

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 30		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2015 - * 57		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 checked="" type="checkbox"/>		Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>					
<b>Description</b>							
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).							
<input type="text" value="Relating to Section II of the Pricing Schedule"/>							
<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="Angela"/>		Last Name * <input type="text" value="Dunn"/>					
Title * <input type="text" value="Associate General Counsel"/>							
E-mail * <input type="text" value="angela.dunn@nasdaqomx.com"/>							
Telephone * <input type="text" value="(215) 496-5692"/>		Fax <input type="text"/>					
<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="06/30/2015"/>		<input type="text" value="Executive Vice President and General Counsel"/>					
By <input type="text" value="Edward S. Knight"/>		<input type="text" value="edward.knight@nasdaq.com"/>					
(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.							

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) NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend the Exchange’s Pricing Schedule at Section II, entitled “Multiply Listed Options Fees,”<sup>3</sup> to: (1) increase the maximum Qualified Contingent Cross (“QCC”) orders rebate which will be paid in a given month; and (2) amend a strategy fee cap related to dividend,<sup>4</sup> merger,<sup>5</sup> short stock interest,<sup>6</sup> reversal and conversion,<sup>7</sup> jelly roll<sup>8</sup> and box spread<sup>9</sup> floor option transaction strategies.

---

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

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

<sup>3</sup> These fees include options overlying equities, ETFs, ETNs and indexes which are Multiply Listed.

<sup>4</sup> A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend.

<sup>5</sup> A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.

<sup>6</sup> A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.

<sup>7</sup> Reversal and conversion strategies are transactions that employ calls and puts of the same strike price and the underlying stock. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions employ long positions in the underlying stock that accompany long puts and short calls sharing the same strike and expiration.

<sup>8</sup> A jelly roll strategy is defined as transactions created by entering into two separate positions simultaneously. One position involves buying a put and selling a call with the

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on July 1, 2015.

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 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.

Questions regarding this rule filing may be directed to Angela Saccomandi Dunn, Associate General Counsel, The NASDAQ OMX Group at (215) 496-5692.

---

same strike price and expiration. The second position involves selling a put and buying a call, with the same strike price, but with a different expiration from the first position.

<sup>9</sup> A box spread strategy is a strategy that synthesizes long and short stock positions to create a profit. Specifically, a long call and short put at one strike is combined with a short call and long put at a different strike to create synthetic long and synthetic short stock positions, respectively.

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: (1) increase the maximum QCC rebate that will be paid by the Exchange in a given month; and (2) increase the per member organization Monthly Strategy Cap applicable to dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategies.

QCC Rebate

Today, the Exchange pays rebates on QCC Orders based on the following five tier rebate schedule:

**QCC Rebate  
Schedule**

<b>Tier</b>	<b>Threshold</b>	<b>Rebate per Contract</b>
Tier 1	0 to 299,999 contracts in a month	\$0.00
Tier 2	300,000 to 499,999 contracts in a month	\$0.07
Tier 3	500,000 to 699,999 contracts in a month	\$0.08
Tier 4	700,000 to 999,999 contracts in a month	\$0.09
Tier 5	Over 1,000,000 contracts in a month	\$0.11

The Exchange pays a rebate on all qualifying executed QCC Orders, including QCC Orders as defined in Exchange Rule 1080(o)<sup>10</sup> and Floor QCC Orders, as defined in

---

<sup>10</sup> A QCC Order is comprised of an order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Rule 1080(o)(3), coupled with a contra-side order to buy or sell an equal number of contracts. The QCC Order must be executed at a price at or between the National Best Bid and Offer and be rejected if a Customer order is resting on the Exchange book at the same

1064(e),<sup>11</sup> (collectively “QCC Orders”) except where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend, merger, short stock interest or reversal or conversion strategy execution. Today, the maximum rebate the Exchange will pay in a given month for QCC Orders is \$375,000. Today, QCC Transaction Fees for a Specialist,<sup>12</sup> Market Maker,<sup>13</sup> Professional,<sup>14</sup> Firm<sup>15</sup> and Broker-Dealer<sup>16</sup> are \$0.20 per contract.

---

price. A QCC Order shall only be submitted electronically from off the floor to the PHLX XL II System. See Rule 1080(o). See also Securities Exchange Act Release No. 64249 (April 7, 2011), 76 FR 20773 (April 13, 2011) (SR-Phlx-2011-47) (a rule change to establish a QCC Order to facilitate the execution of stock/option Qualified Contingent Trades (“QCTs”) that satisfy the requirements of the trade through exemption in connection with Rule 611(d) of Regulation NMS).

<sup>11</sup> A Floor QCC Order must: (i) be for at least 1,000 contracts, (ii) meet the six requirements of Rule 1080(o)(3) which are modeled on the QCT Exemption, (iii) be executed at a price at or between the National Best Bid and Offer (“NBBO”); and (iv) be rejected if a Customer order is resting on the Exchange book at the same price. In order to satisfy the 1,000-contract requirement, a Floor QCC Order must be for 1,000 contracts and could not be, for example, two 500-contract orders or two 500-contract legs. See Rule 1064(e). See also Securities Exchange Act Release No. 64688 (June 16, 2011), 76 FR 36606 (June 22, 2011) (SR-Phlx-2011-56).

<sup>12</sup> A “Specialist” is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>13</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>14</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>15</sup> The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC.

<sup>16</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.

The Exchange will continue to pay rebates on QCC Orders as described above. The Exchange proposes to amend the QCC Rebate Schedule to increase the maximum QCC Rebate of \$375,000 to \$450,000 per month. The Exchange believes that the proposed amendment to its pricing for QCC Orders will enable the Exchange to attract additional QCC Orders.

#### Monthly Strategy Cap

Today, the Exchange applies certain strategy caps<sup>17</sup> to dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread floor option transaction strategy executions in Multiply Listed Options.<sup>18</sup> The Exchange further separately caps each member organization for dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions in Multiply Listed Options, combined in a month when trading in their own proprietary accounts (“Monthly Strategy Cap”) at \$60,000.<sup>19</sup> The Exchange proposes to increase the Monthly Strategy Cap from \$60,000 to \$65,000 per member organization, per month.

---

<sup>17</sup> To qualify for a strategy cap, the buy and sell side of a transaction must originate from the Exchange floor.

<sup>18</sup> Fees paid by a Specialist, Market Maker, Professional, Firm and Broker-Dealer for floor option transaction in Multiply Listed Options are capped at \$1,500 for dividend, merger and short stock interest strategies executed on the same trading day in the same options class when such members are trading in their own proprietary accounts. The Exchange will continue to cap at \$700 the fees paid by Specialist, Market Maker, Professional, Firm and Broker-Dealer for reversal and conversion, jelly roll and box spread floor option transaction strategies that are executed on the same trading day in the same options class.

<sup>19</sup> Reversal and conversion, jelly roll and box spread strategy executions are not included in the Monthly Strategy Cap for a Firm. Reversal and conversion, jelly roll and box spread strategy executions are included in the Monthly Firm Fee Cap. All dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions are excluded from the Monthly Market Maker Cap. Firms are subject to a

Despite increasing the cap, the Exchange believes that offering members and member organizations the opportunity to continue to cap transaction fees will benefit Phlx members and the Phlx market by encouraging members to transact greater liquidity.

b. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>20</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>21</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.

QCC Rebates

The Exchange believes that it is reasonable to increase the maximum amount of the QCC Rebate the Exchange would pay a market participant in a given month from \$375,000 to \$450,000 because the Exchange believes it will attract additional QCC Orders to the Exchange.

The Exchange believes that it is equitable and not unfairly discriminatory to increase the maximum amount of the QCC Rebate the Exchange would pay a market participant in a given month from \$375,000 to \$450,000 because all qualifying market

---

maximum fee of \$75,000 (“Monthly Firm Fee Cap”). Specialists and Market Makers are subject to a “Monthly Market Maker Cap” of \$500,000 for: (i) electronic and floor Option Transaction Charges; and (ii) QCC Transaction Fees.

<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(4), (5).

participants are entitled to obtain this rebate if they transact a qualifying number of QCC Orders. All market participants are eligible to transact QCC Orders.

### Monthly Strategy Cap

The Exchange's proposal to increase the Monthly Strategy Cap from \$60,000 to \$65,000 is reasonable because, despite the increase to the cap, the Exchange will continue to offer members an opportunity to lower their fees related to the execution of strategy transactions. For example, when a member incurs transaction fees in the amount of \$65,000 in a given month related to strategy executions, the member will not pay for additional strategy executions for the remainder of that month as a result of the fee cap.

The Exchange's proposal to increase the Monthly Strategy Cap from \$60,000 to \$65,000 is equitable and not unfairly discriminatory because the Exchange would continue to offer members the opportunity to cap their floor equity options transaction in Multiply Listed Options fees for all strategies. Customers are excluded because they are not assessed a floor Options Transaction Charge.<sup>22</sup> Excluding Firm floor Options Transaction Charges in Multiply Listed Options related to reversal and conversion, jelly roll and box spread strategies from the Monthly Strategy Cap is reasonable, equitable and not unfairly discriminatory because these fees would continue to be capped as part of the Monthly Firm Fee Cap, which applies only to Firms. The Exchange believes that the exclusion of Firm floor Options Transaction Charges in Multiply Listed Options related to reversal and conversion, jelly roll and box spread strategies from the Monthly Strategy Cap is equitable and not unfairly discriminatory because Firms, unlike other market participants, have the

---

<sup>22</sup> See Section II of the Pricing Schedule.

ability to cap transaction fees up to \$75,000 per month.<sup>23</sup> The Exchange would include floor option transaction charges related to reversal and conversion, jelly roll and box spread strategies in the Monthly Strategy Cap for Professionals, and Broker Dealers, when such members are trading in their own proprietary accounts, because these market participants are not subject to the Monthly Firm Fee Cap or other similar cap. While Specialists and Market Makers are subject to a Monthly Market Maker Cap on both electronic and floor options transaction charges, reversal and conversion, jelly roll and box spread transactions are excluded from the Monthly Market Maker Cap.<sup>24</sup> For the reasons described above, the Exchange believes continuing to include reversal and conversion, jelly roll and box spread strategies in the Monthly Firm Fee Cap is reasonable, equitable and not unfairly discriminatory because the cap provides an incentive for Firms to transact floor transactions on the Exchange, which brings increased liquidity and order flow to the floor for the benefit of all market participants.<sup>25</sup>

The Exchange believes that its proposal to continue to apply strategy fee caps to orders originating from the Exchange floor is reasonable because certain members pay floor

---

<sup>23</sup> Firms are subject to a maximum fee of \$75,000 (“Monthly Firm Fee Cap”). Firm Floor Option Transaction Charges and QCC Transaction Fees, in the aggregate, for one billing month will not exceed the Monthly Firm Fee Cap per member organization when such members are trading in their own proprietary account. All dividend, merger, and short stock interest strategy executions will be excluded from the Monthly Firm Fee Cap. Reversal and conversion, jelly roll and box spread strategy executions (as defined in this Section II) will be included in the Monthly Firm Fee Cap. QCC Transaction Fees are included in the calculation of the Monthly Firm Fee Cap.

<sup>24</sup> Id.

<sup>25</sup> Firms are eligible to cap floor options transactions charges and QCC Transaction Fees as part of the Monthly Firm Fee Cap. QCC Transaction Fees apply to QCC Orders as defined in Exchange Rule 1080(o) and Floor QCC Orders as defined in 1064(e). See Section II of the Pricing Schedule.

brokers to execute trades on the Exchange floor, thereby incurring costs related to this business model. The Exchange believes that offering fee caps to members executing floor transactions would defray brokerage costs associated with executing strategy transactions and continue to incentivize members to utilize the floor for certain executions.<sup>26</sup> The Exchange believes that its proposal to continue to apply the fee cap to Multiply Listed Options orders originating from the Exchange floor is equitable and not unfairly discriminatory because today, the fee caps are only applicable for floor transactions. The Exchange believes that a requirement that both the buy and sell sides of the order originate from the floor to qualify for the fee cap constitutes equal treatment of members.

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 believes that its proposal to increase the maximum QCC Rebate does not impose a burden on competition. The Exchange's proposal should encourage market participants to transact a greater number of QCC Orders in order to obtain QCC Rebates. All market participants are eligible to transact QCC Orders.

The Exchange does not believe that the proposed rule change to the Monthly Strategy Cap will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes apply uniformly to all members that incur transaction charges, except Firms.<sup>27</sup> Excluding Firm floor options transactions in Multiply

---

<sup>26</sup> The fee cap is applied to options transaction charges where buy and sell sides originate from the Exchange floor. See proposed rule text in Section II of the Pricing Schedule.

<sup>27</sup> Customers are not assessed options transaction charges in Section II of the Pricing Schedule.

Listed Options related to reversal and conversion, jelly roll and box spread strategies from the Monthly Strategy Cap does not create an undue burden on competition because these fees would continue to be capped as part of the Monthly Firm Fee Cap. The Exchange believes the proposal is consistent with robust competition and does not provide any unnecessary burden on competition. Further, certain floor members pay floor brokers to execute trades on the Exchange floor, thereby incurring costs related to this business model. The Exchange believes that offering fee caps to members executing floor transactions and not electronic executions does not create an unnecessary burden on competition because the fee caps defray brokerage costs associated with executing strategy transactions. Also, requiring that both the buy and sell sides of the order originate from the floor to qualify for the fee cap constitutes equal treatment of members.

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,<sup>28</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

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.
5. Applicable portion of the Exchange's Pricing Schedule.

---

<sup>28</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2015-57)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Section II of the Pricing Schedule

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 June 30, 2015, 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 at Section II, entitled “Multiply Listed Options Fees,”<sup>3</sup> to: (1) increase the maximum Qualified Contingent Cross (“QCC”) orders rebate which will be paid in a given month; and (2) amend a strategy fee cap related to dividend,<sup>4</sup> merger,<sup>5</sup> short stock interest,<sup>6</sup> reversal and conversion,<sup>7</sup> jelly roll<sup>8</sup> and box spread<sup>9</sup> floor option transaction strategies.

---

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

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

<sup>3</sup> These fees include options overlying equities, ETFs, ETNs and indexes which are Multiply Listed.

<sup>4</sup> A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on July 1, 2015.

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

---

<sup>5</sup> A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.

<sup>6</sup> A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.

<sup>7</sup> Reversal and conversion strategies are transactions that employ calls and puts of the same strike price and the underlying stock. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions employ long positions in the underlying stock that accompany long puts and short calls sharing the same strike and expiration.

<sup>8</sup> A jelly roll strategy is defined as transactions created by entering into two separate positions simultaneously. One position involves buying a put and selling a call with the same strike price and expiration. The second position involves selling a put and buying a call, with the same strike price, but with a different expiration from the first position.

<sup>9</sup> A box spread strategy is a strategy that synthesizes long and short stock positions to create a profit. Specifically, a long call and short put at one strike is combined with a short call and long put at a different strike to create synthetic long and synthetic short stock positions, respectively.

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: (1) increase the maximum QCC rebate that will be paid by the Exchange in a given month; and (2) increase the per member organization Monthly Strategy Cap applicable to dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategies.

QCC Rebate

Today, the Exchange pays rebates on QCC Orders based on the following five tier rebate schedule:

<b>QCC Rebate Schedule</b>		
<b>Tier</b>	<b>Threshold</b>	<b>Rebate per Contract</b>
Tier 1	0 to 299,999 contracts in a month	\$0.00
Tier 2	300,000 to 499,999 contracts in a month	\$0.07
Tier 3	500,000 to 699,999 contracts in a month	\$0.08
Tier 4	700,000 to 999,999 contracts in a month	\$0.09
Tier 5	Over 1,000,000 contracts in a month	\$0.11

The Exchange pays a rebate on all qualifying executed QCC Orders, including QCC Orders as defined in Exchange Rule 1080(o)<sup>10</sup> and Floor QCC Orders, as defined in 1064(e),<sup>11</sup> (collectively “QCC Orders”) except where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend, merger, short stock interest or reversal or conversion strategy execution. Today, the maximum rebate the Exchange will pay in a given month for QCC Orders is \$375,000. Today, QCC Transaction Fees for a Specialist,<sup>12</sup> Market Maker,<sup>13</sup> Professional,<sup>14</sup> Firm<sup>15</sup> and Broker-Dealer<sup>16</sup> are \$0.20 per contract.

---

<sup>10</sup> A QCC Order is comprised of an order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Rule 1080(o)(3), coupled with a contra-side order to buy or sell an equal number of contracts. The QCC Order must be executed at a price at or between the National Best Bid and Offer and be rejected if a Customer order is resting on the Exchange book at the same price. A QCC Order shall only be submitted electronically from off the floor to the PHLX XL II System. See Rule 1080(o). See also Securities Exchange Act Release No. 64249 (April 7, 2011), 76 FR 20773 (April 13, 2011) (SR-Phlx-2011-47) (a rule change to establish a QCC Order to facilitate the execution of stock/option Qualified Contingent Trades (“QCTs”) that satisfy the requirements of the trade through exemption in connection with Rule 611(d) of Regulation NMS).

<sup>11</sup> A Floor QCC Order must: (i) be for at least 1,000 contracts, (ii) meet the six requirements of Rule 1080(o)(3) which are modeled on the QCT Exemption, (iii) be executed at a price at or between the National Best Bid and Offer (“NBBO”); and (iv) be rejected if a Customer order is resting on the Exchange book at the same price. In order to satisfy the 1,000-contract requirement, a Floor QCC Order must be for 1,000 contracts and could not be, for example, two 500-contract orders or two 500-contract legs. See Rule 1064(e). See also Securities Exchange Act Release No. 64688 (June 16, 2011), 76 FR 36606 (June 22, 2011) (SR-Phlx-2011-56).

<sup>12</sup> A “Specialist” is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>13</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.

The Exchange will continue to pay rebates on QCC Orders as described above. The Exchange proposes to amend the QCC Rebate Schedule to increase the maximum QCC Rebate of \$375,000 to \$450,000 per month. The Exchange believes that the proposed amendment to its pricing for QCC Orders will enable the Exchange to attract additional QCC Orders.

### Monthly Strategy Cap

Today, the Exchange applies certain strategy caps<sup>17</sup> to dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread floor option transaction strategy executions in Multiply Listed Options.<sup>18</sup> The Exchange further separately caps each member organization for dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions in Multiply Listed Options, combined in a month when trading in their own proprietary accounts (“Monthly Strategy

---

<sup>14</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>15</sup> The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC.

<sup>16</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>17</sup> To qualify for a strategy cap, the buy and sell side of a transaction must originate from the Exchange floor.

<sup>18</sup> Fees paid by a Specialist, Market Maker, Professional, Firm and Broker-Dealer for floor option transaction in Multiply Listed Options are capped at \$1,500 for dividend, merger and short stock interest strategies executed on the same trading day in the same options class when such members are trading in their own proprietary accounts. The Exchange will continue to cap at \$700 the fees paid by Specialist, Market Maker, Professional, Firm and Broker-Dealer for reversal and conversion, jelly roll and box spread floor option transaction strategies that are executed on the same trading day in the same options class.

Cap”) at \$60,000.<sup>19</sup> The Exchange proposes to increase the Monthly Strategy Cap from \$60,000 to \$65,000 per member organization, per month.

Despite increasing the cap, the Exchange believes that offering members and member organizations the opportunity to continue to cap transaction fees will benefit Phlx members and the Phlx market by encouraging members to transact greater liquidity.

## 2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>20</sup> in general, and furthers the objectives of Section 6(b)(4) and (b)(5) of the Act<sup>21</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.

### QCC Rebates

The Exchange believes that it is reasonable to increase the maximum amount of the QCC Rebate the Exchange would pay a market participant in a given month from \$375,000 to \$450,000 because the Exchange believes it will attract additional QCC Orders to the Exchange.

---

<sup>19</sup> Reversal and conversion, jelly roll and box spread strategy executions are not included in the Monthly Strategy Cap for a Firm. Reversal and conversion, jelly roll and box spread strategy executions are included in the Monthly Firm Fee Cap. All dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions are excluded from the Monthly Market Maker Cap. Firms are subject to a maximum fee of \$75,000 (“Monthly Firm Fee Cap”). Specialists and Market Makers are subject to a “Monthly Market Maker Cap” of \$500,000 for: (i) electronic and floor Option Transaction Charges; and (ii) QCC Transaction Fees.

<sup>20</sup> 15 U.S.C. 78f(b).

<sup>21</sup> 15 U.S.C. 78f(b)(4), (5).

The Exchange believes that it is equitable and not unfairly discriminatory to increase the maximum amount of the QCC Rebate the Exchange would pay a market participant in a given month from \$375,000 to \$450,000 because all qualifying market participants are entitled to obtain this rebate if they transact a qualifying number of QCC Orders. All market participants are eligible to transact QCC Orders.

#### Monthly Strategy Cap

The Exchange's proposal to increase the Monthly Strategy Cap from \$60,000 to \$65,000 is reasonable because, despite the increase to the cap, the Exchange will continue to offer members an opportunity to lower their fees related to the execution of strategy transactions. For example, when a member incurs transaction fees in the amount of \$65,000 in a given month related to strategy executions, the member will not pay for additional strategy executions for the remainder of that month as a result of the fee cap.

The Exchange's proposal to increase the Monthly Strategy Cap from \$60,000 to \$65,000 is equitable and not unfairly discriminatory because the Exchange would continue to offer members the opportunity to cap their floor equity options transaction in Multiply Listed Options fees for all strategies. Customers are excluded because they are not assessed a floor Options Transaction Charge.<sup>22</sup> Excluding Firm floor Options Transaction Charges in Multiply Listed Options related to reversal and conversion, jelly roll and box spread strategies from the Monthly Strategy Cap is reasonable, equitable and not unfairly discriminatory because these fees would continue to be capped as part of the Monthly Firm Fee Cap, which applies only to Firms. The Exchange believes that the exclusion of Firm floor Options Transaction Charges in Multiply Listed Options related to reversal and

---

<sup>22</sup> See Section II of the Pricing Schedule.

conversion, jelly roll and box spread strategies from the Monthly Strategy Cap is equitable and not unfairly discriminatory because Firms, unlike other market participants, have the ability to cap transaction fees up to \$75,000 per month.<sup>23</sup> The Exchange would include floor option transaction charges related to reversal and conversion, jelly roll and box spread strategies in the Monthly Strategy Cap for Professionals, and Broker Dealers, when such members are trading in their own proprietary accounts, because these market participants are not subject to the Monthly Firm Fee Cap or other similar cap. While Specialists and Market Makers are subject to a Monthly Market Maker Cap on both electronic and floor options transaction charges, reversal and conversion, jelly roll and box spread transactions are excluded from the Monthly Market Maker Cap.<sup>24</sup> For the reasons described above, the Exchange believes continuing to include reversal and conversion, jelly roll and box spread strategies in the Monthly Firm Fee Cap is reasonable, equitable and not unfairly discriminatory because the cap provides an incentive for Firms to transact floor transactions on the Exchange, which brings increased liquidity and order flow to the floor for the benefit of all market participants.<sup>25</sup>

---

<sup>23</sup> Firms are subject to a maximum fee of \$75,000 (“Monthly Firm Fee Cap”). Firm Floor Option Transaction Charges and QCC Transaction Fees, in the aggregate, for one billing month will not exceed the Monthly Firm Fee Cap per member organization when such members are trading in their own proprietary account. All dividend, merger, and short stock interest strategy executions will be excluded from the Monthly Firm Fee Cap. Reversal and conversion, jelly roll and box spread strategy executions (as defined in this Section II) will be included in the Monthly Firm Fee Cap. QCC Transaction Fees are included in the calculation of the Monthly Firm Fee Cap.

<sup>24</sup> Id.

<sup>25</sup> Firms are eligible to cap floor options transactions charges and QCC Transaction Fees as part of the Monthly Firm Fee Cap. QCC Transaction Fees apply to QCC Orders as defined in Exchange Rule 1080(o) and Floor QCC Orders as defined in 1064(e). See Section II of the Pricing Schedule.

The Exchange believes that its proposal to continue to apply strategy fee caps to orders originating from the Exchange floor is reasonable because certain members pay floor brokers to execute trades on the Exchange floor, thereby incurring costs related to this business model. The Exchange believes that offering fee caps to members executing floor transactions would defray brokerage costs associated with executing strategy transactions and continue to incentivize members to utilize the floor for certain executions.<sup>26</sup> The Exchange believes that its proposal to continue to apply the fee cap to Multiply Listed Options orders originating from the Exchange floor is equitable and not unfairly discriminatory because today, the fee caps are only applicable for floor transactions. The Exchange believes that a requirement that both the buy and sell sides of the order originate from the floor to qualify for the fee cap constitutes equal treatment of members.

#### 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 believes that its proposal to increase the maximum QCC Rebate does not impose a burden on competition. The Exchange's proposal should encourage market participants to transact a greater number of QCC Orders in order to obtain QCC Rebates. All market participants are eligible to transact QCC Orders.

The Exchange does not believe that the proposed rule change to the Monthly Strategy Cap will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes apply uniformly to all members that incur

---

<sup>26</sup> The fee cap is applied to options transaction charges where buy and sell sides originate from the Exchange floor. See proposed rule text in Section II of the Pricing Schedule.

transaction charges, except Firms.<sup>27</sup> Excluding Firm floor options transactions in Multiply Listed Options related to reversal and conversion, jelly roll and box spread strategies from the Monthly Strategy Cap does not create an undue burden on competition because these fees would continue to be capped as part of the Monthly Firm Fee Cap. The Exchange believes the proposal is consistent with robust competition and does not provide any unnecessary burden on competition. Further, certain floor members pay floor brokers to execute trades on the Exchange floor, thereby incurring costs related to this business model. The Exchange believes that offering fee caps to members executing floor transactions and not electronic executions does not create an unnecessary burden on competition because the fee caps defray brokerage costs associated with executing strategy transactions. Also, requiring that both the buy and sell sides of the order originate from the floor to qualify for the fee cap constitutes equal treatment of members.

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.

---

<sup>27</sup> Customers are not assessed options transaction charges in Section II of the Pricing Schedule.

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.<sup>28</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is 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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2015-57 on the subject line.

Paper comments:

---

<sup>28</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

- 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-2015-57. 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-2015-57 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>29</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>29</sup> 17 CFR 200.30-3(a)(12).



<b>Options Surcharge in BKX</b>	N/A	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
<b>Cabinet Options</b>	\$0.00	N/A	\$0.10	N/A	\$0.10	N/A	\$0.10	N/A	\$0.10

- These fees are per contract.

<sup>9</sup>The following symbols will be assessed the fees in Section III for Singly Listed Options: SOX, HGX and OSX.

<sup>12</sup>Firm electronic simple orders in AAPL, BAC, EEM, FB, FXI, IWM, QQQ, TWTR, VXX and XLF will be assessed \$0.34.

<sup>13</sup>Electronic Complex Orders will be assessed \$0.35 per contract.

<sup>14</sup>Any member or member organization under Common Ownership with another member or member organization that qualifies for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule will be assessed \$0.60 per contract.

<sup>15</sup>Any member or member organization under Common Ownership with another member or member organization that qualifies for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule will be assessed \$0.23 per contract.

- The Cabinet Fees above are not in addition to the Options Transaction Charges.
- QCC Transaction Fees for a Specialist, Market Maker, Professional, Firm and Broker-Dealer are \$0.20 per contract. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e). A rebate, as specified in the below QCC Rebate Schedule, will be paid for all qualifying executed QCC Orders, as defined in Exchange Rule 1080(o) and Floor QCC Orders, as defined in 1064(e), except where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend, merger, short stock interest or reversal or conversion strategy execution (as defined in Section II).

#### QCC Rebate Schedule

<b>Tier</b>	<b>Threshold</b>	<b>Rebate per Contract</b>
Tier 1	0 to 299,999 contracts in a month	\$0.00
Tier 2	300,000 to 499,999 contracts in a month	\$0.07
Tier 3	500,000 to 699,999 contracts in a month	\$0.08
Tier 4	700,000 to 999,999 contracts in a month	\$0.09

Tier 5 Over 1,000,000 contracts in a month \$0.11

The maximum QCC Rebate to be paid in a given month will not exceed \$[375,000]450,000.

\* \* \* \* \*

*Strategies Defined:*

- A **dividend strategy** is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend.
- A **merger strategy** is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.
- A **short stock interest strategy** is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.
- **Reversal and conversion strategies** are transactions that employ calls and puts of the same strike price and the underlying stock. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions employ long positions in the underlying stock that accompany long puts and short calls sharing the same strike and expiration.
- A **jelly roll strategy** is defined as transactions created by entering into two separate positions simultaneously. One position involves buying a put and selling a call with the same strike price and expiration. The second position involves selling a put and buying a call, with the same strike price, but with a different expiration from the first position.
- A **box spread strategy** is a strategy that synthesizes long and short stock positions to create a profit. Specifically, a long call and short put at one strike is combined with a short call and long put at a different strike to create synthetic long and synthetic short stock positions, respectively.

*Strategy Caps:*

To qualify for a strategy cap, the buy and sell side of a transaction must originate from the Exchange floor.

<b>Floor Options Transactions - Multiply Listed Options</b>	<b>Strategy</b>	<b>Qualification</b>	<b>Cap</b>
Specialist, Market Maker, Professional,	dividend, merger and short stock interest	executed on the same trading day in	\$1,500

Firm and Broker-Dealer	strategies	the same options class when such members are trading in their own proprietary accounts.	
Specialist, Market Maker, Professional, Firm and Broker-Dealer	reversal and conversion strategies	executed on the same trading day in the same options class	\$700
Specialist, Market Maker, Professional, Firm and Broker-Dealer	jelly rolls	executed on the same trading day in the same options class	\$700
Specialist, Market Maker, Professional, Firm and Broker-Dealer	box spreads	executed on the same trading day in the same options class	\$700
Per member organization	dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategies ("Monthly Strategy Cap") <sup>1</sup>	combined executions in a month when trading in own proprietary accounts	[\$60,000] <u>65,000</u>

<sup>1</sup> Reversal and conversion, jelly roll and box spread strategy executions will not be included in the Monthly Strategy Cap for a Firm. Reversal and conversion, jelly roll and box spread strategy executions (as defined in this Section II) are included in the Monthly Firm Fee Cap. All dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions (as defined in this Section II) will be excluded from the Monthly Market Maker Cap.

\* \* \* \* \*