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Page 1 of * 42

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2019 - * 15
Amendment No. (req. for Amendments *)

Filing by Nasdaq PHLX LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☑ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☐ 19b-4(f)(6)

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

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

Proposal to amend the Pricing Schedule at Section 1, B, Customer Rebate Program; Section 3, Rebates and Fees for Adding and Removing Liquidity in SPY; and Section 6, E, Market Access and Routing Subsidy.

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 * Principal 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.

Date 04/10/2019

By Edward S. Knight

(Name *)

(Title *)

Global Chief Legal and Policy Officer

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.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq 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 Pricing Schedule at Section 1, B, "Customer Rebate Program," Section 3, "Rebates and Fees for Adding and Removing Liquidity in SPY" and Section 6, E, "Market Access and Routing Subsidy ("MARS")."

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 of the Exchange (the "Board") on September 26, 2018. 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:

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

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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 Exchange proposes to amend the Pricing Schedule at (i) Section 1, B, "Customer Rebate Program," to decrease certain Customer Rebates; (ii) Section 3, "Rebates and Fees for Adding and Removing Liquidity in SPY" to decrease a Simple Order Customer Fee for Removing Liquidity and decrease all rebate tiers; an (iii) Section 6, E, "Market Access and Routing Subsidy ("MARS")" to add a new rebate tier. Each change will be described below in more detail.

Customer Rebate

The Exchange proposes to amend the Pricing Schedule at Section 1, B, "Customer Rebate Program" to lower certain rebates. Today, the Exchange pays rebates to members who transacted a certain amount of Customer volume. Specifically, Phlx totals Customer volume in Multiply Listed Options (including SPY) that is electronically-delivered and executed, except volume associated with electronic QCC Orders, as defined in Exchange Rule 1080(o). Rebates are paid on Customer Rebate Tiers according to the below:[3]

Customer Rebate Tiers	**Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)**	**Category A**	**Category B**	**Category C**	**Category D**
Tier 1	0.00% - 0.60%	$0.00	$0.00	$0.00	$0.00

3 Members and member organizations under Common Ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Affiliated Entities may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates.

Tier 2	Above 0.60% - 1.10%	$0.10 *	$0.10 *	$0.16 * #	$0.21 * #
Tier 3	Above 1.10% - 1.60%	$0.15	$0.12 *	$0.18 * #	$0.22 * #
Tier 4	Above 1.60% - 2.50%	$0.20	$0.16	$0.22 #	$0.26 #
Tier 5	Above 2.50%	$0.21	$0.17	$0.22 #	$0.27 #

The Exchange pays a Category A Rebate to members who execute electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot Options in Options 7, Section 4 symbols.[4] The Exchange pays a Category B Rebate on Customer PIXL Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 4 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order is paid a rebate of $0.14 per contract. Rebates on Customer PIXL Orders are capped at 4,000 contracts per order for Simple PIXL Orders. The Exchange pays a Category C Rebate to members who execute electronically-delivered Customer Complex Orders in Penny Pilot Options in Options 7, Section 4 symbols. Rebates are paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order are not paid a rebate under any circumstance. The Category C Rebate is not paid when an electronically-delivered Customer Complex Order, including a Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order. Finally, the Exchange pays a Category D Rebate to members who execute electronically-delivered

[4] Options 7, Section 4 describes pricing for Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed).

Customer Complex Orders in Non-Penny Pilot Options in Options 7, Section 4 symbols. Rebates are paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order are not paid a rebate under any circumstance. The Category D Rebate are not paid when an electronically-delivered Customer Complex Order, including a Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order. Rebates are not paid on NDX or NDXP contracts in any Category, however NDX and NDXP contracts will count toward the volume requirement to qualify for a Customer Rebate Tier.

Today, the Exchange pays a $0.05 per contract Category C and D rebate in addition to the applicable Tier 2, 3, 4 and 5 rebates to members or member organizations or member or member organization affiliated under Common Ownership provided the member or member organization qualified for any MARS Payments in Options 7, Section 6, E. The Exchange proposes to decrease the Category C and D rebates applicable Tier 2, 3, 4 and 5 rebates to members or member organizations or member or member organization affiliated under Common Ownership provided the member or member organization qualified for any MARS Payments in Options 7, Section 6, E. The Exchange proposes to decrease the Category C Rebate from $0.05 to $0.04 per contract. The Exchange proposes to decrease the Category D Rebate from $0.05 to $0.02 per contract. While these rebates are decreasing, the Exchange believes that the Customer Rebates will continue to incentivize member organizations to execute against Customer orders.

Rebates and Fees for SPY

The Exchange proposes to amend the Pricing Schedule at Section 3, “Rebates and

Fees for Adding and Removing Liquidity in SPY" to decrease the Simple Order Customer Fee for Removing Liquidity and decrease all rebate tiers. Today, the Exchange assesses a Customer Fee for Removing Liquidity in SPY of $0.45 per contract. All other market participants, Specialists,[5] Market Makers,[6] Firms,[7] Broker-Dealers[8] and Professionals,[9] are assessed a Fee for Removing Liquidity in SPY of $0.48 per contract.

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[5] The term "Specialist" applies to transactions for the account of a Specialist (as defined in Exchange Rule 1020(a)). A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). An options Specialist includes a Remote Specialist which is defined as an options specialist in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Rule 501.

[6] The term "ROT, SQT and RSQT" applies to transactions for the accounts of Registered Option Traders ("ROTs"), Streaming Quote Traders ("SQTs"), and Remote Streaming Quote Traders ("RSQTs"). For purposes of the Pricing Schedule, the term "Market Maker" will be utilized to describe fees and rebates applicable to ROTs, SQTs and RSQTs. RSQTs may also be referred to as Remote Market Markers ("RMMs"). The term ROT is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. A ROT includes SQTs and RSQTs as well as on and off-floor ROTS. The term SQT is defined in Exchange Rule 1014(b)(ii)(A) as an ROT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. The term RSQT is defined in Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member affiliated with an RSQTO with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A Remote Streaming Quote Trader Organization or "RSQTO," which may also be referred to as a Remote Market Making Organization ("RMO"), is a member organization in good standing that satisfies the RSQTO readiness requirements in Rule 507(a).

[7] The term "Firm" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC.

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

[9] The term "Professional" applies to transactions for the accounts of Professionals, as defined in Exchange Rule 1000(b)(14) means any person or entity that (i) is not

The Exchange proposes to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract. The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract will encourage a greater amount of Customer orders, even if submitted by other market participants, to remove volume from the Exchange.

Today, a Simple Order Rebate for Adding Liquidity is paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY.[10] Today the Exchange pays the following rebates:

Tiers	**Average Daily Volume "ADV"**	**Rebate for Adding Liquidity**
1	1 to 2,499	$0.15
2	2,500 to 4,999	$0.18
3	5,000 to 19,999	$0.21
4	20,000 to 34,999	$0.27
5	35,000 to 49,999	$0.30
6	greater than 49,999	$0.35

The Exchange proposes to lower each rebate tier by $0.03 per contract so the proposed rebates would be:

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a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

10 The Exchange notes that the Customer Rebates offered in Section 1, B do not apply to electronic executions in SPY.

Tiers	Average Daily Volume "ADV"	Rebate for Adding Liquidity
1	1 to 2,499	$0.12
2	2,500 to 4,999	$0.15
3	5,000 to 19,999	$0.18
4	20,000 to 34,999	$0.24
5	35,000 to 49,999	$0.27
6	greater than 49,999	$0.32

While the Exchange is lowering the amount of rebates[11] it would pay to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY, the Exchange believes the proposed rebates will continue to incentivize Market Makers to add liquidity on Phlx.

MARS

Today, MARS, pays a subsidy to Phlx members that provide certain order routing functionalities to other Phlx members and/or use such functionalities themselves. Generally, under MARS, Phlx pays participating Phlx members to subsidize their costs of providing routing services to route orders to Phlx. To qualify for MARS, a Phlx

[11] The Exchange would lower Tier 1 (1 to 2,499) from $0.15 to $0.12 per contract; Tier 2 (2,500 to 4,999) would be lowered from $0.18 to $0.15 per contract; Tier 3 (5,000 to 19,999) would be lowered from $0.21 to $0.18 per contract; Tier 4 (20,000 to 34,999) would be lowered from $0.27 to $0.24 per contract; Tier 5 (35,000 to 49,999) would be lowered from $0.30 to $0.27 per contract; and Tier 6 (greater than 49,999) would be lowered from $0.35 to $0.32 per contract.

member's order routing functionality is required to meet certain criteria.[12] Any Phlx member may apply for MARS, provided the requirements are met, including a robust and reliable System. The member is solely responsible for implementing and operating its System. The Exchange is not proposing to amend eligibility standards.

Today, a MARS Payment would be made to Phlx members that have System Eligibility and have routed the requisite number of Eligible Contracts daily in a month, which were executed on Phlx. For the purpose of qualifying for the MARS Payment, Eligible Contracts include Firm, Broker-Dealer, Joint Back Office or "JBO"[13] or Professional equity option orders that are electronically delivered and executed. Eligible

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12 Specifically, a Phlx member's routing system ("hereinafter System") is required to: (1) enable the electronic routing of orders to all of the U.S. options exchanges, including Phlx; (2) provide current consolidated market data from the U.S. options exchanges; and (3) be capable of interfacing with Phlx's API to access current Phlx match engine functionality. Further, the member's System needs to cause Phlx to be the one of the top five default destination exchanges for individually executed marketable orders if Phlx is at the national best bid or offer ("NBBO"), regardless of size or time, but allow any user to manually override Phlx as a default destination on an order-by-order basis. Notwithstanding the above, with respect to Complex Orders a Phlx member's routing system is not required to enable the electronic routing of orders to all of the U.S. options exchanges or provide current consolidated market data from the U.S. options exchanges. Any Phlx member is permitted to avail itself of this arrangement, provided that its order routing functionality incorporates the features described above and satisfies Phlx that it appears to be robust and reliable. The member remains solely responsible for implementing and operating its system. The Exchange does not require Complex Orders to enable the electronic routing of orders to all of the U.S. options exchanges or provide current consolidated market data from the U.S. options exchanges.

13 The term "Joint Back Office" or "JBO" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC and is identified with an origin code as a JBO. A JBO will be priced the same as a Broker-Dealer. A JBO participant is a member, member organization or non-member organization that maintains a JBO arrangement with a clearing broker-dealer ("JBO Broker") subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System as further discussed at Exchange Rule 703.

Contracts do not include floor-based orders, qualified contingent cross or "QCC" orders,[14] price improvement or "PIXL" orders,[15] Mini-Option orders[16] or Singly-Listed Options[17] orders. The Eligible Contracts requirements are not being amended.

Today, Phlx members that have System Eligibility and have executed the requisite number of Eligible Contracts in a month are paid the following per contract rebates:[18]

Tiers	**Average Daily Volume ("ADV")**	**MARS Payment**	
		Non-SPY	**SPY**
1	1,000	$0.01	$0.01
2	30,000	$0.10	$0.10
3	40,000	$0.12	$0.12
4	52,500	$0.14	$0.12

14 A QCC Order is comprised of an order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Rule 1080(o)(3), coupled with a contra-side order to buy or sell an equal number of contracts. The QCC Order must be executed at a price at or between the NBBO and be rejected if a Customer order is resting on the Exchange book at the same price. A QCC Order shall only be submitted electronically from off the floor to the Exchange's match engine. See Rule 1080(o).

15 PIXL is the Exchange's price improvement mechanism known as Price Improvement XL or (PIXL[SM]). See Rule 1087.

16 Mini Options are further specified in Phlx Rule 1012, Commentary .13.

17 Singly Listed Options are options overlying currencies, equities, ETFs, ETNs treasury securities and indexes not listed on another exchange.

18 The specified MARS Payment are paid on all executed Eligible Contracts which are routed to Phlx through a participating Phlx member's System and meet the requisite Eligible Contracts ADV. No payment are made with respect to orders that are routed to Phlx, but not executed. A Phlx member is not entitled to receive any other revenue for the use of its System specifically with respect to orders routed to Phlx with the exception of the Marketing Fee.

5	65,000	$0.18	$0.12
6	75,000	$0.20	$0.12

The Exchange proposes to adopt a new Tier 2 rebate for members that have System Eligibility and have executed the requisite number of Eligible Contracts in a month. The new Tier 2 rebate would require average daily volume ("ADV") of 20,000 contracts and pay a Non-SPY and SPY MARS Payment of $0.05. The Exchange proposes to renumber each subsequent tier.[19] The Exchange believes that with this proposal MARS will continue to attract higher volumes of electronic equity and ETF options volume to the Exchange from non-Phlx market participants as well as Phlx members with the proposed amendments.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[20] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[21] 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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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19 Current Tier 2 would be renumbered as Tier 3, current Tier 3 would be renumbered as Tier 4, current Tier 4 would be renumbered as Tier 5, current Tier 5 would be renumbered as Tier 6, and current Tier 6 would be renumbered as Tier 7.

20 15 U.S.C. 78f(b).

21 15 U.S.C. 78f(b)(4) and (5).

Customer Rebate Program

The Exchange's proposal to decrease the Category C Rebate from $0.05 to $0.04 and decrease the Category D Rebate from $0.05 to $0.02 per contract is reasonable because the Exchange will continue to pay a rebate to incentivize members to execute Customer Complex Orders in Penny Pilot Options, as well as Customer Complex Orders in Non-Penny Pilot Options, despite the lower rebate.

The Exchange's proposal to decrease the Category C Rebate from $0.05 to $0.04 and decrease the Category D Rebate from $0.05 to $0.02 per contract is equitable and not unfairly discriminatory because the Exchange will uniformly pay Category C and D rebates to all qualifying market participants. Any market participant may qualify for a Customer Rebate.

Rebates and Fees for SPY

The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract is reasonable because it will encourage a greater amount of Customer orders, even if submitted by other market participants, to remove volume from the Exchange. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers.

The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract is equitable and not unfairly discriminatory because Customer orders will continue to be assessed the lowest Fees for Removing Liquidity in SPY Simple Orders. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to lower the amount of rebates paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY by $0.03 per contract for each tier[22] is reasonable because although the Exchange is lowering the amount of rebates it would pay to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY, the Exchange believes the proposed rebates will continue to incentivize Market Makers to add liquidity on Phlx.

The Exchange's proposal to lower the amount of rebates paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY by $0.03 per contract for each tier is equitable and not unfairly discriminatory because the Exchange is uniformly reducing each tier of the 6 tier rebate it pays to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY. Every Specialist and Market Maker will be equally impacted. Also, the Exchange notes that every Specialist and Market Maker may earn a rebate on each contract as the tier schedule starts with 1 contract.

MARS

The Exchange believes that adopting a new Tier 2 with an ADV of 20,000

[22] The Exchange would lower Tier 1 (1 to 2,499) from $0.15 to $0.12 per contract; Tier 2 (2,500 to 4,999) would be lowered from $0.18 to $0.15 per contract; Tier 3 (5,000 to 19,999) would be lowered from $0.21 to $0.18 per contract; Tier 4 (20,000 to 34,999) would be lowered from $0.27 to $0.24 per contract; Tier 5 (35,000 to 49,999) would be lowered from $0.30 to $0.27 per contract; and Tier 6 (greater than 49,999) would be lowered from $0.35 to $0.32 per contract.

contracts which pays a MARS Payment of $0.05 for Non-Penny and Penny is reasonable because all Phlx members may qualify for another tier that allows contracts below 30,000 (Tier 2) but higher than 1,000 contracts (Tier 1) and in return receive the higher rebate of $0.05 as compared to the $0.01 rebate for Tier 1. The proposed tier should attract higher volumes of electronic equity and ETF options volume to the Exchange, which will benefit all Phlx members by offering greater price discovery, increased transparency, and an increased opportunity to trade on the Exchange. The expanded MARS Payments should enhance the competitiveness of the Exchange, particularly with respect to those exchanges that offer their own front-end order entry system or one they subsidize in some manner. The adoption of a new Tier 2 will incentivize Phlx members to achieve an even higher rebate, provided the Phlx member is eligible for MARS. Further, the tier structure will allow Phlx members to price their services at a level that will enable them to attract order flow from market participants who would otherwise utilize an existing front-end order entry mechanism offered by the Exchange's competitors instead of incurring the cost in time and money to develop their own internal systems to be able to deliver orders directly to the Exchange's System.

The Exchange believes that adopting a new Tier 2 with an ADV of 20,000 contracts which pays a MARS Payment of $0.05 for Non-Penny and Penny is equitable and not unfairly discriminatory because the Exchange will uniformly pay all Phlx members the rebates specified in the proposed MARS Payment tiers provided the Phlx member has executed the requisite number of Eligible Contracts. Moreover, the Exchange believes that the proposed MARS Payments offered by the Exchange are equitable and not unfairly discriminatory because any qualifying Phlx member that offers market access and connectivity to the Exchange and/or utilize such functionality themselves may earn the MARS Payment for all Eligible Contracts.

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.

Customer Rebate Program

The Exchange's proposal to decrease the Category C Rebate from $0.05 to $0.04 and decrease the Category D Rebate from $0.05 to $0.02 per contract does not impose an undue burden on competition because the Exchange will uniformly pay Category C and D rebates to all qualifying market participants. Any market participant may qualify for a Customer Rebate.

Rebates and Fees for SPY

The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract does not create an undue burden on competition because Customers will continue to be assessed the lowest Fees for Removing Liquidity in SPY Simple Orders. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to lower the amount of rebates paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY by $0.03 per contract for each tier does not impose an undue burden on competition because the Exchange is uniformly reducing each tier of the 6 tier rebate it pays to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY. Every Specialist and Market Maker will be equally impacted. Also, the Exchange notes that every Specialist and Market Maker may earn a rebate on each contract as the tier schedule starts with 1 contract.

MARS

The Exchange believes that adopting a new Tier 2 with an ADV of 20,000 contracts which pays a MARS Payment of $0.05 for Non-Penny and Penny does not impose an undue burden on intra-market competition because the Exchange will uniformly pay all Phlx members the rebates specified in the proposed MARS Payment tiers provided the Phlx member has executed the requisite number of Eligible Contracts. Moreover, the Exchange believes that the proposed MARS Payments offered by the Exchange are equitable and not unfairly discriminatory because any qualifying Phlx member that offers market access and connectivity to the Exchange and/or utilizes such functionality themselves may earn the MARS Payment for all Eligible Contracts.

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,[23] 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.

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[23] 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 Change 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-2019-15)

April __, 2019

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the 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 April 10, 2019, 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 Pricing Schedule at Section 1, B, "Customer Rebate Program," Section 3, "Rebates and Fees for Adding and Removing Liquidity in SPY" and Section 6, E, "Market Access and Routing Subsidy ("MARS")."

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 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 the Pricing Schedule at (i) Section 1, B, "Customer Rebate Program," to decrease certain Customer Rebates; (ii) Section 3, "Rebates and Fees for Adding and Removing Liquidity in SPY" to decrease a Simple Order Customer Fee for Removing Liquidity and decrease all rebate tiers; an (iii) Section 6, E, "Market Access and Routing Subsidy ("MARS")" to add a new rebate tier. Each change will be described below in more detail.

Customer Rebate

The Exchange proposes to amend the Pricing Schedule at Section 1, B, "Customer Rebate Program" to lower certain rebates. Today, the Exchange pays rebates to members who transacted a certain amount of Customer volume. Specifically, Phlx totals Customer volume in Multiply Listed Options (including SPY) that is electronically-delivered and executed, except volume associated with electronic QCC Orders, as defined in Exchange Rule 1080(o). Rebates are paid on Customer Rebate Tiers according to the below:[3]

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[3] Members and member organizations under Common Ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and

Customer Rebate Tiers	**Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)**	**Category A**	**Category B**	**Category C**	**Category D**
Tier 1	0.00% - 0.60%	$0.00	$0.00	$0.00	$0.00
Tier 2	Above 0.60% - 1.10%	$0.10 *	$0.10 *	$0.16 * #	$0.21 * #
Tier 3	Above 1.10% - 1.60%	$0.15	$0.12 *	$0.18 * #	$0.22 * #
Tier 4	Above 1.60% - 2.50%	$0.20	$0.16	$0.22 #	$0.26 #
Tier 5	Above 2.50%	$0.21	$0.17	$0.22 #	$0.27 #

The Exchange pays a Category A Rebate to members who execute electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot Options in Options 7, Section 4 symbols.[4] The Exchange pays a Category B Rebate on Customer PIXL Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 4 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order is paid a rebate of $0.14 per contract. Rebates on Customer PIXL Orders are capped at 4,000 contracts per order for Simple PIXL Orders. The Exchange pays a Category C Rebate to members who execute electronically-delivered Customer Complex Orders in Penny Pilot Options in Options 7, Section 4 symbols. Rebates are paid on Customer PIXL Complex Orders in Options 7,

receiving rebates. Affiliated Entities may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates.

4 Options 7, Section 4 describes pricing for Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed).

Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order are not paid a rebate under any circumstance. The Category C Rebate is not paid when an electronically-delivered Customer Complex Order, including a Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order. Finally, the Exchange pays a Category D Rebate to members who execute electronically-delivered Customer Complex Orders in Non-Penny Pilot Options in Options 7, Section 4 symbols. Rebates are paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order are not paid a rebate under any circumstance. The Category D Rebate are not paid when an electronically-delivered Customer Complex Order, including a Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order. Rebates are not paid on NDX or NDXP contracts in any Category, however NDX and NDXP contracts will count toward the volume requirement to qualify for a Customer Rebate Tier.

Today, the Exchange pays a $0.05 per contract Category C and D rebate in addition to the applicable Tier 2, 3, 4 and 5 rebates to members or member organizations or member or member organization affiliated under Common Ownership provided the member or member organization qualified for any MARS Payments in Options 7, Section 6, E. The Exchange proposes to decrease the Category C and D rebates applicable Tier 2, 3, 4 and 5 rebates to members or member organizations or member or member organization affiliated under Common Ownership provided the member or member organization qualified for any MARS Payments in Options 7, Section 6, E. The

Exchange proposes to decrease the Category C Rebate from $0.05 to $0.04 per contract. The Exchange proposes to decrease the Category D Rebate from $0.05 to $0.02 per contract. While these rebates are decreasing, the Exchange believes that the Customer Rebates will continue to incentivize member organizations to execute against Customer orders.

Rebates and Fees for SPY

The Exchange proposes to amend the Pricing Schedule at Section 3, "Rebates and Fees for Adding and Removing Liquidity in SPY" to decrease the Simple Order Customer Fee for Removing Liquidity and decrease all rebate tiers. Today, the Exchange assesses a Customer Fee for Removing Liquidity in SPY of $0.45 per contract. All other market participants, Specialists,[5] Market Makers,[6] Firms,[7] Broker-Dealers[8] and

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5 The term "Specialist" applies to transactions for the account of a Specialist (as defined in Exchange Rule 1020(a)). A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). An options Specialist includes a Remote Specialist which is defined as an options specialist in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Rule 501.

6 The term "ROT, SQT and RSQT" applies to transactions for the accounts of Registered Option Traders ("ROTs"), Streaming Quote Traders ("SQTs"), and Remote Streaming Quote Traders ("RSQTs"). For purposes of the Pricing Schedule, the term "Market Maker" will be utilized to describe fees and rebates applicable to ROTs, SQTs and RSQTs. RSQTs may also be referred to as Remote Market Markers ("RMMs"). The term ROT is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. A ROT includes SQTs and RSQTs as well as on and off-floor ROTS. The term SQT is defined in Exchange Rule 1014(b)(ii)(A) as an ROT who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. The term RSQT is defined in Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member affiliated with an RSQTO with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A Remote Streaming Quote Trader Organization or "RSQTO," which may also be referred

Professionals,[9] are assessed a Fee for Removing Liquidity in SPY of $0.48 per contract. The Exchange proposes to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract. The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract will encourage a greater amount of Customer orders, even if submitted by other market participants, to remove volume from the Exchange.

Today, a Simple Order Rebate for Adding Liquidity is paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY.[10] Today the Exchange pays the following rebates:

Tiers	**Average Daily Volume "ADV"**	**Rebate for Adding Liquidity**
1	1 to 2,499	$0.15
2	2,500 to 4,999	$0.18
3	5,000 to 19,999	$0.21

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to as a Remote Market Making Organization ("RMO"), is a member organization in good standing that satisfies the RSQTO readiness requirements in Rule 507(a).

7 The term "Firm" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC.

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

9 The term "Professional" applies to transactions for the accounts of Professionals, as defined in Exchange Rule 1000(b)(14) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

10 The Exchange notes that the Customer Rebates offered in Section 1, B do not apply to electronic executions in SPY.

4	20,000 to 34,999	$0.27
5	35,000 to 49,999	$0.30
6	greater than 49,999	$0.35

The Exchange proposes to lower each rebate tier by $0.03 per contract so the proposed rebates would be:

Tiers	**Average Daily Volume "ADV"**	**Rebate for Adding Liquidity**
1	1 to 2,499	$0.12
2	2,500 to 4,999	$0.15
3	5,000 to 19,999	$0.18
4	20,000 to 34,999	$0.24
5	35,000 to 49,999	$0.27
6	greater than 49,999	$0.32

While the Exchange is lowering the amount of rebates[11] it would pay to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY, the Exchange believes the proposed rebates will continue to incentivize Market Makers to add liquidity on Phlx.

11 The Exchange would lower Tier 1 (1 to 2,499) from $0.15 to $0.12 per contract; Tier 2 (2,500 to 4,999) would be lowered from $0.18 to $0.15 per contract; Tier 3 (5,000 to 19,999) would be lowered from $0.21 to $0.18 per contract; Tier 4 (20,000 to 34,999) would be lowered from $0.27 to $0.24 per contract; Tier 5 (35,000 to 49,999) would be lowered from $0.30 to $0.27 per contract; and Tier 6 (greater than 49,999) would be lowered from $0.35 to $0.32 per contract.

MARS

Today, MARS, pays a subsidy to Phlx members that provide certain order routing functionalities to other Phlx members and/or use such functionalities themselves. Generally, under MARS, Phlx pays participating Phlx members to subsidize their costs of providing routing services to route orders to Phlx. To qualify for MARS, a Phlx member's order routing functionality is required to meet certain criteria.[12] Any Phlx member may apply for MARS, provided the requirements are met, including a robust and reliable System. The member is solely responsible for implementing and operating its System. The Exchange is not proposing to amend eligibility standards.

Today, a MARS Payment would be made to Phlx members that have System Eligibility and have routed the requisite number of Eligible Contracts daily in a month, which were executed on Phlx. For the purpose of qualifying for the MARS Payment,

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12 Specifically, a Phlx member's routing system ("hereinafter System") is required to: (1) enable the electronic routing of orders to all of the U.S. options exchanges, including Phlx; (2) provide current consolidated market data from the U.S. options exchanges; and (3) be capable of interfacing with Phlx's API to access current Phlx match engine functionality. Further, the member's System needs to cause Phlx to be the one of the top five default destination exchanges for individually executed marketable orders if Phlx is at the national best bid or offer ("NBBO"), regardless of size or time, but allow any user to manually override Phlx as a default destination on an order-by-order basis. Notwithstanding the above, with respect to Complex Orders a Phlx member's routing system is not required to enable the electronic routing of orders to all of the U.S. options exchanges or provide current consolidated market data from the U.S. options exchanges. Any Phlx member is permitted to avail itself of this arrangement, provided that its order routing functionality incorporates the features described above and satisfies Phlx that it appears to be robust and reliable. The member remains solely responsible for implementing and operating its system. The Exchange does not require Complex Orders to enable the electronic routing of orders to all of the U.S. options exchanges or provide current consolidated market data from the U.S. options exchanges.

Eligible Contracts include Firm, Broker-Dealer, Joint Back Office or "JBO"[13] or Professional equity option orders that are electronically delivered and executed. Eligible Contracts do not include floor-based orders, qualified contingent cross or "QCC" orders,[14] price improvement or "PIXL" orders,[15] Mini-Option orders[16] or Singly-Listed Options[17] orders. The Eligible Contracts requirements are not being amended.

Today, Phlx members that have System Eligibility and have executed the requisite number of Eligible Contracts in a month are paid the following per contract rebates:[18]

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13 The term "Joint Back Office" or "JBO" applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC and is identified with an origin code as a JBO. A JBO will be priced the same as a Broker-Dealer. A JBO participant is a member, member organization or non-member organization that maintains a JBO arrangement with a clearing broker-dealer ("JBO Broker") subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System as further discussed at Exchange Rule 703.

14 A QCC Order is comprised of an order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Rule 1080(o)(3), coupled with a contra-side order to buy or sell an equal number of contracts. The QCC Order must be executed at a price at or between the NBBO and be rejected if a Customer order is resting on the Exchange book at the same price. A QCC Order shall only be submitted electronically from off the floor to the Exchange's match engine. See Rule 1080(o).

15 PIXL is the Exchange's price improvement mechanism known as Price Improvement XL or (PIXL[SM]). See Rule 1087.

16 Mini Options are further specified in Phlx Rule 1012, Commentary .13.

17 Singly Listed Options are options overlying currencies, equities, ETFs, ETNs treasury securities and indexes not listed on another exchange.

18 The specified MARS Payment are paid on all executed Eligible Contracts which are routed to Phlx through a participating Phlx member's System and meet the requisite Eligible Contracts ADV. No payment are made with respect to orders that are routed to Phlx, but not executed. A Phlx member is not entitled to receive any other revenue for the use of its System specifically with respect to orders routed to Phlx with the exception of the Marketing Fee.

Tiers	**Average Daily Volume ("ADV")**	**MARS Payment**	
		Non-SPY	**SPY**
1	1,000	$0.01	$0.01
2	30,000	$0.10	$0.10
3	40,000	$0.12	$0.12
4	52,500	$0.14	$0.12
5	65,000	$0.18	$0.12
6	75,000	$0.20	$0.12

The Exchange proposes to adopt a new Tier 2 rebate for members that have System Eligibility and have executed the requisite number of Eligible Contracts in a month. The new Tier 2 rebate would require average daily volume ("ADV") of 20,000 contracts and pay a Non-SPY and SPY MARS Payment of $0.05. The Exchange proposes to renumber each subsequent tier.[19] The Exchange believes that with this proposal MARS will continue to attract higher volumes of electronic equity and ETF options volume to the Exchange from non-Phlx market participants as well as Phlx members with the proposed amendments.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[20] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[21]

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19 Current Tier 2 would be renumbered as Tier 3, current Tier 3 would be renumbered as Tier 4, current Tier 4 would be renumbered as Tier 5, current Tier 5 would be renumbered as Tier 6, and current Tier 6 would be renumbered as Tier 7.

20 15 U.S.C. 78f(b).

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

Customer Rebate Program

The Exchange's proposal to decrease the Category C Rebate from $0.05 to $0.04 and decrease the Category D Rebate from $0.05 to $0.02 per contract is reasonable because the Exchange will continue to pay a rebate to incentivize members to execute Customer Complex Orders in Penny Pilot Options, as well as Customer Complex Orders in Non-Penny Pilot Options, despite the lower rebate.

The Exchange's proposal to decrease the Category C Rebate from $0.05 to $0.04 and decrease the Category D Rebate from $0.05 to $0.02 per contract is equitable and not unfairly discriminatory because the Exchange will uniformly pay Category C and D rebates to all qualifying market participants. Any market participant may qualify for a Customer Rebate.

Rebates and Fees for SPY

The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract is reasonable because it will encourage a greater amount of Customer orders, even if submitted by other market participants, to remove volume from the Exchange. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers.

The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract is equitable and not unfairly discriminatory

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[21] 15 U.S.C. 78f(b)(4) and (5).

because Customer orders will continue to be assessed the lowest Fees for Removing Liquidity in SPY Simple Orders. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to lower the amount of rebates paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY by $0.03 per contract for each tier[22] is reasonable because although the Exchange is lowering the amount of rebates it would pay to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY, the Exchange believes the proposed rebates will continue to incentivize Market Makers to add liquidity on Phlx.

The Exchange's proposal to lower the amount of rebates paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY by $0.03 per contract for each tier is equitable and not unfairly discriminatory because the Exchange is uniformly reducing each tier of the 6 tier rebate it pays to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker

22 The Exchange would lower Tier 1 (1 to 2,499) from $0.15 to $0.12 per contract; Tier 2 (2,500 to 4,999) would be lowered from $0.18 to $0.15 per contract; Tier 3 (5,000 to 19,999) would be lowered from $0.21 to $0.18 per contract; Tier 4 (20,000 to 34,999) would be lowered from $0.27 to $0.24 per contract; Tier 5 (35,000 to 49,999) would be lowered from $0.30 to $0.27 per contract; and Tier 6 (greater than 49,999) would be lowered from $0.35 to $0.32 per contract.

Simple Order contracts per day in a month in SPY. Every Specialist and Market Maker will be equally impacted. Also, the Exchange notes that every Specialist and Market Maker may earn a rebate on each contract as the tier schedule starts with 1 contract.

MARS

The Exchange believes that adopting a new Tier 2 with an ADV of 20,000 contracts which pays a MARS Payment of $0.05 for Non-Penny and Penny is reasonable because all Phlx members may qualify for another tier that allows contracts below 30,000 (Tier 2) but higher than 1,000 contracts (Tier 1) and in return receive the higher rebate of $0.05 as compared to the $0.01 rebate for Tier 1. The proposed tier should attract higher volumes of electronic equity and ETF options volume to the Exchange, which will benefit all Phlx members by offering greater price discovery, increased transparency, and an increased opportunity to trade on the Exchange. The expanded MARS Payments should enhance the competitiveness of the Exchange, particularly with respect to those exchanges that offer their own front-end order entry system or one they subsidize in some manner. The adoption of a new Tier 2 will incentivize Phlx members to achieve an even higher rebate, provided the Phlx member is eligible for MARS. Further, the tier structure will allow Phlx members to price their services at a level that will enable them to attract order flow from market participants who would otherwise utilize an existing front-end order entry mechanism offered by the Exchange’s competitors instead of incurring the cost in time and money to develop their own internal systems to be able to deliver orders directly to the Exchange’s System.

The Exchange believes that adopting a new Tier 2 with an ADV of 20,000 contracts which pays a MARS Payment of $0.05 for Non-Penny and Penny is equitable and not unfairly discriminatory because the Exchange will uniformly pay all Phlx members the rebates specified in the proposed MARS Payment tiers provided the Phlx member has executed the requisite number of Eligible Contracts. Moreover, the Exchange believes that the proposed MARS Payments offered by the Exchange are equitable and not unfairly discriminatory because any qualifying Phlx member that offers market access and connectivity to the Exchange and/or utilize such functionality themselves may earn the MARS Payment for all Eligible Contracts.

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.

Customer Rebate Program

The Exchange's proposal to decrease the Category C Rebate from $0.05 to $0.04 and decrease the Category D Rebate from $0.05 to $0.02 per contract does not impose an undue burden on competition because the Exchange will uniformly pay Category C and D rebates to all qualifying market participants. Any market participant may qualify for a

Customer Rebate.

Rebates and Fees for SPY

The Exchange's proposal to lower the Customer Fee for Removing Liquidity in SPY from $0.45 to $0.42 per contract does not create an undue burden on competition because Customers will continue to be assessed the lowest Fees for Removing Liquidity in SPY Simple Orders. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to lower the amount of rebates paid to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY by $0.03 per contract for each tier does not impose an undue burden on competition because the Exchange is uniformly reducing each tier of the 6 tier rebate it pays to Specialists and Market Makers who add the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY. Every Specialist and Market Maker will be equally impacted. Also, the Exchange notes that every Specialist and Market Maker may earn a rebate on each contract as the tier schedule starts with 1 contract.

MARS

The Exchange believes that adopting a new Tier 2 with an ADV of 20,000 contracts which pays a MARS Payment of $0.05 for Non-Penny and Penny does not impose an undue burden on intra-market competition because the Exchange will uniformly pay all Phlx members the rebates specified in the proposed MARS Payment tiers provided the Phlx member has executed the requisite number of Eligible Contracts.

Moreover, the Exchange believes that the proposed MARS Payments offered by the Exchange are equitable and not unfairly discriminatory because any qualifying Phlx member that offers market access and connectivity to the Exchange and/or utilizes such functionality themselves may earn the MARS Payment for all Eligible Contracts.

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.[23]

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:

[23] 15 U.S.C. 78s(b)(3)(A)(ii).

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-2019-15 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2019-15. 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-2019-15 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.[24]

Eduardo A. Aleman
Assistant Secretary

[24] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

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Options Rules

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Options 7 Pricing Schedule

Section 1 General Provisions

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B. Customer Rebate Program

The Customer Rebate Tiers described below will be calculated by totaling Customer volume in Multiply Listed Options (including SPY) that are electronically-delivered and executed, except volume associated with electronic QCC Orders, as defined in Exchange Rule 1080(o). Rebates will be paid on Customer Rebate Tiers according to the below categories. Members and member organizations under Common Ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Affiliated Entities may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates.

Customer Rebate Tiers	Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)	Category A	Category B	Category C	Category D
Tier 1	0.00% - 0.60%	$0.00	$0.00	$0.00	$0.00
Tier 2	Above 0.60% - 1.10%	$0.10 *	$0.10 *	$0.16 * #	$0.21 * #
Tier 3	Above 1.10% - 1.60%	$0.15	$0.12 *	$0.18 * #	$0.22 * #
Tier 4	Above 1.60% - 2.50%	$0.20	$0.16	$0.22 #	$0.26 #
Tier 5	Above 2.50%	$0.21	$0.17	$0.22 #	$0.27 #

Category A: Rebate will be paid to members executing electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot

Options in Options 7, Section 4 symbols.

Category B: Rebate will be paid on Customer PIXL Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 4 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order will be paid a rebate of $0.14 per contract. Rebates on Customer PIXL Orders will be capped at 4,000 contracts per order for Simple PIXL Orders.

Category C: Rebate will be paid to members executing electronically-delivered Customer Complex Orders in Penny Pilot Options in Options 7, Section 4 symbols. Rebate will be paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order will not be paid a rebate under any circumstances. The Category C Rebate will not be paid when an electronically-delivered Customer Complex Order, including Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order.

Category D: Rebate will be paid to members executing electronically-delivered Customer Complex Orders in Non-Penny Pilot Options in Options 7, Section 4 symbols. Rebate will be paid on Customer PIXL Complex Orders in Options 7, Section 4 symbols that execute against non-Initiating Order interest. Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order will not be paid a rebate under any circumstances. The Category D Rebate will not be paid when an electronically-delivered Customer Complex Order, including Customer Complex PIXL Order, executes against another electronically-delivered Customer Complex Order.
Rebates will not be paid on NDX or NDXP contracts in any Category, however NDX and NDXP contracts will count toward the volume requirement to qualify for a Customer Rebate Tier.

[*] The Exchange will pay a $0.02 per contract Category A and B rebate and a $0.03 per contract Category C and D rebate in addition to the applicable Tier 2 and 3 rebate, provided the Specialist, Market Maker or Appointed MM has reached the Monthly Market Maker Cap as defined in Options 7, Section 4, to: (1) a Specialist or Market Maker who is not under Common Ownership or is not a party of an Affiliated Entity; or (2) an OFP member or member organization affiliate under Common Ownership; or (3) an Appointed OFP of an Affiliated Entity.

[#] The Exchange will pay a $0.[05]04 per contract Category C rebate and a $0.02 per contract Category D rebate in addition to the applicable Tier 2, 3, 4 and 5 rebates to members or member organizations or member or member organization affiliated under Common Ownership provided the member or member organization qualified for any MARS Payments in Options 7, Section 6, Part E.

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Section 3. Rebates and Fees for Adding and Removing Liquidity in SPY

With respect to Section 3 of this Options 7 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	*	*	$0.00	$0.00	$0.00
Fee for Removing Liquidity	$0.[45]<u>42</u>	$0.48	$0.48	$0.48	$0.48	$0.48

* The Simple Order Rebate for Adding Liquidity will be paid as noted below to Specialists and Market Makers adding the requisite amount of electronically executed Specialist and Market Maker Simple Order contracts per day in a month in SPY:

Tiers	**Average Daily Volume "ADV"**	**Rebate for Adding Liquidity**
1	1 to 2,499	$0.[15]<u>12</u>
2	2,500 to 4,999	$0.[18]<u>15</u>
3	5,000 to 19,999	$0.[21]<u>18</u>
4	20,000 to 34,999	$0.[27]<u>24</u>
5	35,000 to 49,999	$0.[30]<u>27</u>
6	greater than 49,999	$0.[35]<u>32</u>

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Section 6. Other Transaction Fees

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E. Market Access and Routing Subsidy (“MARS”)

MARS System Eligibility

To qualify for MARS, a Phlx member's routing system ("hereinafter System") would be required to: (1) enable the electronic routing of orders to all of the U.S. options exchanges, including Phlx; (2) provide current consolidated market data from the U.S. options exchanges; and (3) be capable of interfacing with Phlx's API to access current Phlx match engine functionality. Further, the member's System would also need to cause Phlx to be the one of the top five default destination exchanges for individually executed marketable orders if Phlx is at the national best bid or offer ("NBBO"), regardless of size or time, but allow any user to manually override Phlx as a default destination on an order-by-order basis. Notwithstanding the above, with respect to Complex Orders a Phlx member's routing system would not be required to enable the electronic routing of orders to all of the U.S. options exchanges or provide current consolidated market data from the U.S. options exchanges. Any Phlx member would be permitted to avail itself of this arrangement, provided that its order routing functionality incorporates the features described above and satisfies Phlx that it appears to be robust and reliable. The member remains solely responsible for implementing and operating its system.

MARS Eligible Contracts

MARS Payment would be made to Phlx members that have System Eligibility and have routed the requisite number of Eligible Contracts daily in a month, which were executed on Phlx. For the purpose of qualifying for the MARS Payment, Eligible Contracts include the following: Firm, Broker-Dealer, Joint Back Office or “JBO” or Professional equity option orders that are electronically delivered and executed. Eligible Contracts do not include floor-based orders, qualified contingent cross or “QCC” orders, price improvement or “PIXL” orders, Mini Option orders or Singly Listed Orders. Options overlying NDX and NDXP are not considered Eligible Contracts.

MARS Payment

Phlx members that have System Eligibility and have executed the requisite number of Eligible Contracts in a month will be paid the following per contract rebates:

Tiers	**Average Daily Volume ("ADV")**	**MARS Payment**

		Non-SPY	**SPY**
1	1,000	$0.01	$0.01
2	20,000	$0.05	$0.05
[2]3	30,000	$0.10	$0.10
[3]4	40,000	$0.12	$0.12
[4]5	52,500	$0.14	$0.12
[5]6	65,000	$0.18	$0.12
[6]7	75,000	$0.20	$0.12

The specified MARS Payment will be paid on all executed Eligible Contracts which are routed to Phlx through a participating Phlx member's System and meet the requisite Eligible Contracts ADV. No payment will be made with respect to orders that are routed to Phlx, but not executed.

A Phlx member will not be entitled to receive any other revenue for the use of its System specifically with respect to orders routed to Phlx with the exception of the Marketing Fee.

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