

Required fields are shown with yellow backgrounds and asterisks.

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 *).

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 * Last Name *
 Title *
 E-mail *
 Telephone * 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 *)
 Date Executive Vice President and General Counsel
 By
 (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 *

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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 *

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 *

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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

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

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) NASDAQ PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend the Exchange’s connectivity fees at Chapter VIII of the NASDAQ PHLX LLC Pricing Schedule to: (i) limit the total monthly fee a PSX Participant may be assessed for connectivity under the rule; and (ii) provide a waiver of all connectivity fees to new PSX Participants for a limited time; (iii) eliminate prorated billing; and (iv) change the name of the fees assessed under the rule.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (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.

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

T. Sean Bennett
Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8499

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The purpose of the proposed rule change is to amend the Exchange's connectivity fees under "Access Services Fees" at Chapter VIII of the NASDAQ PHLX LLC Pricing Schedule to: (i) limit the total monthly fee a PSX Participant may be assessed for connectivity under the rule; (ii) provide a waiver of all connectivity fees to new PSX Participants for a limited time; (iii) eliminate prorated billing; and (iv) change the name of the fees assessed under the rule from "Access Services Fees" to "Port Fees," as described further below. Access Services Fees include the choices for connecting to PSX and receipt of data therefrom, together with the fees assessed for that connectivity.

First Change

The purpose of the first change is to limit the overall costs to Participants for connecting to the Exchange by capping the total monthly fee a Participant may be assessed at \$30,000. The Exchange believes that the proposed fee cap will make PSX a more attractive venue for Participants, and help PSX both retain and attract new Participants. The proposed fee cap will apply to all Access Services³ fees assessed under the rule, in aggregate and per Participant. Thus, a Participant may meet the \$30,000 per month fee cap with any combination of subscriptions provided under the rule.

Second Change

Similar to the first change, the purpose of the second change is to reduce the costs of connecting to the Exchange for market participants that are not currently Participants

³ As discussed below, the Exchange is proposing to rename "Access Services Fees" under the rule as "Port Fees."

on PSX by providing a waiver of all connectivity fees under the rule to new PSX Participants for a limited time. Specifically, the Exchange is proposing to waive all Access Services Fees for every Participant that is a “new PSX Participant” through August 1, 2017. The Exchange is defining a “new PSX Participant” as a Participant that was not a Participant after July 1, 2016. The Exchange believes that the proposed fee waiver will make PSX a more attractive venue for prospective Participants.

Third Change

The purpose of the third change is to harmonize the billing practices for subscription to PSX ports under Access Services Fees with those of the Exchange’s Options Market by no longer applying a prorated fee for subscriptions that are effective other than the first of any given month.⁴ The Exchange does not prorate options market connectivity subscriptions; thus, options participants would be assessed a full month’s fee for a connectivity subscription if they direct the Exchange to make the subscribed connectivity live on any day of the month, including the last day thereof.⁵

Currently, connectivity on PSX under the rule is prorated based on the day that it is activated, with the PSX Participant only fee liable for the remaining days of the partial

⁴ See NASDAQ PHLX LLC Pricing Schedule, Chapters VI.A, VI.B, VI.C, VII.A and VII.B. Chapter VII.B. is titled “Port Fees” and sets forth the connectivity choices for the Phlx Options market.

⁵ For example, in a filing increasing an Order Entry Port Fee the Exchange noted:

The Exchange currently assesses an Order Entry Port Fee per month, per mnemonic of \$500. This fee is assessed on members regardless of whether the order entry mnemonic is active during the billing month. The fee is assessed regardless of usage, and solely on the number of order entry ports assigned to each member organization.

See Securities Exchange Act Release No. 68473 (December 19, 2012), 77 FR 76128 (December 26, 2012) (SR-Phlx-2012-140).

month. The Exchange has found that prorating billing has inserted complexity into the billing process. As a consequence, the Exchange is harmonizing the billing process with that of the Exchange's Options market and not permitting prorated billing.

Fourth Change

The purpose of the fourth change is to rename the title of the section from "Access Services Fees" to "Port Fees," which the Exchange believes is a more accurate description of the connectivity provided by the rule. In this regard, the Exchange notes that each connectivity option under the rule provides the Participant with a specific port, which is noted in the rule. The proposed name change in no way alters what is offered under the rule.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁷ 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 designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4) and (5).

are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

First Change

The Exchange believes that the first change is reasonable because it will limit the overall costs to Participants for connecting to the Exchange and may, in turn, attract new Participants and retain existing Participants. Attracting and retaining Participants will benefit all market participants on PSX by ensuring that the market remains deep and liquid. The fee cap may also provide incentive to Participants to subscribe to additional ports, potentially for the purpose of increasing their activity on PSX. Moreover, the proposed fee cap is set a level that will allow the Exchange to continue to cover costs associated with providing connectivity to PSX. For these reasons, the Exchange believes that the proposed fee cap is reasonable.

The Exchange believes that the first change is an equitable allocation and is not unfairly discriminatory because the Exchange will uniformly apply the same fee to all similarly situated members. In this regard, all Participants have the opportunity to take advantage of the fee cap to the extent their subscriptions exceed the \$30,000 per month level. Participants that are unwilling to subscribe to connectivity at a level that exceeds the fee cap will still benefit from the liquidity provided by Participants that have increased their connectivity and participation in the PSX market.

Second Change

The Exchange believes that the second change is reasonable because it will limit the overall costs incurred by new Participants in connecting to the Exchange, which may as a consequence attract new Participants. Attracting new Participants will benefit all

market participants on PSX by ensuring that PSX remains deep and liquid. The Exchange believes that the second change is an equitable allocation and is not unfairly discriminatory because the Exchange will uniformly apply the same fee to all similarly situated Participants. In this regard, the Exchange is proposing to apply the fee waiver to new PSX Participants, which the Exchange proposes to define as a Participant that was not a Participant prior to July 1, 2016.

Limiting eligibility for the fee waiver, as described, will ensure that the waiver is only available to market participants that were not already considering becoming a Participant imminently, thus limiting the incentive to attracting truly new Participants. Waiving the fees for new Participants will ease the burden of participating on PSX, which may be a significant reason that such market participants have historically declined to become Participants. Thus, to the extent this waiver is successful, the proposed change will broaden participation on PSX, which will benefit all Participants by providing more liquidity.

Third Change

The Exchange believes that the third change is reasonable because it will reduce a complexity in the billing process and will harmonize it with the process applied to Exchange Options market participants. As noted above, Participants choose when they want a new connectivity subscription to begin and thus may make the determination of when they wish to be fee liable. Participants will continue to choose when they become fee liable under the proposed change, but now the Exchange will assess the full month's fee regardless of when the port is subscribed.

The Exchange believes that the third change is an equitable allocation and is not unfairly discriminatory because it will apply the same fee to all similarly situated Participants. Moreover, the Exchange believes the proposed change is an equitable allocation and is not unfairly discriminatory because it will harmonize the billing process with that of the Exchange's Options market. Thus, the Exchange will apply the same process to both its Options and Equities market Participants.

Fourth Change

The Exchange believes that the proposed renaming of the fee section under the rule further perfects the mechanism of a free and open market and a national market system, and, in general, promotes the public interest because the proposed new name is more reflective of the type of connectivity provided under the rule. Therefore, the Exchange believes that the proposed change will promote better market participant understanding over the scope and nature of the fees.

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.

In this instance, the proposed changes generally reduce the fee burdens on Participants in an effort to attract and retain Participants, which benefits all market participants on PSX to the extent the incentives are effective. Although eliminating prorated fees for subscriptions under the rule will result in an increase in fees for new subscriptions, the Exchange notes that it is doing so to both simplify the process and harmonize it with the process applied to the Exchange's Options Participants.

The Exchange notes that participation on PSX is completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. Thus, to the extent that the proposed changes to the connectivity fees proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share and Participants 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.

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,⁸ 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.

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 Change for publication in the Federal Register.

5. Text of the proposed rule change.

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2016-85)

August __, 2016

Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Connectivity fees at Chapter VIII of the NASDAQ PHLX LLC Pricing Schedule

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 August 12, 2016, NASDAQ 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 connectivity fees at Chapter VIII of the NASDAQ PHLX LLC Pricing Schedule to: (i) limit the total monthly fee a PSX Participant may be assessed for connectivity under the rule; and (ii) provide a waiver of all connectivity fees to new PSX Participants for a limited time; (iii) eliminate prorated billing; and (iv) change the name of the fees assessed under the rule.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend the Exchange's connectivity fees under "Access Services Fees" at Chapter VIII of the NASDAQ PHLX LLC Pricing Schedule to: (i) limit the total monthly fee a PSX Participant may be assessed for connectivity under the rule; (ii) provide a waiver of all connectivity fees to new PSX Participants for a limited time; (iii) eliminate prorated billing; and (iv) change the name of the fees assessed under the rule from "Access Services Fees" to "Port Fees," as described further below. Access Services Fees include the choices for connecting to PSX and receipt of data therefrom, together with the fees assessed for that connectivity.

First Change

The purpose of the first change is to limit the overall costs to Participants for connecting to the Exchange by capping the total monthly fee a Participant may be assessed at \$30,000. The Exchange believes that the proposed fee cap will make PSX a more attractive venue for Participants, and help PSX both retain and attract new

Participants. The proposed fee cap will apply to all Access Services³ fees assessed under the rule, in aggregate and per Participant. Thus, a Participant may meet the \$30,000 per month fee cap with any combination of subscriptions provided under the rule.

Second Change

Similar to the first change, the purpose of the second change is to reduce the costs of connecting to the Exchange for market participants that are not currently Participants on PSX by providing a waiver of all connectivity fees under the rule to new PSX Participants for a limited time. Specifically, the Exchange is proposing to waive all Access Services Fees for every Participant that is a “new PSX Participant” through August 1, 2017. The Exchange is defining a “new PSX Participant” as a Participant that was not a Participant after July 1, 2016. The Exchange believes that the proposed fee waiver will make PSX a more attractive venue for prospective Participants.

Third Change

The purpose of the third change is to harmonize the billing practices for subscription to PSX ports under Access Services Fees with those of the Exchange’s Options Market by no longer applying a prorated fee for subscriptions that are effective other than the first of any given month.⁴ The Exchange does not prorate options market connectivity subscriptions; thus, options participants would be assessed a full month’s fee

³ As discussed below, the Exchange is proposing to rename “Access Services Fees” under the rule as “Port Fees.”

⁴ See NASDAQ PHLX LLC Pricing Schedule, Chapters VI.A, VI.B, VI.C, VII.A and VII.B. Chapter VII.B. is titled “Port Fees” and sets forth the connectivity choices for the Phlx Options market.

for a connectivity subscription if they direct the Exchange to make the subscribed connectivity live on any day of the month, including the last day thereof.⁵

Currently, connectivity on PSX under the rule is prorated based on the day that it is activated, with the PSX Participant only fee liable for the remaining days of the partial month. The Exchange has found that prorating billing has inserted complexity into the billing process. As a consequence, the Exchange is harmonizing the billing process with that of the Exchange's Options market and not permitting prorated billing.

Fourth Change

The purpose of the fourth change is to rename the title of the section from "Access Services Fees" to "Port Fees," which the Exchange believes is a more accurate description of the connectivity provided by the rule. In this regard, the Exchange notes that each connectivity option under the rule provides the Participant with a specific port, which is noted in the rule. The proposed name change in no way alters what is offered under the rule.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁷ in

⁵ For example, in a filing increasing an Order Entry Port Fee the Exchange noted:

The Exchange currently assesses an Order Entry Port Fee per month, per mnemonic of \$500. This fee is assessed on members regardless of whether the order entry mnemonic is active during the billing month. The fee is assessed regardless of usage, and solely on the number of order entry ports assigned to each member organization.

See Securities Exchange Act Release No. 68473 (December 19, 2012), 77 FR 76128 (December 26, 2012) (SR-Phlx-2012-140).

⁶ 15 U.S.C. 78f(b).

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 designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

First Change

The Exchange believes that the first change is reasonable because it will limit the overall costs to Participants for connecting to the Exchange and may, in turn, attract new Participants and retain existing Participants. Attracting and retaining Participants will benefit all market participants on PSX by ensuring that the market remains deep and liquid. The fee cap may also provide incentive to Participants to subscribe to additional ports, potentially for the purpose of increasing their activity on PSX. Moreover, the proposed fee cap is set a level that will allow the Exchange to continue to cover costs associated with providing connectivity to PSX. For these reasons, the Exchange believes that the proposed fee cap is reasonable.

The Exchange believes that the first change is an equitable allocation and is not unfairly discriminatory because the Exchange will uniformly apply the same fee to all

⁷ 15 U.S.C. 78f(b)(4) and (5).

similarly situated members. In this regard, all Participants have the opportunity to take advantage of the fee cap to the extent their subscriptions exceed the \$30,000 per month level. Participants that are unwilling to subscribe to connectivity at a level that exceeds the fee cap will still benefit from the liquidity provided by Participants that have increased their connectivity and participation in the PSX market.

Second Change

The Exchange believes that the second change is reasonable because it will limit the overall costs incurred by new Participants in connecting to the Exchange, which may as a consequence attract new Participants. Attracting new Participants will benefit all market participants on PSX by ensuring that PSX remains deep and liquid. The Exchange believes that the second change is an equitable allocation and is not unfairly discriminatory because the Exchange will uniformly apply the same fee to all similarly situated Participants. In this regard, the Exchange is proposing to apply the fee waiver to new PSX Participants, which the Exchange proposes to define as a Participant that was not a Participant prior to July 1, 2016.

Limiting eligibility for the fee waiver, as described, will ensure that the waiver is only available to market participants that were not already considering becoming a Participant imminently, thus limiting the incentive to attracting truly new Participants. Waiving the fees for new Participants will ease the burden of participating on PSX, which may be a significant reason that such market participants have historically declined to become Participants. Thus, to the extent this waiver is successful, the proposed change will broaden participation on PSX, which will benefit all Participants by providing more liquidity.

Third Change

The Exchange believes that the third change is reasonable because it will reduce a complexity in the billing process and will harmonize it with the process applied to Exchange Options market participants. As noted above, Participants choose when they want a new connectivity subscription to begin and thus may make the determination of when they wish to be fee liable. Participants will continue to choose when they become fee liable under the proposed change, but now the Exchange will assess the full month's fee regardless of when the port is subscribed.

The Exchange believes that the third change is an equitable allocation and is not unfairly discriminatory because it will apply the same fee to all similarly situated Participants. Moreover, the Exchange believes the proposed change is an equitable allocation and is not unfairly discriminatory because it will harmonize the billing process with that of the Exchange's Options market. Thus, the Exchange will apply the same process to both its Options and Equities market Participants.

Fourth Change

The Exchange believes that the proposed renaming of the fee section under the rule further perfects the mechanism of a free and open market and a national market system, and, in general, promotes the public interest because the proposed new name is more reflective of the type of connectivity provided under the rule. Therefore, the Exchange believes that the proposed change will promote better market participant understanding over the scope and nature of the fees.

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.

In this instance, the proposed changes generally reduce the fee burdens on Participants in an effort to attract and retain Participants, which benefits all market participants on PSX to the extent the incentives are effective. Although eliminating prorated fees for subscriptions under the rule will result in an increase in fees for new subscriptions, the Exchange notes that it is doing so to both simplify the process and harmonize it with the process applied to the Exchange's Options Participants.

The Exchange notes that participation on PSX is completely voluntary and subject to extensive competition both from other exchanges and from off-exchange venues. Thus, to the extent that the proposed changes to the connectivity fees proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share and Participants 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.

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.⁸

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.

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-2016-85 on the subject line.

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2016-85. 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 website

(<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-2016-85 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.⁹

Robert W. Errett
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

NASDAQ PHLX Rules

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NASDAQ PHLX LLC Pricing Schedule

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VIII. NASDAQ PSX FEES

[Access Services]Port Fees[‡]

The following charges are assessed by the Exchange for ports to establish connectivity to the NASDAQ PSX market, as well as ports to receive data from the NASDAQ PSX market:

OUCH	\$400/port/month
FIX Trading Port (FIX and FIX Lite (FLITE))	\$400/port/month
RASH	\$400/port/month
Multicast TotalView-ITCH (software-based)	\$1,000/port/month
TCP ITCH data feed	\$400/port/month
DROP	\$400/port/month
Trading Ports used in Test Mode	\$100/port/month
Data Retransmission Port	No charge
Disaster recovery port (OUCH, FIX Trading Port, RASH, and DROP)	\$25/port/month
Disaster recovery port (all other ports)	No charge

The maximum monthly fee assessed to a PSX Participant for the above listed Port Fees will be \$30,000 per month.

New PSX Participants will not be assessed the above listed Port Fees through August 1, 2017. A New PSX Participant will be defined as a PSX Participant that was not a PSX Participant after July 1, 2016.

[‡] Fees are assessed in full month increments under this section, and thus are not prorated.

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