 200.

The strike prices for SPY and DIA options are approaching the 200 price point. By the end of June 2014, for example, SPY options were trading at more than \$195 per share and DIA options were trading at more than \$168 per share. As the option strike prices continue to appreciate, investor and member demands to list additional SPY and

---

<sup>4</sup> The SPDR S&P 500 ETF is based on the broad-based S&P 500 Index, and the SPDR Dow Jones Industrial Average ETF is based on the Dow Jones Industrial Average.

<sup>5</sup> See Commentary .05(a)(iv)(A) to Rule 1012.

DIA option series continue to increase. SPY is the most heavily traded and liquid exchange-traded product in the U.S., and SPY options represent 13% of the total option volume in the U.S. and 12% of the options volume on the Exchange. DIA options represent 11% of the options volume on the Exchange and less than 1% of the options volume in the U.S. Moreover, the popularity of DIA and SPY options is reflected in the fact that they have options contracts reflecting monthly, quarterly, and weekly expiration cycles.<sup>6</sup> Not having the proposed \$1 intervals above a 200 strike price will significantly limit investors' hedging and trading possibilities, particularly when it comes to executing strategies that are effective in \$1 intervals; and may, as a result, constrict trading and hedging activity. The Exchange therefore proposes to amend Commentary .05 to Rule 1012 to allow SPY and DIA options to trade in \$1 increments.

Specifically, the Exchange proposes to add Commentary .05(a)(iv)(C) to state that notwithstanding any other provision regarding the interval of strike prices of series of options on ETFs in Rule 1012, the interval of strike prices on SPY and DIA options will be \$1 or greater. By having smaller strike intervals in SPY and DIA, investors will have more efficient hedging and trading opportunities due to the higher \$1 interval ascension. The proposed \$1 intervals, particularly above a 200 strike price, will result in having at-the-money series based upon the underlying SPY or DIA moving less than 1%, which falls in line with slower price movements of a broad-based index. Furthermore, the proposed \$1 intervals will allow currently employed option trading strategies (such as, for example, risk reduction/hedging strategies using SPY weekly options) to remain in play. Considering that \$1 intervals already exist below the 200 price point and that SPY

---

<sup>6</sup> For rules regarding quarterly options and weekly options (also known as Short Term Options), see Commentaries .08 and .11, respectively, to Rule 1012.

and DIA are approaching the 200 level, continuing to maintain the artificial 200 level (above which intervals increase 500%, to \$5), will have a negative effect on investing, trading and hedging opportunities and volume. The continued demand for highly liquid options such as SPY and DIA, and the investing, trading, and hedging opportunities they represent, far outweighs any potential negative impact of allowing SPY and DIA options to trade in more finely tailored intervals above a 200 price point.

With the proposal, for example, investors and traders would be able to roll open positions from a lower strike to a higher strike in conjunction with the price movement of the underlying. Under the current rule, where the next higher available series would be \$5 away above a 200 strike price, the ability to roll such positions is effectively negated. Thus, to move a position from a 200 strike to a 205 strike under the current rule, an investor would need for the underlying product to move 2.5%, and would not be able to execute a roll up until such a large movement occurred. With the proposed rule change, however, the investor would be in a significantly safer position of being able to roll his open options position from a 200 to a 201 strike price, which is only a 0.5% move for the underlying.

By allowing SPY and DIA options in \$1 intervals over a 200 strike price, the proposal will moderately augment the total number of options series available on the Exchange. However, 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 proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this

proposal. The Exchange also represents that it does not believe this expansion will cause fragmentation of liquidity.

The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by giving them more flexibility to more closely tailor their investment and hedging decisions by allowing SPY and DIA options to trade in finer \$1 intervals.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>7</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>8</sup> because it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

In particular, the proposed rule change would add consistency to the SPY and DIA options markets and allow investors to use SPY and DIA options more easily and effectively. Moreover, the proposed rule change would allow investors and traders, whether big or small, to better trade and hedge positions in SPY and DIA options where the strike price is greater than 200, and ensure that SPY and DIA options investors and traders are not at a disadvantage simply because of the strike price.

---

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>9</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow SPY and DIA options to trade in \$1 intervals above a 200 strike price. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality

As noted above, ETF options trade in wider \$5 intervals above a 200 strike price, whereby options at or below a 200 strike price trade in \$1 intervals. This creates a situation where contracts on the same option class, namely SPY and DIA options, effectively may not be able to execute certain strategies such as, for example, rolling to a higher strike price, simply because of the arbitrary 200 strike price above which options intervals increase by 500%. This proposal remedies the situation by establishing an exception to the current ETF interval regime, for SPY and DIA options only, to allow such options to trade in \$1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with changes proposed by other exchanges.<sup>10</sup>

---

<sup>9</sup> 15 U.S.C. 78f(b)(1).

<sup>10</sup> See, e.g., Securities Exchange Act Release No. 72482 (June 26, 2014), 79 FR 27006 (July 2, 2014) (SR-CBOE-2014-051)(notice of filing and immediate

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that SPY and DIA option investors and traders will significantly benefit from the availability of finer strike price intervals above a 200 price point.

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.

---

effectiveness modifying the strike price regime for Mini-S&P 500 Index (XSP) options).

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

The Exchange respectfully requests accelerated approval of the proposal so that market participants have the ability, as soon as possible, to more effectively tailor their investing, trading, and hedging decisions in respect of SPY and DIA options by using finer \$1 increments.

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

Not applicable.<sup>11</sup>

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.

---

<sup>11</sup> The Exchange has noted that other options markets have filed similar proposals to modify the strike price (intervals) regime for specific options. See, e.g., Securities Exchange Act Release No. 72482 (June 26, 2014), 79 FR 27006 (July 2, 2014) (SR-CBOE-2014-051)(notice of filing and immediate effectiveness modifying the strike price regime for Mini-S&P 500 Index (XSP) options).

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2014-46)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of Proposed Rule Change Relating to SPY and DIA Options

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 July 9, 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 Commentary .05 to Rule 1012 (Series of Options Open for Trading) to allow \$1 or greater strike price intervals for options on the SPDR<sup>®</sup> S&P 500<sup>®</sup> Exchange Traded Fund (“SPY”) and the SPDR<sup>®</sup> Dow Jones<sup>®</sup> Industrial Average Exchange Traded Fund (“DIA”).<sup>3</sup>

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

---

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

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

<sup>3</sup> S&P<sup>®</sup>, S&P 500<sup>®</sup>, Standard & Poor’s<sup>®</sup>, and SPDR<sup>®</sup> are registered trademarks of Standard & Poor’s<sup>®</sup> Financial Services LLC. Dow Jones<sup>®</sup>, DJIA<sup>SM</sup>, and Dow Jones Industrial Average<sup>SM</sup> are registered trade and service marks of Dow Jones<sup>®</sup> Trademark Holdings LLC.

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 this proposed rule change is to amend Commentary .05 to Rule 1012 by modifying the interval setting regime for SPY and DIA options listed on the SPDR S&P 500 Exchange Traded Fund (“ETF”) and the SPDR Dow Jones Industrial Average ETF, respectively, to allow \$1 or greater strike price intervals.<sup>4</sup> Through this filing, the Exchange intends to make SPY and DIA options more tailored and easier for investors and traders to use.

Under current Rule 1012, the interval of strike prices of series of options on ETFs is \$1 or greater where the strike price is 200 or less and \$5 or greater where the strike price is more than 200.<sup>5</sup> The Proposal seeks to narrow those strike intervals to \$1 apart for SPY and DIA options, in effect matching the interval for these products to ETF option strike prices at or below 200.

---

<sup>4</sup> The SPDR S&P 500 ETF is based on the broad-based S&P 500 Index, and the SPDR Dow Jones Industrial Average ETF is based on the Dow Jones Industrial Average.

<sup>5</sup> See Commentary .05(a)(iv)(A) to Rule 1012.

The strike prices for SPY and DIA options are approaching the 200 price point. By the end of June 2014, for example, SPY options were trading at more than \$195 per share and DIA options were trading at more than \$168 per share. As the option strike prices continue to appreciate, investor and member demands to list additional SPY and DIA option series continue to increase. SPY is the most heavily traded and liquid exchange-traded product in the U.S., and SPY options represent 13% of the total option volume in the U.S. and 12% of the options volume on the Exchange. DIA options represent 11% of the options volume on the Exchange and less than 1% of the options volume in the U.S. Moreover, the popularity of DIA and SPY options is reflected in the fact that they have options contracts reflecting monthly, quarterly, and weekly expiration cycles.<sup>6</sup> Not having the proposed \$1 intervals above a 200 strike price will significantly limit investors' hedging and trading possibilities, particularly when it comes to executing strategies that are effective in \$1 intervals; and may, as a result, constrict trading and hedging activity. The Exchange therefore proposes to amend Commentary .05 to Rule 1012 to allow SPY and DIA options to trade in \$1 increments.

Specifically, the Exchange proposes to add Commentary .05(a)(iv)(C) to state that notwithstanding any other provision regarding the interval of strike prices of series of options on ETFs in Rule 1012, the interval of strike prices on SPY and DIA options will be \$1 or greater. By having smaller strike intervals in SPY and DIA, investors will have more efficient hedging and trading opportunities due to the higher \$1 interval ascension. The proposed \$1 intervals, particularly above a 200 strike price, will result in having at-the-money series based upon the underlying SPY or DIA moving less than 1%, which

---

<sup>6</sup> For rules regarding quarterly options and weekly options (also known as Short Term Options), see Commentaries .08 and .11, respectively, to Rule 1012.

falls in line with slower price movements of a broad-based index. Furthermore, the proposed \$1 intervals will allow currently employed option trading strategies (such as, for example, risk reduction/hedging strategies using SPY weekly options) to remain in play. Considering that \$1 intervals already exist below the 200 price point and that SPY and DIA are approaching the 200 level, continuing to maintain the artificial 200 level (above which intervals increase 500%, to \$5), will have a negative effect on investing, trading and hedging opportunities and volume. The continued demand for highly liquid options such as SPY and DIA, and the investing, trading, and hedging opportunities they represent, far outweighs any potential negative impact of allowing SPY and DIA options to trade in more finely tailored intervals above a 200 price point.

With the proposal, for example, investors and traders would be able to roll open positions from a lower strike to a higher strike in conjunction with the price movement of the underlying. Under the current rule, where the next higher available series would be \$5 away above a 200 strike price, the ability to roll such positions is effectively negated. Thus, to move a position from a 200 strike to a 205 strike under the current rule, an investor would need for the underlying product to move 2.5%, and would not be able to execute a roll up until such a large movement occurred. With the proposed rule change, however, the investor would be in a significantly safer position of being able to roll his open options position from a 200 to a 201 strike price, which is only a 0.5% move for the underlying.

By allowing SPY and DIA options in \$1 intervals over a 200 strike price, the proposal will moderately augment the total number of options series available on the Exchange. However, 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 proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange also represents that it does not believe this expansion will cause fragmentation of liquidity.

The Exchange believes that the proposed rule change, like the other strike price programs currently offered by the Exchange, will benefit investors by giving them more flexibility to more closely tailor their investment and hedging decisions by allowing SPY and DIA options to trade in finer \$1 intervals.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>7</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>8</sup> because it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

In particular, the proposed rule change would add consistency to the SPY and DIA options markets and allow investors to use SPY and DIA options more easily and effectively. Moreover, the proposed rule change would allow investors and traders, whether big or small, to better trade and hedge positions in SPY and DIA options where

---

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

the strike price is greater than 200, and ensure that SPY and DIA options investors and traders are not at a disadvantage simply because of the strike price.

The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>9</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The rule change proposal allows the Exchange to respond to customer demand to allow SPY and DIA options to trade in \$1 intervals above a 200 strike price. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality

As noted above, ETF options trade in wider \$5 intervals above a 200 strike price, whereby options at or below a 200 strike price trade in \$1 intervals. This creates a situation where contracts on the same option class, namely SPY and DIA options, effectively may not be able to execute certain strategies such as, for example, rolling to a higher strike price, simply because of the arbitrary 200 strike price above which options intervals increase by 500%. This proposal remedies the situation by establishing an exception to the current ETF interval regime, for SPY and DIA options only, to allow such options to trade in \$1 or greater intervals at all strike prices.

The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions.

---

<sup>9</sup> 15 U.S.C. 78f(b)(1).

Moreover, the proposed rule change is consistent with changes proposed by other exchanges.<sup>10</sup>

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Specifically, the Exchange believes that SPY and DIA option investors and traders will significantly benefit from the availability of finer strike price intervals above a 200 price point.

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.

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

---

<sup>10</sup> See, e.g., Securities Exchange Act Release No. 72482 (June 26, 2014), 79 FR 27006 (July 2, 2014) (SR-CBOE-2014-051)(notice of filing and immediate effectiveness modifying the strike price regime for Mini-S&P 500 Index (XSP) options).

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2014-46 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-2014-46. 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-2014-46 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>11</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>11</sup> 17 CFR 200.30-3(a)(12).

**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) - (iii) No Change.

(iv) (A) The interval of strike prices of series of options on Exchange-Traded Fund Shares will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.

(B) The interval of strike prices of series of options on SLV and USO Exchange-Traded Fund Shares will be \$.50 or greater where the strike price is less than \$75.

(C) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR<sup>®</sup> S&P 500<sup>®</sup> ETF (“SPY”) and the SPDR<sup>®</sup> Dow Jones<sup>®</sup> Industrial Average ETF (“DIA”) options will be \$1 or greater.

(v) - (vii) No Change.

(b) - (c) No Change.

**.06 - .13** No Change.

\* \* \* \* \*