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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2012 - * 47
Amendment No. (req. for Amendments *)

Proposed Rule Change by NASDAQ OMX 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) * ☐

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)

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

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

Relating to Qualified Contingent Orders

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 proposed rule change.

First Name * Angela Last Name * Dunn
Title * Associate General Counsel
E-mail * Angela.dunn@nasdaqomx.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 officer.

Date 04/02/2012
By Edward S. Knight
(Name *)

Executive Vice President and General Counsel
(Title *)

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.

Edward S Knight,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information (required) 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 (required) 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 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] proposes to amend its Pricing Schedule to increase a rebate for Qualified Contingent Cross orders.

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

(b) Inapplicable.

(c) Inapplicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on August 19, 2011. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (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 purpose of the proposed rule change is to increase a certain rebate applicable to both electronic QCC Orders ("eQCC") [3] and Floor QCC Orders [4] (collectively "QCC Orders"). The Exchange believes that offering an increased rebate for executing in excess of 1,000,000 QCC Orders in a given month should create an additional incentive for market participants to execute a greater number of QCC Orders on the Exchange in Multiply Listed Securities.

There are currently several categories of market participants: Customers, Market Makers,[5] Directed Participants,[6] Broker-Dealers, Firms and Professionals.[7] The

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

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

[5] A "Market Maker" includes Specialists (see Rule 1020) and Registered Options Traders ("ROTs") (Rule 1014(b)(i) and (ii), which includes Streaming Quote Traders ("SQTs") (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders ("RSQTs") (see Rule 1014(b)(ii)(B)). Directed Participants are also Market Makers.

Exchange proposes to amend the current rebates applicable to both eQCC Orders and Floor QCC Orders for the above categories of market participants. The proposed amendment is applicable to both Sections I[8] and II[9] of the Pricing Schedule. Currently, the Exchange pays a rebate of $0.07 per contract on all qualifying executed QCC Orders up to 1,000,000 contracts in a month. In addition, if a member exceeds 1,000,000 contracts in a month of qualifying executed QCC Orders, the Exchange currently pays a rebate of $0.10 per contract on all qualifying executed QCC Orders, both eQCC and Floor QCC Orders, in a given month.[10] The Exchange does not offer a rebate on executed eQCC Orders or Floor QCC Orders where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend,[11] merger[12] or short stock interest strategy[13] and executions subject to the Reversal and Conversion Cap.[14]

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[6] A Directed Participant is a Specialist, SQT, or RSQT that executes a customer order that is directed to them by an Order Flow Provider and is executed electronically on PHLX XL II.

[7] The Exchange defines a "professional" as 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) (hereinafter "Professional").

[8] Section I of the Pricing Schedule is entitled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols." The Section I fees and rebates are applicable to certain Select Symbols which are defined in that section.

[9] Section II of the Pricing Schedule is entitled "Equity Options Fees." Section II includes options overlying equities, ETFs, ETNs, indexes and HOLDRS which are Multiply Listed.

[10] QCC Transaction Fees for a Market Maker, Professional, Firm and Broker-Dealer are $0.20 per contract. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e).

[11] A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class,

The Exchange proposes to increase the current rebate paid to a member that exceeds 1,000,000 contracts in a month of qualifying executed QCC Orders, both eQCC and Floor QCC Orders, from $0.10 per contract to $0.11 per contract to further incentivize members to execute a greater number of QCC Orders on the Exchange. For example, if a member executed 1,200,000 QCC Orders in April 2012, and those QCC Orders were eligible orders in that they did not include Customer-to-Customer transactions or dividend, merger or short stock interest strategies or executions subject to the Reversal and Conversion Cap, that member would receive a rebate of $0.11 per contract on all 1,200,000 orders for April 2012. Therefore, depending on the number of executed eligible QCC Orders, a member would receive either a $0.07 or $0.11 per contract rebate on all qualifying QCC Orders in a given month.

With respect to a Floor QCC Order, the Exchange will continue to offer the rebate to the Floor Broker. The Exchange will continue to pay a rebate of $0.07 per contract on all qualifying executed QCC Orders up to 1,000,000 contracts in a month; the Exchange is not amending the $0.07 rebate. The current exceptions to qualifying QCC Orders will

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executed the first business day prior to the date on which the underlying stock goes ex-dividend. See Section II of the Pricing Schedule.

[12] A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock. See Section II of the Pricing Schedule.

[13] A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class. See Section II of the Pricing Schedule.

[14] Market Maker, Professional, Firm and Broker-Dealer equity options transaction fees are capped at $1,000 per day for reversal and conversion strategies executed on the same trading day in the same options class.

remain the same.[15] Currently, QCC Transaction Fees apply to Sections I and II of the Pricing Schedule and are subject to the Monthly Firm Fee Cap[16] and the Monthly Market Maker Cap.[17] This will also remain the same.

b. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act[18] in general, and furthers the objectives of Section 6(b)(4) of the Act[19] in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange also believes that there is

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[15] The following transactions are not eligible for the $0.07 per contract rebate: (i) Customer-to-Customer; or (ii) a dividend, merger or short stock interest strategy and executions subject to the Reversal and Conversion Cap (as defined in Section II).

[16] Firms are subject to a maximum fee of $75,000 (”Monthly Firm Fee Cap”). Firm equity option transaction fees and QCC Transaction Fees in the aggregate, for one billing month may not exceed the Monthly Firm Fee Cap per member organization when such members are trading in their own proprietary account. All dividend, merger, short stock interest and reversal and conversion strategy executions are excluded from the Monthly Firm Fee Cap. In addition, Market Makers that (i) are on the contra-side of an electronically-delivered and executed Customer order; and (ii) have reached the Monthly Market Maker Cap will be assessed a $0.07 per contract fee, excluding PIXL Orders. For QCC Orders as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e), a Service Fee of $0.07 per side will apply once a Market Maker has reached the Monthly Market Maker Cap. This $0.07 Service Fee will apply to every contract side of the QCC Order and Floor QCC Order after a Market Maker has reached the Monthly Market Maker Cap. The Service Fee will not be assessed to a Market Maker that does not reach the Monthly Market Maker Cap in a particular calendar month.

[17] Market Makers are currently subject to a Monthly Market Maker Cap of $550,000. The trading activity of separate Market Maker member organizations will be aggregated in calculating the Monthly Market Maker Cap if there is at least 75% common ownership between the member organizations. In addition, Market Makers that (i) are on the contra-side of an electronically-delivered and executed Customer order; and (ii) have reached the Monthly Market Maker Cap will be assessed a $0.07 per contract fee.

[18] 15 U.S.C. 78f(b).

[19] 15 U.S.C. 78f(b)(4).

an equitable allocation of reasonable rebates among Exchange members.

The Exchange believes that it is reasonable to incentivize members to transact both eQCC Orders and Floor QCC Orders in Multiply Listed securities[20] by continuing to pay a tiered rebate of $0.07 per contract on all qualifying executed QCC Orders up to 1,000,000 contracts in a month and to increase the rebate for members with qualifying executed QCC Orders exceeding 1,000,000 contracts in a month from $0.10 per contract to $0.11 per contract. The Exchange believes that increasing the rebate for qualifying QCC Orders exceeding 1,000,000 contracts in a month from $0.10 to $0.11 per contract is reasonable because the Exchange would continue to pay a rebate on every executed contract QCC Order, as is the case today, while also incentivizing members to execute more than 1,000,000 qualifying executed QCC Orders to achieve a higher rebate on all contracts in a month. In other words, the proposal offers members an incentive to send a greater number of QCC Orders, while still paying a $0.07 rebate below 1,000,000 contracts. The proposed increased rebate is within the range of rebates paid by other exchanges[21] and balances the Exchange's desire to incentivize its members to send order flow to the Exchange while considering the costs attributable to offering such rebates. Further, all members have equal opportunity, depending on their chosen business model, to earn rebates for executing QCC Orders on the Exchange.

[20] The rebate does not apply to Singly Listed Securities. For purposes of this filing, a Singly Listed Option means an option that is only listed on the Exchange and is not listed by any other national securities exchange or is otherwise defined as a Singly Listed Option in the Pricing Schedule. See Section III of the Exchange's Pricing Schedule entitled "Singly Listed Options."

[21] See NYSE Arca, Inc.'s ("NYSE Arca") Fee Schedule. NYSE Arca pays a $0.10 per contract rebate for executed QCC orders entered by a Floor Broker. The Floor Broker Rebate for executed orders is $0.05 per contract side.

The Exchange believes that it is equitable and not unfairly discriminatory to increase the rebate for executed QCC Orders to $0.11 per contract because all market participants will continue to be eligible for the $0.07 rebate on qualifying QCC Orders, as they are today, unless they are able to exceed 1,000,000 contracts of qualifying executed QCC Orders in a given month, then the member would be entitled to a higher rebate of $0.11 per contract on all qualifying executed QCC Orders. This benefit is intended to incentivize members to transact a greater number of qualifying QCC Orders in order to take advantage of the higher rebate. Additionally, the proposed rebate increase is within the range of tiered rebates offered by the International Securities Exchange, LLC ("ISE").[22] Also, all members are equally eligible to transact Multiply Listed securities.

The Exchange believes it continues to be reasonable to not offer a rebate for eQCC Orders and Floor QCC Orders for Customer-to-Customer executions because members executing Customer orders are not assessed a QCC Transaction Fee[23] and therefore do not need to be incentivized to send QCC Orders to the Exchange. Likewise, the Exchange believes that it is reasonable to not offer a rebate for dividend, merger and

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[22] See ISE's Schedule of Fees. ISE provides a rebate to members who reach a certain volume threshold in QCC orders and/or solicitation orders during a month. Once a member reaches the volume threshold, ISE pays a rebate to that member for all qualified contingent cross and solicitation traded contracts for that month. The rebate is paid to the member entering a qualifying order, i.e., a qualified contingent cross order and/or a solicitation order. The rebate applies to qualified contingent cross orders and solicitation orders in all symbols traded on the Exchange. Additionally, the threshold levels are based on the originating side. Specifically, the following rebates apply: for 0-199,999 originating contract sides ISE pays no rebate; for 200,000 to 999,999 originating contract sides ISE pays $0.05 per contract; for 1,000,000 to 1,599,999 originating contract sides ISE pays $0.08 per contract; for 1,600,000+ originating contract sides ISE pays $0.10 per contract.

[23] Market Makers, Professionals, Firms and Broker-Dealers are assessed a QCC Transaction Fee of $0.20 per contract.

short stock interest strategies and executions subject to the Reversal and Conversion Cap because the Exchange already provides a cap today on the transaction fees associated with these strategies and therefore does not believe an additional incentive is required.

With respect to the Floor QCC Order, the Exchange will also continue to offer the rebate to the Floor Broker, including the proposed increase. The Floor Broker is in receipt of the Floor QCC Orders and enters those orders into the Floor Broker Management System ("FBMS")[24]. The Exchange believes it is necessary from a competitive standpoint to offer this rebate to the executing Floor Broker on a Floor QCC Order. The Exchange expects that the rebate offered to executing Floor Brokers will allow them to continue to price their services at a level that will enable them to attract Floor QCC order flow from participants who would otherwise enter these orders electronically from off the floor to the PHLX XL II System[25] or choose another exchange. To the extent that Floor Brokers are able to attract these Floor QCC Orders, they will gain important information that will allow them to solicit the parties to the Floor QCC Orders for participation in other trades, which will in turn benefit all other Exchange participants through the additional liquidity and price discovery that may occur as a result. The Exchange believes that it continues to be equitable and not unfairly discriminatory to pay the rebate for Floor QCC Orders to Floor Brokers because the rebate would uniformly apply to all Floor QCC Orders entered by a Floor Broker into FBMS for execution based on volume. The rebate is not unfairly discriminatory to firms

[24] See Exchange Rule 1063(e).

[25] In May 2009 the Exchange enhanced the system and adopted corresponding rules referring to the system as "Phlx XL II." See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32).

that enter eQCC Orders directly into PHLX XL II, because the transaction fees and rebates are the same whether the order is entered electronically or through a Floor Broker. In addition, pursuant to Exchange Rule 1080(o)(3), only Floor Brokers may enter a Floor QCC Order from the floor of the Exchange; therefore, providing the rebate to Floor Brokers does not discriminate against eQCC orders entered into PHLX XL II. Any participant is able to engage a rebate-receiving Floor Broker in a discussion surrounding the appropriate level of fees that they may be charged for entrusting the entry of the Floor QCC Order to the Floor Broker into FBMS for execution. The additional order flow attracted by this rebate should benefit all participants. The rebate is meant to assist Floor Brokers to recruit business on an agency basis. The Floor Broker may use all or part of the rebate to offset its fees.

The Exchange operates in a highly competitive market comprised of nine U.S. options exchanges in which sophisticated and knowledgeable market participants readily can, and do, send order flow to competing exchanges if they deem fee levels and rebate opportunities at a particular exchange to be excessive. The Exchange believes that the proposed rebates for eQCC Orders and Floor QCC Orders must be competitive with rebates offered at other options exchanges. The Exchange believes that this competitive marketplace impacts the rebates and fees present on the Exchange today and influences the proposals set forth above.

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.

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,[26] the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

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

5. Applicable portion of the Pricing Schedule.

[26] 15 U.S.C. 78s(b)(3)(A)(ii).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2012-47)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Qualified Contingent Cross Orders

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 2, 2012, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its Pricing Schedule to increase a rebate for Qualified Contingent Cross orders.

The text of the proposed rule change is available on the Exchange's Website at http://nasdaqtrader.com/micro.aspx?id=PHLXRulefilings, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

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

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

1. Purpose

The purpose of the proposed rule change is to increase a certain rebate applicable to both electronic QCC Orders ("eQCC") [3] and Floor QCC Orders [4] (collectively "QCC Orders"). The Exchange believes that offering an increased rebate for executing in excess of 1,000,000 QCC Orders in a given month should create an additional incentive for market participants to execute a greater number of QCC Orders on the Exchange in Multiply Listed Securities.

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

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

There are currently several categories of market participants: Customers, Market Makers,[5] Directed Participants,[6] Broker-Dealers, Firms and Professionals.[7] The Exchange proposes to amend the current rebates applicable to both eQCC Orders and Floor QCC Orders for the above categories of market participants. The proposed amendment is applicable to both Sections I[8] and II[9] of the Pricing Schedule. Currently, the Exchange pays a rebate of $0.07 per contract on all qualifying executed QCC Orders up to 1,000,000 contracts in a month. In addition, if a member exceeds 1,000,000 contracts in a month of qualifying executed QCC Orders, the Exchange currently pays a rebate of $0.10 per contract on all qualifying executed QCC Orders, both eQCC and Floor QCC Orders, in a given month.[10] The Exchange does not offer a rebate on executed eQCC Orders or Floor QCC Orders where the transaction is either: (i)

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[5] A "Market Maker" includes Specialists (see Rule 1020) and Registered Options Traders ("ROTs") (Rule 1014(b)(i) and (ii), which includes Streaming Quote Traders ("SQTs") (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders ("RSQTs") (see Rule 1014(b)(ii)(B)). Directed Participants are also Market Makers.

[6] A Directed Participant is a Specialist, SQT, or RSQT that executes a customer order that is directed to them by an Order Flow Provider and is executed electronically on PHLX XL II.

[7] The Exchange defines a "professional" as 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) (hereinafter "Professional").

[8] Section I of the Pricing Schedule is entitled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols." The Section I fees and rebates are applicable to certain Select Symbols which are defined in that section.

[9] Section II of the Pricing Schedule is entitled "Equity Options Fees." Section II includes options overlying equities, ETFs, ETNs, indexes and HOLDRS which are Multiply Listed.

[10] QCC Transaction Fees for a Market Maker, Professional, Firm and Broker-Dealer are $0.20 per contract. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e).

Customer-to-Customer; or (ii) a dividend,[11] merger[12] or short stock interest strategy[13] and executions subject to the Reversal and Conversion Cap.[14]

The Exchange proposes to increase the current rebate paid to a member that exceeds 1,000,000 contracts in a month of qualifying executed QCC Orders, both eQCC and Floor QCC Orders, from $0.10 per contract to $0.11 per contract to further incentivize members to execute a greater number of QCC Orders on the Exchange. For example, if a member executed 1,200,000 QCC Orders in April 2012, and those QCC Orders were eligible orders in that they did not include Customer-to-Customer transactions or dividend, merger or short stock interest strategies or executions subject to the Reversal and Conversion Cap, that member would receive a rebate of $0.11 per contract on all 1,200,000 orders for April 2012. Therefore, depending on the number of executed eligible QCC Orders, a member would receive either a $0.07 or $0.11 per contract rebate on all qualifying QCC Orders in a given month.

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[11] A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend. See Section II of the Pricing Schedule.

[12] A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock. See Section II of the Pricing Schedule.

[13] A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class. See Section II of the Pricing Schedule.

[14] Market Maker, Professional, Firm and Broker-Dealer equity options transaction fees are capped at $1,000 per day for reversal and conversion strategies executed on the same trading day in the same options class.

With respect to a Floor QCC Order, the Exchange will continue to offer the rebate to the Floor Broker. The Exchange will continue to pay a rebate of $0.07 per contract on all qualifying executed QCC Orders up to 1,000,000 contracts in a month; the Exchange is not amending the $0.07 rebate. The current exceptions to qualifying QCC Orders will remain the same.[15] Currently, QCC Transaction Fees apply to Sections I and II of the Pricing Schedule and are subject to the Monthly Firm Fee Cap[16] and the Monthly Market Maker Cap.[17] This will also remain the same.

2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is

[15] The following transactions are not eligible for the $0.07 per contract rebate: (i) Customer-to-Customer; or (ii) a dividend, merger or short stock interest strategy and executions subject to the Reversal and Conversion Cap (as defined in Section II).

[16] Firms are subject to a maximum fee of $75,000 (”Monthly Firm Fee Cap”). Firm equity option transaction fees and QCC Transaction Fees in the aggregate, for one billing month may not exceed the Monthly Firm Fee Cap per member organization when such members are trading in their own proprietary account. All dividend, merger, short stock interest and reversal and conversion strategy executions are excluded from the Monthly Firm Fee Cap. In addition, Market Makers that (i) are on the contra-side of an electronically-delivered and executed Customer order; and (ii) have reached the Monthly Market Maker Cap will be assessed a $0.07 per contract fee, excluding PIXL Orders. For QCC Orders as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e), a Service Fee of $0.07 per side will apply once a Market Maker has reached the Monthly Market Maker Cap. This $0.07 Service Fee will apply to every contract side of the QCC Order and Floor QCC Order after a Market Maker has reached the Monthly Market Maker Cap. The Service Fee will not be assessed to a Market Maker that does not reach the Monthly Market Maker Cap in a particular calendar month.

[17] Market Makers are currently subject to a Monthly Market Maker Cap of $550,000. The trading activity of separate Market Maker member organizations will be aggregated in calculating the Monthly Market Maker Cap if there is at least 75% common ownership between the member organizations. In addition, Market Makers that (i) are on the contra-side of an electronically-delivered and executed Customer order; and (ii) have reached the Monthly Market Maker Cap will be assessed a $0.07 per contract fee.

consistent with Section 6(b) of the Act[18] in general, and furthers the objectives of Section 6(b)(4) of the Act[19] in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange also believes that there is an equitable allocation of reasonable rebates among Exchange members.

The Exchange believes that it is reasonable to incentivize members to transact both eQCC Orders and Floor QCC Orders in Multiply Listed securities[20] by continuing to pay a tiered rebate of $0.07 per contract on all qualifying executed QCC Orders up to 1,000,000 contracts in a month and to increase the rebate for members with qualifying executed QCC Orders exceeding 1,000,000 contracts in a month from $0.10 per contract to $0.11 per contract. The Exchange believes that increasing the rebate for qualifying QCC Orders exceeding 1,000,000 contracts in a month from $0.10 to $0.11 per contract is reasonable because the Exchange would continue to pay a rebate on every executed contract QCC Order, as is the case today, while also incentivizing members to execute more than 1,000,000 qualifying executed QCC Orders to achieve a higher rebate on all contracts in a month. In other words, the proposal offers members an incentive to send a greater number of QCC Orders, while still paying a $0.07 rebate below 1,000,000 contracts. The proposed increased rebate is within the range of rebates paid by other

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[18] 15 U.S.C. 78f(b).

[19] 15 U.S.C. 78f(b)(4).

[20] The rebate does not apply to Singly Listed Securities. For purposes of this filing, a Singly Listed Option means an option that is only listed on the Exchange and is not listed by any other national securities exchange or is otherwise defined as a Singly Listed Option in the Pricing Schedule. <u>See</u> Section III of the Exchange's Pricing Schedule entitled "Singly Listed Options."

exchanges[21] and balances the Exchange's desire to incentivize its members to send order flow to the Exchange while considering the costs attributable to offering such rebates. Further, all members have equal opportunity, depending on their chosen business model, to earn rebates for executing QCC Orders on the Exchange.

The Exchange believes that it is equitable and not unfairly discriminatory to increase the rebate for executed QCC Orders to $0.11 per contract because all market participants will continue to be eligible for the $0.07 rebate on qualifying QCC Orders, as they are today, unless they are able to exceed 1,000,000 contracts of qualifying executed QCC Orders in a given month, then the member would be entitled to a higher rebate of $0.11 per contract on all qualifying executed QCC Orders. This benefit is intended to incentivize members to transact a greater number of qualifying QCC Orders in order to take advantage of the higher rebate. Additionally, the proposed rebate increase is within the range of tiered rebates offered by the International Securities Exchange, LLC ("ISE").[22] Also, all members are equally eligible to transact Multiply Listed securities.

[21] See NYSE Arca, Inc.'s ("NYSE Arca") Fee Schedule. NYSE Arca pays a $0.10 per contract rebate for executed QCC orders entered by a Floor Broker. The Floor Broker Rebate for executed orders is $0.05 per contract side.

[22] See ISE's Schedule of Fees. ISE provides a rebate to members who reach a certain volume threshold in QCC orders and/or solicitation orders during a month. Once a member reaches the volume threshold, ISE pays a rebate to that member for all qualified contingent cross and solicitation traded contracts for that month. The rebate is paid to the member entering a qualifying order, i.e., a qualified contingent cross order and/or a solicitation order. The rebate applies to qualified contingent cross orders and solicitation orders in all symbols traded on the Exchange. Additionally, the threshold levels are based on the originating side. Specifically, the following rebates apply: for 0-199,999 originating contract sides ISE pays no rebate; for 200,000 to 999,999 originating contract sides ISE pays $0.05 per contract; for 1,000,000 to 1,599,999 originating contract sides ISE pays $0.08 per contract; for 1,600,000+ originating contract sides ISE pays $0.10 per contract.

The Exchange believes it continues to be reasonable to not offer a rebate for eQCC Orders and Floor QCC Orders for Customer-to-Customer executions because members executing Customer orders are not assessed a QCC Transaction Fee[23] and therefore do not need to be incentivized to send QCC Orders to the Exchange. Likewise, the Exchange believes that it is reasonable to not offer a rebate for dividend, merger and short stock interest strategies and executions subject to the Reversal and Conversion Cap because the Exchange already provides a cap today on the transaction fees associated with these strategies and therefore does not believe an additional incentive is required.

With respect to the Floor QCC Order, the Exchange will also continue to offer the rebate to the Floor Broker, including the proposed increase. The Floor Broker is in receipt of the Floor QCC Orders and enters those orders into the Floor Broker Management System ("FBMS")[24]. The Exchange believes it is necessary from a competitive standpoint to offer this rebate to the executing Floor Broker on a Floor QCC Order. The Exchange expects that the rebate offered to executing Floor Brokers will allow them to continue to price their services at a level that will enable them to attract Floor QCC order flow from participants who would otherwise enter these orders electronically from off the floor to the PHLX XL II System[25] or choose another exchange. To the extent that Floor Brokers are able to attract these Floor QCC Orders, they will gain important information that will allow them to solicit the parties to the Floor

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[23] Market Makers, Professionals, Firms and Broker-Dealers are assessed a QCC Transaction Fee of $0.20 per contract.

[24] See Exchange Rule 1063(e).

[25] In May 2009 the Exchange enhanced the system and adopted corresponding rules referring to the system as "Phlx XL II." See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32).

QCC Orders for participation in other trades, which will in turn benefit all other Exchange participants through the additional liquidity and price discovery that may occur as a result. The Exchange believes that it continues to be equitable and not unfairly discriminatory to pay the rebate for Floor QCC Orders to Floor Brokers because the rebate would uniformly apply to all Floor QCC Orders entered by a Floor Broker into FBMS for execution based on volume. The rebate is not unfairly discriminatory to firms that enter eQCC Orders directly into PHLX XL II, because the transaction fees and rebates are the same whether the order is entered electronically or through a Floor Broker. In addition, pursuant to Exchange Rule 1080(o)(3), only Floor Brokers may enter a Floor QCC Order from the floor of the Exchange; therefore, providing the rebate to Floor Brokers does not discriminate against eQCC orders entered into PHLX XL II. Any participant is able to engage a rebate-receiving Floor Broker in a discussion surrounding the appropriate level of fees that they may be charged for entrusting the entry of the Floor QCC Order to the Floor Broker into FBMS for execution. The additional order flow attracted by this rebate should benefit all participants. The rebate is meant to assist Floor Brokers to recruit business on an agency basis. The Floor Broker may use all or part of the rebate to offset its fees.

The Exchange operates in a highly competitive market comprised of nine U.S. options exchanges in which sophisticated and knowledgeable market participants readily can, and do, send order flow to competing exchanges if they deem fee levels and rebate opportunities at a particular exchange to be excessive. The Exchange believes that the proposed rebates for eQCC Orders and Floor QCC Orders must be competitive with rebates offered at other options exchanges. The Exchange believes that this competitive marketplace impacts the rebates and fees present on the Exchange today and influences the proposals set forth above.

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.

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

[26] 15 U.S.C. 78s(b)(3)(A)(ii).

- 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-2012-47 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2012-47. 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-2012-47 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.[27]

Kevin M O'Neill
Deputy Secretary

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[27] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX LLC
PRICING SCHEDULE

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I. Rebates and Fees for Adding and Removing Liquidity in Select Symbols

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

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● The QCC Transaction Fees, defined in Section II, are applicable to this Section I. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e). A rebate of $0.07 per contract will be paid for all qualifying executed QCC Orders up to 1,000,000 contracts in a month, as defined in Exchange Rule 1080(o)and Floor QCC Orders, as defined in 1064(e), except where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend, merger or short stock interest strategy and executions subject to the Reversal and Conversion Cap (as defined in Section II). If a member exceeds 1,000,000 contracts in a month of qualifying executed QCC Orders, a $0.1[0]<u>1</u> rebate will be paid on all qualifying executed QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e), in that month.

II. Equity Options Fees
(Includes options overlying equities, ETFs, ETNs, indexes and HOLDRS which are Multiply Listed∞)

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● QCC Transaction Fees for a Market Maker, Professional, Firm and Broker-Dealer are $0.20 per contract. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e). A rebate of $0.07 per contract will be paid for all qualifying executed QCC Orders up to 1,000,000 contracts in a month, as defined in Exchange Rule 1080(o) and Floor QCC Orders, as defined in 1064(e), except where the transaction is either: (i) Customer-to-Customer; or (ii) a dividend, merger or short stock interest strategy and executions subject to the Reversal and Conversion Cap (as defined in Section II). If a member exceeds 1,000,000 contracts in a month of qualifying executed QCC Orders, a $0.1[0]<u>1</u> rebate will be paid on all qualifying executed QCC Orders, as defined in Exchange Rule 1080(o), and Floor QCC Orders, as defined in 1064(e), in that month.

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