

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 72	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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	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 checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)
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"/>			
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="A proposed rule change relating to PIXL Executions in SPY and PIXL Pricing."/>				
<b>Contact Information</b>				
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 *	<input type="text" value="Jurij"/>	Last Name *	<input type="text" value="Trypupenko"/>	
Title *	<input type="text" value="Associate General Counsel"/>			
E-mail *	<input type="text" value="jurij.trypupenko@nasdaq.com"/>			
Telephone *	<input type="text" value="(301) 978-8132"/>	Fax	<input type="text" value="(301) 978-8472"/>	
<b>Signature</b>				
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	<input type="text" value="10/31/2014"/>	<input type="text" value="Executive Vice President and General Counsel"/>		
By	<input type="text" value="Edward S. Knight"/>	<input type="text"/>		
(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.				
<input type="button" value="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 modify Section I entitled “Rebates and Fees for Adding and Removing Liquidity in SPY<sup>3</sup>” and Section IV entitled “Other Transaction Fees” of the Phlx Pricing Schedule (“Pricing Schedule”). Specifically, the Exchange proposes to amend its Initiating Order Fee for PIXL<sup>4</sup> Executions in SPY and PIXL Pricing for Initiating Order that is contra to a Customer<sup>5</sup> PIXL order, to allow for volume discounts.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on November 3, 2014.

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

(b) Not applicable.

(c) Not applicable.

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

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

<sup>3</sup> SPY options are based on the SPDR exchange-traded fund (“ETF”), which is designed to track the performance of the S&P (Standard and Poors) 500 Index.

<sup>4</sup> PIXL is the Exchange's price improvement mechanism known as Price Improvement XL or (PIXL<sup>SM</sup>). See Rule 1080(n).

<sup>5</sup> The term "Customer" applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Rule 1000(b)(14)).

2. 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.

Questions and comments on the proposed rule change may be directed to Jurij Trypupenko, Associate General Counsel, The NASDAQ OMX Group, 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 filing is to amend Section I entitled “Rebates and Fees for Adding and Removing Liquidity in SPY” and Section IV entitled “Other Transaction Fees” of the Pricing Schedule. Specifically, the Exchange proposes to amend the Initiating Order Fee (“Order Fee”) for PIXL Executions in SPY (“SPY Pricing”) and PIXL Pricing for Initiating Orders (“PIXL Pricing”) that is contra to a Customer PIXL order. This would allow for volume discounts for Professional,<sup>6</sup> Firm,<sup>7</sup> Broker-Dealer,<sup>8</sup>

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<sup>6</sup> 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).

<sup>7</sup> 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 (“OCC”).

<sup>8</sup> The term "Broker-Dealer" applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

Specialist<sup>9</sup> or Market Maker<sup>10</sup> orders that are contra to a Customer PIXL Order, such that the Initiating Order Fee will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts. Today, the Initiating Order Fee for options overlying SPY is \$0.05 per contract and is not specific to market participants.

The Exchange believes that the proposed pricing will encourage market participants to send an even greater amount of orders to the Exchange through PIXL.

Section IV of the Pricing Schedule specifies PIXL pricing for all other options, except SPY. Today, an Initiating Order is assessed \$0.07 per contract or \$0.05 per contract if the Customer Rebate Program<sup>11</sup> Threshold Volume defined in Section B is greater than 100,000 contracts per day in a month. Any member or member organization under Common Ownership<sup>12</sup> with another member or member organization that qualifies for a Customer Rebate Tier discount in Section B will receive the PIXL Initiating Order discount as described above. Today, the Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL

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<sup>9</sup> A "Specialist" is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>10</sup> 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)). Directed Participants are also market makers.

<sup>11</sup> Currently, the Exchange has in place a four tier structure Customer Rebate Program at Section B of the Pricing Schedule which pays Customer rebates on four Categories (A, B, C and D) of transactions. The four tier structure pays rebates based on percentage thresholds of national customer multiply-listed options volume by month based on the same four Categories (A, B, C and D) of transactions.

<sup>12</sup> The term "Common Ownership" shall mean members or member organizations under 75% common ownership or control. See Preface to the Pricing Schedule.

Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 999 contracts (“volume discount”).

The Exchange proposes to amend 999 contracts to 399 contracts in the volume discount. Section IV PIXL Pricing, as proposed, would state: “The Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts.”

For uniformity, the Exchange also proposes to add the same volume discount in Section I regarding SPY Pricing, so that an alternative to the Initiating Order fee of \$0.05 per contract is indicated. Section I SPY Pricing, as proposed, would state: “The Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts.”

The Exchange believes that this amendment to PIXL pricing will encourage a greater number of PIXL Orders on the Exchange, thereby increasing liquidity.

b. Statutory Basis

The Exchange believes that its proposal to amend the Pricing Schedule is consistent with Section 6(b) of the Act<sup>13</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>14</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons

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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(4), (5).

using any facility or system which Phlx operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to adopt new pricing for SPY is reasonable, equitable, and not unfairly discriminatory because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes. SPY options are currently the most actively traded equity or ETF option class.<sup>15</sup> Other options exchanges price by symbol.<sup>16</sup>

The Exchange's proposed volume discount for SPY Pricing is reasonable because the Exchange desires to incentivize market participants to transact a greater number of SPY options. The Exchange is offering a volume discount specific to SPY because, as previously mentioned, SPY options are currently the most actively traded options class and therefore the Exchange believes that incentivizing Professionals, Firms, Broker-Dealers, Specialists and Market Makers to add increased liquidity in SPY options and encouraging market participants to send order flow to the Exchange by adding a volume discount will benefit all market participants through increased liquidity, tighter markets and order interaction. The Exchange believes it is reasonable to assess lower fees to transact SPY options to Professionals, Firms, Broker-Dealers, Specialists and Market Makers because the Exchange seeks to incentivize these market participants to transact a

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<sup>15</sup> For September 2014, SPY Options accounted for approximately 14.76% of the overall equity and ETF options volume industry-wide (approximately 12.30% of the overall Phlx volume). By comparison, the second most actively traded equity or ETF option is AAPL, which accounts for approximately 7.80% of the overall equity and ETF options volume industry-wide (approximately 6.00% of the overall Phlx volume).

<sup>16</sup> See the Chicago Board Options Exchange Incorporated's Fees Schedule and the International Securities Exchange LLC.

greater number of SPY options. The Exchange would assess higher fees if the Customer PIXL Order is 399 contracts or less.

The Exchange's proposed new volume discount for SPY Pricing is equitable and not unfairly discriminatory. Today, the Exchange assesses a \$0.05 per contract Initiating Order Fee for PIXL Executions in SPY (which apply to fees in Parts A and B). 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. Also, 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. The Exchange is proposing to continue to assess the aforementioned fees, and is proposing to amend the volume discount. The Exchange believes that assessing lower Fees for Adding Liquidity, greater than 399 contracts, will incentivize Professionals, Firms, Broker-Dealers, Specialists and Market Makers to interact with a greater number of Initiating Orders in SPY options on the Exchange through PIXL. The Exchange believes that it is equitable and not unreasonably discriminatory to assess the same fees for Initiating Orders in SPY options to all market participants based on volume, or liquidity provided to the Exchange. Creating incentives and attracting SPY Orders to the Exchange benefits all market participants through increased liquidity at the Exchange. A higher percentage of SPY Orders in PIXL leads to increased auctions and better opportunities for price improvement.

In addition, the Exchange notes that the volume discount is currently in place for PIXL pricing.

The Exchange believes that it is reasonable, equitable and not unreasonably discriminatory to reduce the threshold for the PIXL Pricing volume discount from 999 contracts to 399 contracts. With this change in the volume discount,<sup>17</sup> the Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts. The volume discount will be applied uniformly to all according to liquidity brought to the Exchange. The Exchange would offer all market participants, other than Customers who are not assessed an Initiating Order Fee, an incentive to transact large sized orders in PIXL. The Exchange believes that the proposal will continue to attract liquidity, which benefits market participants and provides the opportunity for increased order interaction on the Exchange.

The Exchange notes that in order to remain competitive, the Exchange must implement fees and rebates that are competitive with pricing at other options exchanges that offer a similar auction opportunity. SPY options and the PIXL electronic auction are an increasingly important and crucial segment of options trading. The goal is creating and increasing incentives to attract orders to the Exchange that will, in turn, benefit all market participants through increased liquidity at the Exchange.

The proposal allows the Exchange to continue attracting liquidity to the Exchange.

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<sup>17</sup> The volume discount has been in place for more than a year. See Securities Exchange Act Release No. 69768 (June 14, 2013), 78 FR 37250 (June 20, 2013)(SR-Phlx-2013-61)(notice of filing and immediate effectiveness).

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 Exchange does not believe that the proposal creates a burden on intra-market competition because the Exchange is applying the same SPY option and PIXL Fees to all market participants in the same manner dependent on volume.

The Exchange believes that the proposed new volume discount for SPY options and PIXL Fees creates additional opportunity for incentivizing Professionals, Firms, Broker-Dealers, Specialists and Market Makers to bring additional liquidity to the market. The Exchange believes that effectively assessing lower fees or paying rebates when a market participant brings a certain amount of orders in SPY and other options creates competition among market participants to remove liquidity from the Phlx Book. This competition does not create an undue burden on competition but rather offers all market participants the opportunity to receive the benefit of the pricing when transacting options.

The Exchange's proposal to reduce the threshold for the volume discount for all market participants transacting options on PIXL promotes competition in a highly liquid market and a highly liquid option, SPY. Today, PIXL and SPY pricing is proposed to incentivize Professionals, Firms, Broker-Dealers, Specialists and Market Makers Firms to enter Initiating Orders into the PIXL auction by offering an incentive to reduce the Initiating Order Fee. By expanding the opportunity to all market participants that pay an Initiating Order Fee to reduce those fees, the Exchange encourages competition among market participants to price improve the order.

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,<sup>18</sup> 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

Not applicable.

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. Applicable portion of the Exchange's Pricing Schedule.

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2014-72)

November \_\_, 2014

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to PIXL Executions in SPY and PIXL Pricing

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 October 31, 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 modify Section I entitled “Rebates and Fees for Adding and Removing Liquidity in SPY<sup>3</sup>” and Section IV entitled “Other Transaction Fees” of the Phlx Pricing Schedule (“Pricing Schedule”). Specifically, the Exchange proposes to amend its Initiating Order Fee for PIXL<sup>4</sup> Executions in SPY and PIXL

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

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

<sup>3</sup> SPY options are based on the SPDR exchange-traded fund (“ETF”), which is designed to track the performance of the S&P (Standard and Poors) 500 Index.

<sup>4</sup> PIXL is the Exchange's price improvement mechanism known as Price Improvement XL or (PIXL<sup>SM</sup>). See Rule 1080(n).

Pricing for Initiating Order that is contra to a Customer<sup>5</sup> PIXL order, to allow for volume discounts. While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on November 3, 2014.

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

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

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

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

1. Purpose

The purpose of this filing is to amend Section I entitled "Rebates and Fees for Adding and Removing Liquidity in SPY" and Section IV entitled "Other Transaction Fees" of the Pricing Schedule. Specifically, the Exchange proposes to amend the Initiating Order Fee ("Order Fee") for PIXL Executions in SPY ("SPY Pricing") and PIXL Pricing for Initiating Orders ("PIXL Pricing") that is contra to a Customer PIXL

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<sup>5</sup> The term "Customer" applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation ("OCC") which is not for the account of broker or dealer or for the account of a "Professional" (as that term is defined in Rule 1000(b)(14)).

order. This would allow for volume discounts for Professional,<sup>6</sup> Firm,<sup>7</sup> Broker-Dealer,<sup>8</sup> Specialist<sup>9</sup> or Market Maker<sup>10</sup> orders that are contra to a Customer PIXL Order, such that the Initiating Order Fee will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts. Today, the Initiating Order Fee for options overlying SPY is \$0.05 per contract and is not specific to market participants.

The Exchange believes that the proposed pricing will encourage market participants to send an even greater amount of orders to the Exchange through PIXL.

Section IV of the Pricing Schedule specifies PIXL pricing for all other options, except SPY. Today, an Initiating Order is assessed \$0.07 per contract or \$0.05 per contract if the Customer Rebate Program<sup>11</sup> Threshold Volume defined in Section B is

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<sup>6</sup> 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).

<sup>7</sup> 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 ("OCC").

<sup>8</sup> The term "Broker-Dealer" applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

<sup>9</sup> A "Specialist" is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>10</sup> 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)). Directed Participants are also market makers.

<sup>11</sup> Currently, the Exchange has in place a four tier structure Customer Rebate Program at Section B of the Pricing Schedule which pays Customer rebates on four Categories (A, B, C and D) of transactions. The four tier structure pays rebates based on percentage thresholds of national customer multiply-listed options volume by month based on the same four Categories (A, B, C and D) of transactions.

greater than 100,000 contracts per day in a month. Any member or member organization under Common Ownership<sup>12</sup> with another member or member organization that qualifies for a Customer Rebate Tier discount in Section B will receive the PIXL Initiating Order discount as described above. Today, the Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 999 contracts (“volume discount”).

The Exchange proposes to amend 999 contracts to 399 contracts in the volume discount. Section IV PIXL Pricing, as proposed, would state: “The Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts.”

For uniformity, the Exchange also proposes to add the same volume discount in Section I regarding SPY Pricing, so that an alternative to the Initiating Order fee of \$0.05 per contract is indicated. Section I SPY Pricing, as proposed, would state: “The Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts.”

The Exchange believes that this amendment to PIXL pricing will encourage a greater number of PIXL Orders on the Exchange, thereby increasing liquidity.

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<sup>12</sup> The term "Common Ownership" shall mean members or member organizations under 75% common ownership or control. See Preface to the Pricing Schedule.

## 2. Statutory Basis

The Exchange believes that its proposal to amend the Pricing Schedule is consistent with Section 6(b) of the Act<sup>13</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>14</sup> 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 Phlx operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to adopt new pricing for SPY is reasonable, equitable, and not unfairly discriminatory because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes. SPY options are currently the most actively traded equity or ETF option class.<sup>15</sup> Other options exchanges price by symbol.<sup>16</sup>

The Exchange's proposed volume discount for SPY Pricing is reasonable because the Exchange desires to incentivize market participants to transact a greater number of SPY options. The Exchange is offering a volume discount specific to SPY because, as previously mentioned, SPY options are currently the most actively traded options class

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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(4), (5).

<sup>15</sup> For September 2014, SPY Options accounted for approximately 14.76% of the overall equity and ETF options volume industry-wide (approximately 12.30% of the overall Phlx volume). By comparison, the second most actively traded equity or ETF option is AAPL, which accounts for approximately 7.80% of the overall equity and ETF options volume industry-wide (approximately 6.00% of the overall Phlx volume).

<sup>16</sup> See the Chicago Board Options Exchange Incorporated's Fees Schedule and the International Securities Exchange LLC.

and therefore the Exchange believes that incentivizing Professionals, Firms, Broker-Dealers, Specialists and Market Makers to add increased liquidity in SPY options and encouraging market participants to send order flow to the Exchange by adding a volume discount will benefit all market participants through increased liquidity, tighter markets and order interaction. The Exchange believes it is reasonable to assess lower fees to transact SPY options to Professionals, Firms, Broker-Dealers, Specialists and Market Makers because the Exchange seeks to incentivize these market participants to transact a greater number of SPY options. The Exchange would assess higher fees if the Customer PIXL Order is 399 contracts or less.

The Exchange's proposed new volume discount for SPY Pricing is equitable and not unfairly discriminatory. Today, the Exchange assesses a \$0.05 per contract Initiating Order Fee for PIXL Executions in SPY (which apply to fees in Parts A and B). 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. Also, 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. The Exchange is proposing to continue to assess the aforementioned fees, and is proposing to amend the volume discount. The Exchange believes that assessing lower Fees for Adding Liquidity, greater than 399 contracts, will incentivize Professionals, Firms, Broker-Dealers, Specialists and Market

Makers to interact with a greater number of Initiating Orders in SPY options on the Exchange through PIXL. The Exchange believes that it is equitable and not unreasonably discriminatory to assess the same fees for Initiating Orders in SPY options to all market participants based on volume, or liquidity provided to the Exchange. Creating incentives and attracting SPY Orders to the Exchange benefits all market participants through increased liquidity at the Exchange. A higher percentage of SPY Orders in PIXL leads to increased auctions and better opportunities for price improvement.

In addition, the Exchange notes that the volume discount is currently in place for PIXL pricing.

The Exchange believes that it is reasonable, equitable and not unreasonably discriminatory to reduce the threshold for the PIXL Pricing volume discount from 999 contracts to 399 contracts. With this change in the volume discount,<sup>17</sup> the Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts. The volume discount will be applied uniformly to all according to liquidity brought to the Exchange. The Exchange would offer all market participants, other than Customers who are not assessed an Initiating Order Fee, an incentive to transact large sized orders in PIXL. The Exchange believes that the proposal will continue to attract liquidity, which benefits market participants and provides the opportunity for increased order interaction on the Exchange.

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<sup>17</sup> The volume discount has been in place for more than a year. See Securities Exchange Act Release No. 69768 (June 14, 2013), 78 FR 37250 (June 20, 2013)(SR-Phlx-2013-61)(notice of filing and immediate effectiveness).

The Exchange notes that in order to remain competitive, the Exchange must implement fees and rebates that are competitive with pricing at other options exchanges that offer a similar auction opportunity. SPY options and the PIXL electronic auction are an increasingly important and crucial segment of options trading. The goal is creating and increasing incentives to attract orders to the Exchange that will, in turn, benefit all market participants through increased liquidity at the Exchange.

The proposal allows the Exchange to continue attracting liquidity to the Exchange.

**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 Exchange does not believe that the proposal creates a burden on intra-market competition because the Exchange is applying the same SPY option and PIXL Fees to all market participants in the same manner dependent on volume.

The Exchange believes that the proposed new volume discount for SPY options and PIXL Fees creates additional opportunity for incentivizing Professionals, Firms, Broker-Dealers, Specialists and Market Makers to bring additional liquidity to the market. The Exchange believes that effectively assessing lower fees or paying rebates when a market participant brings a certain amount of orders in SPY and other options creates competition among market participants to remove liquidity from the Phlx Book. This competition does not create an undue burden on competition but rather offers all market participants the opportunity to receive the benefit of the pricing when transacting options.

The Exchange's proposal to reduce the threshold for the volume discount for all market participants transacting options on PIXL promotes competition in a highly liquid market and a highly liquid option, SPY. Today, PIXL and SPY pricing is proposed to incentivize Professionals, Firms, Broker-Dealers, Specialists and Market Makers Firms to enter Initiating Orders into the PIXL auction by offering an incentive to reduce the Initiating Order Fee. By expanding the opportunity to all market participants that pay an Initiating Order Fee to reduce those fees, the Exchange encourages competition among market participants to price improve the order.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>18</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization 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.

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.

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

#### 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-2014-72 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2014-72. 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-2014-72 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>19</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**NASDAQ OMX PHLX LLC<sup>1</sup> 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.**

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**I. Rebates and Fees for Adding and Removing Liquidity in SPY**

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**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. The Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than 399 contracts.
- 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.

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**IV. Other Transaction Fees****A. PIXL Pricing**

<b>Initiating Order</b> (Section II)	\$0.07 per contract or \$0.05 per contract if Customer Rebate Program Threshold Volume defined in Section B is greater than 100,000 contracts per day in a month. Any member or member organization under Common Ownership with another member or member organization that qualifies for a Customer Rebate Tier discount in Section B will receive the PIXL Initiating Order discount as described above. The Initiating Order Fee for Professional, Firm, Broker-Dealer, Specialist and Market Maker orders that are contra to a Customer PIXL Order will be reduced to \$0.00 if the Customer PIXL Order is greater than [9]399 contracts.
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