Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

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

Executive Vice President and General Counsel

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

(a) NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes to amend the Exchange’s Pricing Schedule to amend Simple Order pricing in Section I, entitled Rebates and Fees for Adding and Removing Liquidity in SPY.\(^3\)

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on August 1, 2014.

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

(b) Not applicable.

(c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on July 16, 2014. 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.

---


\(^3\) Options overlying Standard and Poor's Depositary Receipts/SPDRs (“SPY”) are based on the SPDR exchange-traded fund (“ETF”), which is designed to track the performance of the S&P 500 Index.
Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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

   a. **Purpose**

   The Exchange is proposing to amend the Simple Order Fees for Removing Liquidity in Section I applicable to transactions overlying SPY. The Exchange currently assesses Customers a $0.47 per contract Fee for Removing Liquidity in SPY Simple Orders. The Exchange is proposing to decrease the Customer Fee for Removing Liquidity in SPY Simple Orders from $0.47 to $0.43 per contract. The Exchange believes that decreasing the SPY Simple Order Fee for Removing Liquidity for Customers will encourage market participants to transact a greater number of Customer orders in SPY options. The SPY Simple Order Fee for Removing Liquidity for Specialists, Market Makers, Firms, Broker-Dealers and Professionals will remain at $0.49 per contract.

---

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

5 A “Market Maker” includes Registered Options Traders (Rule 1014(b)(i) and (ii)), which includes Streaming Quote Traders (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders (see Rule 1014(b)(ii)(B)).

6 The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation.

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

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

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,\(^9\) in general, and with Section 6(b)(4) and 6(b)(5) of the Act,\(^10\) in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange’s proposal to decrease the Customer Fee for Removing Liquidity in Simple Orders for options overlying SPY from $0.47 to $0.43 per contract is reasonable because the Exchange believes the fee reduction will encourage a greater number of market participants to remove Customer liquidity on Phlx. Customer orders bring valuable liquidity to the market which liquidity benefits other market participants.

The Exchange’s proposal to decrease the Customer Fee for Removing Liquidity in Simple Orders for options overlying SPY from $0.47 to $0.43 per contract is equitable and not unfairly discriminatory because all non-Customer market participants will be assessed a uniform Fee for Removing Liquidity in Simple Orders for options overlying SPY of $0.49 per contract. Reducing the Customer Fee for Removing Liquidity in SPY Simple Orders is equitable and not unfairly discriminatory because Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in


\(^10\) 15 U.S.C. 78f(b)(4) and (5).
order flow from other market participants.

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

Phlx does not believe that the proposed rule change will impose an undue burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that decreasing the SPY Simple Order Customer Fee for Removing Liquidity does not impose a burden on competition, but rather that the proposed rule change will attract more Customer orders on Phlx. All non-Customer market participants will continue to be assessed the same fee to remove SPY Simple Orders. The Exchange believes that all market participants benefit from increased Customer liquidity on Phlx which attracts Specialists and Market Makers. An increase in the activity of Specialists and Market Makers in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange operates in a highly competitive market, comprised of twelve options exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates to be inadequate. Accordingly, the fees that are assessed and the rebates paid by the Exchange described in the above proposal are influenced by these robust market forces and therefore must remain competitive with fees charged and rebates paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.
5. **Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act, the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

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

9. **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.

2. Text of the Rule Change.

---

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.          ; File No. SR-Phlx-2014-50)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change Relating to Simple Order Fees for
Removing Liquidity in SPY Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and
Rule 19b-4 thereunder,² notice is hereby given that on July 28, 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 the Exchange’s Pricing Schedule to amend
   Simple Order pricing in Section I, entitled Rebates and Fees for Adding and Removing
   Liquidity in SPY.³

   While the changes proposed herein are effective upon filing, the Exchange has
designated that the amendments be operative on August 1, 2014.


³ Options overlying Standard and Poor's Depositary Receipts/SPDRs ("SPY") are based
   on the SPDR exchange-traded fund ("ETF"), which is designed to track the performance
   of the S&P 500 Index.
The text of the proposed rule change is available on the Exchange’s Website at http://nasdaqomxphlx.chwallstreet.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.

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

1. Purpose

The Exchange is proposing to amend the Simple Order Fees for Removing Liquidity in Section I applicable to transactions overlying SPY. The Exchange currently assesses Customers a $0.47 per contract Fee for Removing Liquidity in SPY Simple Orders. The Exchange is proposing to decrease the Customer Fee for Removing Liquidity in SPY Simple Orders from $0.47 to $0.43 per contract. The Exchange believes that decreasing the SPY Simple Order Fee for Removing Liquidity for Customers will encourage market participants to transact a greater number of Customer orders in SPY options. The SPY Simple Order Fee for Removing Liquidity for
Specialists,\(^4\) Market Makers,\(^5\) Firms,\(^6\) Broker-Dealers\(^7\) and Professionals\(^8\) will remain at $0.49 per contract.

2. **Statutory Basis**

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,\(^9\) in general, and with Section 6(b)(4) and 6(b)(5) of the Act,\(^10\) in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange’s proposal to decrease the Customer Fee for Removing Liquidity in Simple Orders for options overlying SPY from $0.47 to $0.43 per contract is reasonable because the Exchange believes the fee reduction will encourage a greater number of market participants to remove Customer liquidity on Phlx. Customer orders

---

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

\(^5\) A “Market Maker” includes Registered Options Traders (Rule 1014(b)(i) and (ii)), which includes Streaming Quote Traders (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders (see Rule 1014(b)(ii)(B)).

\(^6\) The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation.

\(^7\) The term “Broker-Dealer” applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

\(^8\) The term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).


\(^10\) 15 U.S.C. 78f(b)(4) and (5).
bring valuable liquidity to the market which liquidity benefits other market participants.

The Exchange’s proposal to decrease the Customer Fee for Removing Liquidity in Simple Orders for options overlying SPY from $0.47 to $0.43 per contract is equitable and not unfairly discriminatory because all non-Customer market participants will be assessed a uniform Fee for Removing Liquidity in Simple Orders for options overlying SPY of $0.49 per contract. Reducing the Customer Fee for Removing Liquidity in SPY Simple Orders is equitable and not unfairly discriminatory because Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

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

Phlx does not believe that the proposed rule change will impose an undue burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that decreasing the SPY Simple Order Customer Fee for Removing Liquidity does not impose a burden on competition, but rather that the proposed rule change will attract more Customer orders on Phlx. All non-Customer market participants will continue to be assessed the same fee to remove SPY Simple Orders. The Exchange believes that all market participants benefit from increased Customer liquidity on Phlx which attracts Specialists and Market Makers. An increase in the activity of Specialists and Market Makers in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.
The Exchange operates in a highly competitive market, comprised of twelve options exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates to be inadequate. Accordingly, the fees that are assessed and the rebates paid by the Exchange described in the above proposal are influenced by these robust market forces and therefore must remain competitive with fees charged and rebates paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

C. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act. 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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with

---

the Act. Comments may be submitted by any of the following methods:

**Electronic comments:**

- Use the Commission’s Internet comment form
  (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2014-50 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-2014-50. 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-2014-50 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.\textsuperscript{12}

Kevin M. O’Neill  
Deputy Secretary

\textsuperscript{12} 17 CFR 200.30-3(a)(12).
EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX LLC1 PRICING SCHEDULE
ALL BILLING DISPUTES MUST BE SUBMITTED TO THE EXCHANGE IN WRITING AND MUST BE ACCOMPANIED BY SUPPORTING DOCUMENTATION. ALL DISPUTES MUST BE SUBMITTED NO LATER THAN SIXTY (60) DAYS AFTER RECEIPT OF A BILLING INVOICE, EXCEPT FOR DISPUTES CONCERNING NASDAQ OMX PSX FEES, PROPRIETARY DATA FEED FEES AND CO-LOCATION SERVICES FEES. AS OF JANUARY 3, 2011, THE EXCHANGE WILL CALCULATE FEES ON A TRADE DATE BASIS.

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

* * * * *

I. Rebates and Fees for Adding and Removing Liquidity in SPY
With respect to Section C of this Pricing Schedule, the order that is received by the trading system first in time shall be considered an order adding liquidity and an order that trades against that order shall be considered an order removing liquidity, except with respect to orders that trigger an order exposure alert. Customer volume attributable to this section will be included in the calculation of Customer volume in Multiply Listed Options that are electronically-delivered and executed for purposes of the Customer Rebate Program in Section B. However, the rebates defined in Section B will not apply to electronic executions in SPY.

Part A. Simple Order

<table>
<thead>
<tr>
<th></th>
<th>Customer Specialist</th>
<th>Market Maker</th>
<th>Firm</th>
<th>Broker-Dealer</th>
<th>Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebate for Adding Liquidity</td>
<td>$0.00</td>
<td>$0.20</td>
<td>$0.20</td>
<td>$0.00 $0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Fee for Removing Liquidity</td>
<td>$0.[47]43$0.49</td>
<td>$0.49</td>
<td>$0.49</td>
<td>$0.49 $0.49</td>
<td>$0.49</td>
</tr>
</tbody>
</table>
Part B. Complex Order

<table>
<thead>
<tr>
<th></th>
<th>Customer Specialist</th>
<th>Market Maker</th>
<th>Firm</th>
<th>Broker-Dealer</th>
<th>Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee for Adding Liquidity</td>
<td>$0.00</td>
<td>$0.10</td>
<td>$0.10</td>
<td>$0.10 $0.10</td>
<td>$0.10</td>
</tr>
<tr>
<td>Fee for Removing Liquidity</td>
<td>$0.00</td>
<td>$0.40</td>
<td>$0.40</td>
<td>$0.50 $0.50</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

- Complex Order Fees for Removing Liquidity, applicable to Specialists and Market Makers, will be decreased by $0.02 per contract when the Specialist or Market Maker transacts against a Customer Order directed to that Specialist or Market Maker for execution.

- Simple Orders that are executed against the individual components of Complex Orders will be assessed the fees and rebates in Part A. However, the individual components of such a Complex Order will be assessed the fees in Part B.

- No fees will be assessed and no rebates will be paid on transactions which execute against an order for which the Exchange broadcast an order exposure alert in SPY.

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

- The Monthly Market Maker Cap on transaction fees that are currently applicable to Market Makers and Specialists transacting Multiply Listed Options will not be applicable to electronic transactions in the SPY, except for QCC Transaction Fees.

- The Monthly Firm Fee Cap will apply to floor transactions and QCC electronic and QCC floor transactions in SPY.

- Payment for Order Flow fees defined in Section II will not be collected on transactions in SPY.

- The Cancellation Fee for each cancelled electronically delivered Professional AON order will continue to apply to the SPY. The Cancellation Fee will not apply for each cancelled electronically delivered Customer order in SPY.

- Transactions in SPY originating on the Exchange floor will be subject to the Multiply Listed Options Fees (see Multiply Listed Options Fees in Section II). However, if one side of the transaction originates on the Exchange floor and any other side of the trade
was the result of an electronically submitted order or a quote, then these fees will apply to the transactions which originated on the Exchange floor and contracts that are executed electronically on all sides of the transaction.

- A non-Complex electronic auction includes the Quote Exhaust auction and, for purposes of these fees, the opening process. A Complex electronic auction includes, but is not limited to, the Complex Order Live Auction ("COLA").

- Customer executions that occur as part of a Complex electronic auction will be assessed $0.00 per contract.

- Customer executions that occur as part of a non-Complex electronic auction will be assessed $0.00 per contract.

- Professional, Firm, Broker-Dealer, Specialist and Market Maker executions that occur as part of a Complex electronic auction will be assessed the Fees for Removing Liquidity in Part B. Professional, Firm, Broker-Dealer, Specialist and Market Maker executions that occur as part of a non-Complex electronic auction will be assessed the Fees for Adding Liquidity in Part B.

- The QCC Transaction fees and rebates, defined in Section II, are applicable to this Section C.

PIXL Executions in SPY:

- Initiating Order: $0.05 per contract.

- When the PIXL Order is contra to the Initiating Order, a Customer PIXL Order will be assessed $0.00 per contract and all other non-Customer market participants will be assessed a $0.38 per contract fee when contra to an Initiating Order.

- When the PIXL Order is contra to other than the Initiating Order, the PIXL Order will be assessed $0.00 per contract, unless the order is a Customer, in which case the Customer will receive a rebate of $0.38 per contract. All other contra parties to the PIXL Order, other than the Initiating Order, will be assessed a Fee for Removing Liquidity of $0.38 per contract or will receive the Rebate for Adding Liquidity.

* * * * *