

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 33	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 21 Amendment No. (req. for Amendments *)
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Filing by NASDAQ PHLX LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Rebates and Fees for Adding and Removing Liquidity in SPY

Contact Information

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

First Name * Angela Last Name * Dunn
 Title * Associate General Counsel
 E-mail * angela.dunn@nasdaq.com
 Telephone * (215) 496-5692 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

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

(Title *)
 Executive Vice President and General Counsel

Date 03/10/2016
 By Edward S. Knight
 (Name *)

edward.knight@nasdaq.com

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 *

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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

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

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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 PHLX LLC (“Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend the Phlx Pricing Schedule at Section I, entitled “Rebates and Fees for Adding and Removing Liquidity in SPY,” specifically related to PIXL³ executions in options overlying SPY.⁴

A notice of the proposed rule change for publication in the Federal Register is at Exhibit 1. The text of the proposed rule change is at 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 (the “Board”) on July 1, 2015. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

¹ 15 U.S.C. § 78s(b)(1).

² 17 C.F.R. §240.19b-4.

³ PIXLSM is the Exchange’s price improvement mechanism known as Price Improvement XL or PIXL. A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity (“PIXL Order”) against principal interest or against any other order (except as provided in Rule 1080(n)(i)(E)) it represents as agent (“Initiating Order”), provided it submits the PIXL order for electronic execution into the PIXL Auction pursuant to Rule 1080. See Exchange Rule 1080(n).

⁴ Options overlying Standard and Poor’s Depository Receipts/SPDRs (“SPY”) are based on the SPDR exchange-traded fund, which is designed to track the performance of the S&P 500 Index.

Questions and comments on the proposed rule change may be directed to:

Angela Saccomandi Dunn
Associate General Counsel
Nasdaq, Inc.
215-496-5692.

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

a. Purpose

The Exchange proposes to amend language in the Pricing Schedule at Section I, entitled “Rebates and Fees for Adding and Removing Liquidity in SPY, ” related to PIXL executions in SPY.

Background

SR-Phlx-2013-61

Effective June 3, 2013, the Exchange filed a rule change⁵ to adopt new pricing specific to options overlying Standard and Poor's Depository Receipts/SPDRs (“SPY”).⁶ The Exchange adopted “Make/Take” pricing for SPY in both Simple and Complex Orders. The Exchange adopted SPY PIXL Pricing at that time. The Exchange adopted the following rule text concerning PIXL Orders:

‘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.’

⁵ 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 of Proposed Rule Change To Amend Various Sections of the Exchange's Pricing Schedule).

⁶ SPY options are based on the SPDR exchange-traded fund (“ETF”), which is designed to track the performance of the S&P 500 Index.

In that rule change, the Exchange noted that it was adopting PIXL Pricing to “...assess Initiating Orders in SPY options \$0.05 per contract for all market participants. In addition, when the PIXL Order is contra to the Initiating Order, a Customer PIXL Order will be assessed \$0.00 per contract and all non-Customer market participants will be assessed a \$0.38 per contract fee when contra to the Initiating Order. Also, when a 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 reduced Fee for Removing Liquidity of \$0.38 per contract or will receive the Rebate to Add Liquidity.*” The Exchange added a footnote in that filing, footnote 21, to further describe the phrase “other than an Initiating Order,” as, for example, a PIXL Auction Responder or a resting order or quote that was on the Phlx book prior to the auction. In that proposal, the Exchange reasoned, “The Exchange believes it is reasonable that all other contra parties to the PIXL Order, other than the Initiating Order, will be equally assessed a reduced Fee for Removing Liquidity of \$0.38 per contract when removing or they will receive the Rebate for Adding Liquidity if adding because the Exchange desires to equally provide all market participants the same incentivizes to encourage them to transact a greater number of SPY PIXL Orders.”

The Exchange also reasoned that “[a]lso, the Exchange proposes to uniformly assess all market participants a fee when a Customer rebate would be paid to enable the Exchange to offer the rebate. The Exchange believes that widening the differential as between the Initiating Order Fee and the contra party to the PIXL Order (\$0.05 vs. \$0.38) as compared to the cost to transact a PIXL Order today (\$0.05 or \$0.07 per contract vs.

\$0.30) does not misalign the cost of these transactions depending on the market participant because the Exchange would now not assess a fee in the case that PIXL Order is contra to other than the Initiating Order, which is not a Customer, and would pay the Customer a rebate in the case where the contra party is a Customer.”

The Exchange assessed all contra-parties to the SPY PIXL Order, other than the Initiating Order, a fee of \$0.38 per contract as a result of this rule change.

SR-Phlx-2015-25

On March 11, 2015, the Exchange filed a rule change to amend the SPY PIXL pricing established by SR-Phlx-2013-61.⁷ In that filing, the Exchange proposed to amend the following rule text, “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”⁸ to add the term “Non-Customer” to the sentence and increase the Fee for Removing Liquidity from \$0.38 to \$0.42 per contract. The term Non-Customer was being introduced in this rule change into the Pricing Schedule.⁹ The Exchange at that time stated in the purpose section to SR-Phlx-2015-25,

‘The Exchange also proposes to amend PIXL fees in SPY in Section I of the Pricing Schedule. Today, when a 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

⁷ See Securities Exchange Act Release No. 74531 (March 19, 2015), 80 FR 15850 (March 25, 2015) (SR-Phlx-2015-25) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Pricing Schedule's Preface and Sections I, II and IV).

⁸ The quoted text is the original text which was amended by SR-Phlx-2015-25.

⁹ The term “Non-Customer” applies to transactions for the accounts of Specialists, Market Makers, Firms, Professionals, Broker-Dealers and JBOs.

Liquidity of \$0.38 per contract or will receive the Rebate for Adding Liquidity. The Exchange is proposing to increase the amount that all other contra parties to the PIXL Order, other than the Initiating Order, will be assessed to remove liquidity from \$0.38 to \$0.42 per contract. These contra parties will continue to be entitled to receive the Rebate for Adding Liquidity, as is the case today. Despite, the increase [the Exchange] believes that its current SPY PIXL fees remain competitive.'

Footnote 13 in that rule change indicated that a member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in Rule 1080(n)(i)(E)) it represents as agent ("Initiating Order") provided it submits the PIXL order for electronic execution into the PIXL Auction ("Auction") pursuant to Rule 1080. Non-Initiating Order interest could be a PIXL Auction Responder or a resting order or quote that was on the Phlx book prior to the auction.

As a result of the amendments to SR-Phlx-2015-25, the Exchange's current rule text does not address the amount a Customer would be assessed if the Customer was a contra-party responder to a SPY PIXL Order, other than the Initiating Order. Today, no fee is assessed to the Customer contra party to a SPY PIXL Order.

Proposal

The Exchange proposes to assess a Customer contra party to a PIXL Order a Fee for Removing Liquidity of \$0.42 per contract, similar to all other contra parties to a SPY PIXL Order. The Exchange's proposal would increase the Customer Fee for Removing Liquidity, when the Customer is a contra party to the PIXL Order, other than the Initiating Order, from \$0.00 to \$0.42 per contract.

The Exchange proposes to (i) add the word “PIXL” in the first sentence to clarify the type of order being discussed; and (ii) remove the reference to “other Non-Customer” in the second sentence, to assess the \$0.42 per contract Fee for Removing to Liquidity to all participants, including a Customer and make the second sentence its own paragraph. The proposed rule text would be as follows, “When the PIXL Order is contra to other than the Initiating Order, the PIXL Order will be assessed \$0.00 per contract, unless the PIXL Order is a Customer, in which case the Customer will receive a rebate of \$0.38 per contract.” Separately, in another paragraph, the proposed rule text would be as follows, “All contra parties to the PIXL Order that are not the Initiating Order will be assessed a Fee for Removing Liquidity of \$0.42 per contract or will receive the Rebate for Adding Liquidity.” The Exchange is also adding some clarifying language in this sentence, “that are not” to make clear that the contra parties are not the Initiating Order.

To further explain this amendment and the role of the contra party, during a PIXL Auction, a paired order may be entered into the auction consisting of a PIXL Order and an Initiating Order. If during the auction, non-Initiating Order interest¹⁰ executes against the PIXL Order, the Exchange would assess a Fee for Removing Liquidity of \$0.42 per contract or will receive the Rebate for Adding Liquidity, regardless of the capacity of the contra party. The contra party in this example may be a Customer order.¹¹

The Exchange proposes to correct a typographical error in this section to capitalize “non-Customer” to state “Non-Customer” to properly refer to the defined term.

¹⁰ Non-Initiating Order interest could be a PIXL Auction Responder or a resting order or quote that was on the Phlx book prior to the auction.

¹¹ This contra party Customer order would be different than the original Customer PIXL Order.

The Exchange also proposes to remove extraneous parentheticals from Section I in the Simple Order Rebate for Adding Liquidity in the Specialist and Market Maker pricing.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act¹³ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, for example, the Commission indicated that market forces should generally determine the price of non-core market data because national market system regulation “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁴ Likewise, in NetCoalition v. Securities and Exchange Commission¹⁵ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that

¹² 15 U.S.C. § 78f(b).

¹³ 15 U.S.C. § 78f(b)(4) and (5).

¹⁴ Securities Exchange Act Release No. 51808 at 37499 (June 9, 2005) (“Regulation NMS Adopting Release”).

¹⁵ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

Congress mandated a cost-based approach.¹⁶ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”¹⁷

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’....”¹⁸ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange’s proposal to increase the amount that Customer contra parties to a PIXL Order that were not the Initiating Order will be assessed to remove liquidity from \$0.00 to \$0.42 per contract is reasonable because despite the increase in the fee, the Exchange believes this pricing will continue to incentivize market participants to transact a greater number of SPY options. Customers will continue to receive a rebate of \$0.38 per contract when the PIXL Order is a Customer order and is contra to other than the Initiating Order. The Exchange’s proposal to increase the Fee for Removing Liquidity for Customer contra-parties to the PIXL Order in SPY that are not the Initiating Order

¹⁶ See NetCoalition, at 534.

¹⁷ Id. at 537.

¹⁸ Id. at 539 (quoting ArcaBook Order, 73 FR at 74782-74783).

from \$0.00 to \$0.42 per contract remains lower than the \$0.43 per contract Simple Order Fee for Removing Liquidity that is assessed for Simple Orders in SPY.¹⁹ Today, all other market participants that are not the Initiating Order, other than a Customer, who execute against the PIXL Order, are assessed a Fee for Removing Liquidity of \$0.42 per contract. The Exchange believes that it should assess the Customer a fee similar to other market participants. The Exchange notes that today, a Customer is assessed a \$0.43 per contract Simple Order Fee for Removing Liquidity in SPY. The proposed \$0.42 per contract Customer Fee for Removing Liquidity for Customer contra-parties to the PIXL Order which are not the Initiating Order in SPY would continue to be lower than the Simple Order Fee for Removing Liquidity.

SPY options are currently the most actively traded options class and therefore the Exchange believes that incentivizing Customers to remove liquidity in SPY options by continuing to offer a lower rate as compared to Simple Order Fees for Removing Liquidity in SPY will benefit all market participants by providing incentives for price improvement, such as this reduction in the Fee for Removing Liquidity. Despite the increase, the Exchange believes the Fee for Removing Liquidity will continue to encourage a greater number of market participants to remove Customer liquidity in SPY on Phlx because the proposed rate of \$0.42 per contract is lower than the \$0.43 per contract Simple Order Fee for Removing Liquidity that is assessed for Simple Orders in SPY. Customer orders bring valuable liquidity to the market which liquidity benefits other

¹⁹ See Section I of the Pricing Schedule. Customers are assessed a \$0.43 per contract Simple Order Fee for Removing Liquidity in SPY while Non-Customers are assessed a \$0.47 per contract Simple Order Fee for Removing Liquidity in SPY.

market participants.

The Exchange's proposal to increase the amount that Customer contra parties to the PIXL Order that are not the Initiating Order will be assessed to remove liquidity from \$0.00 to \$0.42 per contract is equitable and not unfairly discriminatory because the Exchange will be assessing the same Fees for Removing Liquidity for SPY PIXL options to all market participants that are contra parties to the PIXL Order in SPY, other than the Initiating Order. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. A higher percentage of SPY Orders in PIXL leads to increased auctions and better opportunities for price improvement.

The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to correct the typographical error to properly refer to a defined term, remove extraneous parentheticals from Section I and make other clarifying language. These rule changes are non-substantive.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees

in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The proposed increase to the amount that Customer contra parties to the PIXL Order that are not the Initiating Order will be assessed to remove liquidity does not impose a burden on inter-market competition, because the Exchange is competing with other options markets which offer price improvement mechanisms. A higher percentage of SPY Orders in PIXL leads to increased auctions and better opportunities for price improvement for all market participants. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

The Exchange's proposal to amend the Fee for Removing Liquidity applicable to Customers that are contra to a SPY PIXL Order, other than the Initiating Order, does not impose any undue burden on intra-market competition as all market participants will be assessed the same fee of \$0.42 per contract to remove liquidity as other contra party market participants. Customer orders bring valuable liquidity to the market, which liquidity benefits all market participants. This proposal also corrects a discrepancy in the rule text which does not currently address fees for Customer responders.

The Exchange's proposal to correct a typographical error to properly refer to a defined term, remove extraneous parentheticals from Section I and make other clarifying

language does not impose any undue burden on intra-market competition as these rule changes are non-substantive.

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,²⁰ 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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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.

²⁰ 15 U.S.C. § 78s(b)(3)(A)(ii).

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2016-21)

March __, 2016

Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rebates and Fees for Adding and Removing Liquidity in SPY

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on March 10, 2016, NASDAQ PHLX LLC (“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 Phlx Pricing Schedule at Section I, entitled “Rebates and Fees for Adding and Removing Liquidity in SPY,” specifically related to PIXL³ executions in options overlying SPY.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ PIXLSM is the Exchange’s price improvement mechanism known as Price Improvement XL or PIXL. A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity (“PIXL Order”) against principal interest or against any other order (except as provided in Rule 1080(n)(i)(E)) it represents as agent (“Initiating Order”), provided it submits the PIXL order for electronic execution into the PIXL Auction pursuant to Rule 1080. See Exchange Rule 1080(n).

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 Exchange proposes to amend language in the Pricing Schedule at Section I, entitled "Rebates and Fees for Adding and Removing Liquidity in SPY," related to PIXL executions in SPY.

Background

SR-Phlx-2013-61

Effective June 3, 2013, the Exchange filed a rule change⁵ to adopt new pricing specific to options overlying Standard and Poor's Depository Receipts/SPDRs ("SPY").⁶

⁴ Options overlying Standard and Poor's Depository Receipts/SPDRs ("SPY") are based on the SPDR exchange-traded fund, which is designed to track the performance of the S&P 500 Index.

⁵ 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 of Proposed Rule Change To Amend Various Sections of the Exchange's Pricing Schedule).

The Exchange adopted “Make/Take” pricing for SPY in both Simple and Complex Orders. The Exchange adopted SPY PIXL Pricing at that time. The Exchange adopted the following rule text concerning PIXL Orders:

‘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.’

In that rule change, the Exchange noted that it was adopting PIXL Pricing to “...assess Initiating Orders in SPY options \$0.05 per contract for all market participants. In addition, when the PIXL Order is contra to the Initiating Order, a Customer PIXL Order will be assessed \$0.00 per contract and all non-Customer market participants will be assessed a \$0.38 per contract fee when contra to the Initiating Order. Also, when a 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 reduced Fee for Removing Liquidity of \$0.38 per contract or will receive the Rebate to Add Liquidity.*” The Exchange added a footnote in that filing, footnote 21, to further describe the phrase “other than an Initiating Order,” as, for example, a PIXL Auction Responder or a resting order or quote that was on the Phlx book prior to the auction. In that proposal, the Exchange reasoned, “The Exchange believes it is reasonable that all other contra parties to the PIXL Order, other than the Initiating Order, will be equally assessed a reduced Fee for Removing Liquidity of \$0.38 per contract when removing or they will receive the Rebate for Adding Liquidity if

⁶ SPY options are based on the SPDR exchange-traded fund (“ETF”), which is designed to track the performance of the S&P 500 Index.

adding because the Exchange desires to equally provide all market participants the same incentivizes to encourage them to transact a greater number of SPY PIXL Orders.”

The Exchange also reasoned that “[a]lso, the Exchange proposes to uniformly assess all market participants a fee when a Customer rebate would be paid to enable the Exchange to offer the rebate. The Exchange believes that widening the differential as between the Initiating Order Fee and the contra party to the PIXL Order (\$0.05 vs. \$0.38) as compared to the cost to transact a PIXL Order today (\$0.05 or \$0.07 per contract vs. \$0.30) does not misalign the cost of these transactions depending on the market participant because the Exchange would now not assess a fee in the case that PIXL Order is contra to other than the Initiating Order, which is not a Customer, and would pay the Customer a rebate in the case where the contra party is a Customer.”

The Exchange assessed all contra-parties to the SPY PIXL Order, other than the Initiating Order, a fee of \$0.38 per contract as a result of this rule change.

SR-Phlx-2015-25

On March 11, 2015, the Exchange filed a rule change to amend the SPY PIXL pricing established by SR-Phlx-2013-61.⁷ In that filing, the Exchange proposed to amend the following rule text, “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”⁸ to add the term “Non-Customer” to the sentence and increase the Fee for Removing Liquidity from \$0.38 to \$0.42 per contract.

⁷ See Securities Exchange Act Release No. 74531 (March 19, 2015), 80 FR 15850 (March 25, 2015) (SR-Phlx-2015-25) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Pricing Schedule's Preface and Sections I, II and IV).

⁸ The quoted text is the original text which was amended by SR-Phlx-2015-25.

The term Non-Customer was being introduced in this rule change into the Pricing Schedule.⁹ The Exchange at that time stated in the purpose section to SR-Phlx-2015-25,

‘The Exchange also proposes to amend PIXL fees in SPY in Section I of the Pricing Schedule. Today, when a 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 increase the amount that all other contra parties to the PIXL Order, other than the Initiating Order, will be assessed to remove liquidity from \$0.38 to \$0.42 per contract. These contra parties will continue to be entitled to receive the Rebate for Adding Liquidity, as is the case today. Despite, the increase [the Exchange] believes that its current SPY PIXL fees remain competitive.’

Footnote 13 in that rule change indicated that a member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity (“PIXL Order”) against principal interest or against any other order (except as provided in Rule 1080(n)(i)(E)) it represents as agent (“Initiating Order”) provided it submits the PIXL order for electronic execution into the PIXL Auction (“Auction”) pursuant to Rule 1080. Non-Initiating Order interest could be a PIXL Auction Responder or a resting order or quote that was on the Phlx book prior to the auction.

As a result of the amendments to SR-Phlx-2015-25, the Exchange’s current rule text does not address the amount a Customer would be assessed if the Customer was a contra-party responder to a SPY PIXL Order, other than the Initiating Order. Today, no fee is assessed to the Customer contra party to a SPY PIXL Order.

⁹ The term “Non-Customer” applies to transactions for the accounts of Specialists, Market Makers, Firms, Professionals, Broker-Dealers and JBOs.

Proposal

The Exchange proposes to assess a Customer contra party to a PIXL Order a Fee for Removing Liquidity of \$0.42 per contract, similar to all other contra parties to a SPY PIXL Order. The Exchange's proposal would increase the Customer Fee for Removing Liquidity, when the Customer is a contra party to the PIXL Order, other than the Initiating Order, from \$0.00 to \$0.42 per contract.

The Exchange proposes to (i) add the word "PIXL" in the first sentence to clarify the type of order being discussed; and (ii) remove the reference to "other Non-Customer" in the second sentence, to assess the \$0.42 per contract Fee for Removing to Liquidity to all participants, including a Customer and make the second sentence its own paragraph. The proposed rule text would be as follows, "When the PIXL Order is contra to other than the Initiating Order, the PIXL Order will be assessed \$0.00 per contract, unless the PIXL Order is a Customer, in which case the Customer will receive a rebate of \$0.38 per contract." Separately, in another paragraph, the proposed rule text would be as follows, "All contra parties to the PIXL Order that are not the Initiating Order will be assessed a Fee for Removing Liquidity of \$0.42 per contract or will receive the Rebate for Adding Liquidity." The Exchange is also adding some clarifying language in this sentence to make clear that the contra parties are not the Initiating Order.

To further explain this amendment and the role of the contra party, during a PIXL Auction, a paired order may be entered into the auction consisting of a PIXL Order and an Initiating Order. If during the auction, non-Initiating Order interest¹⁰ executes against the PIXL Order, the Exchange would assess a Fee for Removing Liquidity of \$0.42 per

¹⁰ Non-Initiating Order interest could be a PIXL Auction Responder or a resting order or quote that was on the Phlx book prior to the auction.

contract or will receive the Rebate for Adding Liquidity, regardless of the capacity of the contra party. The contra party in this example may be a Customer order.¹¹

The Exchange proposes to correct a typographical error in this section to capitalize “non-Customer” to state “Non-Customer” to properly refer to the defined term. The Exchange also proposes to remove extraneous parentheticals from Section I in the Simple Order Rebate for Adding Liquidity in the Specialist and Market Maker pricing.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act¹³ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, for example, the Commission indicated that market forces should generally determine the price of non-core market data because national market system regulation “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed

¹¹ This contra party Customer order would be different than the original Customer PIXL Order.

¹² 15 U.S.C. § 78f(b).

¹³ 15 U.S.C. § 78f(b)(4) and (5).

companies.”¹⁴ Likewise, in NetCoalition v. Securities and Exchange Commission¹⁵ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.¹⁶ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”¹⁷

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’....”¹⁸ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange’s proposal to increase the amount that Customer contra parties to a PIXL Order that were not the Initiating Order will be assessed to remove liquidity from \$0.00 to \$0.42 per contract is reasonable because despite the increase in the fee, the

¹⁴ Securities Exchange Act Release No. 51808 at 37499 (June 9, 2005) (“Regulation NMS Adopting Release”).

¹⁵ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

¹⁶ See NetCoalition, at 534.

¹⁷ Id. at 537.

¹⁸ Id. at 539 (quoting ArcaBook Order, 73 FR at 74782-74783).

Exchange believes this pricing will continue to incentivize market participants to transact a greater number of SPY options. Customers will continue to receive a rebate of \$0.38 per contract when the PIXL Order is a Customer order and is contra to other than the Initiating Order. The Exchange's proposal to increase the Fee for Removing Liquidity for Customer contra-parties to the PIXL Order in SPY that are not the Initiating Order from \$0.00 to \$0.42 per contract remains lower than the \$0.43 per contract Simple Order Fee for Removing Liquidity that is assessed for Simple Orders in SPY.¹⁹ Today, all other market participants that are not the Initiating Order, other than a Customer, who execute against the PIXL Order, are assessed a Fee for Removing Liquidity of \$0.42 per contract. The Exchange believes that it should assess the Customer a fee similar to other market participants. The Exchange notes that today, a Customer is assessed a \$0.43 per contract Simple Order Fee for Removing Liquidity in SPY. The proposed \$0.42 per contract Customer Fee for Removing Liquidity for Customer contra-parties to the PIXL Order which are not the Initiating Order in SPY would continue to be lower than the Simple Order Fee for Removing Liquidity.

SPY options are currently the most actively traded options class and therefore the Exchange believes that incentivizing Customers to remove liquidity in SPY options by continuing to offer a lower rate as compared to Simple Order Fees for Removing Liquidity in SPY will benefit all market participants by providing incentives for price improvement, such as this reduction in the Fee for Removing Liquidity. Despite the

¹⁹ See Section I of the Pricing Schedule. Customers are assessed a \$0.43 per contract Simple Order Fee for Removing Liquidity in SPY while Non-Customers are assessed a \$0.47 per contract Simple Order Fee for Removing Liquidity in SPY.

increase, the Exchange believes the Fee for Removing Liquidity will continue to encourage a greater number of market participants to remove Customer liquidity in SPY on Phlx because the proposed rate of \$0.42 per contract is lower the \$0.43 per contract Simple Order Fee for Removing Liquidity that is assessed for Simple Orders in SPY. Customer orders bring valuable liquidity to the market which liquidity benefits other market participants.

The Exchange's proposal to increase the amount that Customer contra parties to the PIXL Order that are not the Initiating Order will be assessed to remove liquidity from \$0.00 to \$0.42 per contract is equitable and not unfairly discriminatory because the Exchange will be assessing the same Fees for Removing Liquidity for SPY PIXL options to all market participants that are contra parties to the PIXL Order in SPY, other than the Initiating Order. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. A higher percentage of SPY Orders in PIXL leads to increased auctions and better opportunities for price improvement.

The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to correct the typographical error to properly refer to a defined term, remove extraneous parentheticals from Section I and make other clarifying language. These rule changes are non-substantive.

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. In terms of inter-market competition, the Exchange notes that it operates in a highly

competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The proposed increase to the amount that Customer contra parties to the PIXL Order that are not the Initiating Order will be assessed to remove liquidity does not impose a burden on inter-market competition, because the Exchange is competing with other options markets which offer price improvement mechanisms. A higher percentage of SPY Orders in PIXL leads to increased auctions and better opportunities for price improvement for all market participants. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

The Exchange's proposal to amend the Fee for Removing Liquidity applicable to Customers that are contra to a SPY PIXL Order, other than the Initiating Order, does not impose any undue burden on intra-market competition as all market participants will be assessed the same fee of \$0.42 per contract to remove liquidity as other contra party

market participants. Customer orders bring valuable liquidity to the market, which liquidity benefits all market participants. This proposal also corrects a discrepancy in the rule text which does not currently address fees for Customer responders.

The Exchange's proposal to correct a typographical error to properly refer to a defined term, remove extraneous parentheticals from Section I and make other clarifying language does not impose any undue burden on intra-market competition as these rule changes are non-substantive.

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.²⁰

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁰ 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. Please include File Number SR-Phlx-2016-21 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-2016-21. 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-2016-21 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.²¹

Robert W. Errett
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

**NASDAQ PHLX LLC PRICING SCHEDULE
THE EXCHANGE CALCULATES FEES ON A TRADE DATE BASIS.**

POLICY FOR AMENDING BILLING INFORMATION: CORRECTIONS SUBMITTED AFTER TRADE DATE AND PRIOR TO THE ISSUANCE OF AN INVOICE BY THE EXCHANGE MUST BE SUBMITTED TO THE EXCHANGE IN WRITING AND MUST BE ACCOMPANIED BY SUPPORTING DOCUMENTATION. ONLY MEMBERS MAY SUBMIT TRADE CORRECTIONS.

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 PSX FEES, PROPRIETARY DATA FEED FEES AND CO-LOCATION SERVICES FEES. THE EXCHANGE CALCULATES FEES ON A TRADE DATE BASIS. ONLY MEMBERS MAY SUBMIT BILLING DISPUTES.

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

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

Part A. Simple Order

	Customer Specialist	Market Maker	Firm	Broker-Dealer	Professional
Rebate for Adding Liquidity	\$0.00	[\$0.]*	[\$0.]*	\$0.00	\$0.00

Fee for Removing Liquidity	\$0.43	\$0.47	\$0.47	\$0.47	\$0.47	\$0.47
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* The Simple Order Rebate for Adding Liquidity for Specialists and Market Makers will be paid as noted below:

Tiers	Monthly Volume	Rebate for Adding Liquidity
1	Participant adds 1 to 2,499 electronically executed Simple Order contracts per day in a month in SPY	\$0.15
2	Participant adds 2,500 to 4,999 electronically executed Simple Order contracts per day in a month in SPY	\$0.20
3	Participant adds 5,000 to 19,999 electronically executed Simple Order contracts per day in a month in SPY	\$0.25
4	Participant adds greater than 20,000 electronically executed Simple Order contracts per day in a month in SPY	\$0.30

Part B. Complex Order

	Customer Specialist	Market Maker	Firm	Broker-Dealer	Professional
Fee for Adding Liquidity	\$0.00	\$0.10	\$0.10	\$0.10	\$0.10
Fee for Removing Liquidity	\$0.00	\$0.40	\$0.40	\$0.50	\$0.50

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

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

- Customers will be assessed \$0.00 per contract and all other market participants will be assessed \$0.15 per contract for executions against an order for which the Exchange broadcasts an order exposure alert in SPY.

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

- The Monthly Market Maker Cap on transaction fees that are currently applicable to Market Makers and Specialists transacting Multiply Listed Options will not be applicable to electronic transactions in the SPY, except for QCC Transaction Fees.
- The Monthly Firm Fee Cap will apply to floor transactions and QCC electronic and QCC floor transactions in SPY.
- Marketing 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. The one side of the transaction which originates on the Exchange floor will count toward the volume which qualifies a participant for the Simple Order Rebate for Adding Liquidity for Specialists and Market Makers in SPY.
- 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 [n]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 PIXL [o]Order is a Customer, in which case the Customer will receive a rebate of \$0.38 per contract.
- All [other Non-Customer] contra parties to the PIXL Order that are not[, other than] the Initiating Order[,] will be assessed a Fee for Removing Liquidity of \$0.42 per contract or will receive the Rebate for Adding Liquidity.

* * * * *