

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 33	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2012 - * 54	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 * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *). A proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Complex Order Fees for Removing Liquidity in Select Symbols				
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 04/23/2012 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)

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) NASDAQ 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 replace a portion of a previously filed rule change. Specifically, PHLX is replacing SR-Phlx-2012-27,³ which amended Section I of the Exchange’s Pricing Schedule titled “Rebates and Fees for Adding and Removing Liquidity in Select Symbols,” with this filing which provides additional information concerning the current Complex Order Directed Participant and Market Maker Fees for Removing Liquidity in Select Symbols. Those fees became effective on March 1, 2012 pursuant to SR-Phlx-2012-27, and they will remain in effect, unchanged by this filing.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on August 19,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 66551 (March 9, 2012), 77 FR 15400 (March 15, 2012) (SR-Phlx-2012-27). This rule proposal amended the Customer Complex Order Rebate to Add Liquidity, adopted a new category of Complex Order “Rebate to Remove Liquidity,” amended various Complex Order Fees for Removing Liquidity and created a volume tier for certain market participants that transact significant volumes of Complex Orders. These fees became effective on March 1, 2012. The Exchange does not intend to amend any pricing changes that became effective in SR-Phlx-2012-27.

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.

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

a. Purpose

This rule change seeks to replace a portion of SR-Phlx-2012-27 to provide additional information concerning the Directed Participant and Market Maker Fees for Removing Liquidity in Complex Orders.⁴ The Exchange filed SR-Phlx-2012-27 in order to attract additional Customer Complex Orders from competing exchanges because increased order flow benefits all market participants and investors that trade on the Exchange. This filing maintains the fees adopted in SR-Phlx-2012-27 related to Directed Participants and Market Makers because the evidence (set forth below) demonstrates that while those fees have been in effect, since March 1, 2012 to the present, the Exchange has experienced increased Customer order flow. The Exchange continues to believe such Customer order flow will encourage Market Makers to compete more aggressively to trade against that order flow.

⁴ A Complex Order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced at a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Furthermore, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying stock or exchange-traded fund ("ETF") coupled with the purchase or sale of options contract(s). See Exchange Rule 1080, Commentary .08(a)(i).

Specifically, the Exchange amended certain fees in Section I of the Exchange's Pricing Schedule, entitled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols."⁵ The Directed Participant Complex Order Fee for Removing Liquidity was increased from \$0.30 per contract to \$0.32 per contract and the Market Maker Complex Order Fee for Removing Liquidity was increased from \$0.32 per contract to \$0.37 per contract. Today, the Complex Order Fees for Removing Liquidity are as follows:

	Customer	Directed Participant	Market Maker	Firm	Broker-Dealer	Professional
Fee for Removing Liquidity	\$0.00	\$0.32	\$0.37	\$0.38	\$0.38	\$0.38

The Exchange is not amending any of these prices in this proposal. Rather, this proposal is intended to justify further the differential between the fees paid by different participants that trade Complex Orders. Specifically, the filing addresses the Directed Participant Complex Order Fee for Removing Liquidity, which was increased from \$0.30 per contract to \$0.32 per contract, and the Market Maker Complex Order Fee for Removing Liquidity, which was increased from \$0.32 per contract to \$0.37 per contract.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(4) of the Act⁷ in particular, in that

⁵ The Select Symbols are listed in Section I of the Pricing Schedule.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4).

it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

SR-Phlx-2012-27 amended the Complex Order Fees for Removing Liquidity in Select Symbols to assess a \$0.32 per contract Complex Order Directed Participant Fee for Removing Liquidity and a \$0.37 per contract Complex Order Market Maker Fee for Removing Liquidity. The Exchange argued in SR-Phlx-2012-27 that it is reasonable, equitable and not unfairly discriminatory to increase the Market Maker Complex Order Fee for Removing Liquidity from \$0.32 to \$0.37 per contract and increase the Directed Participant Complex Order Fee for Removing Liquidity from \$0.30 to \$0.32 per contract. The Exchange intends in this filing to justify further the differential by indicating that the differential is reasonable, equitable and not unfairly discriminatory because (i) the current fee structure is consistent with fee structures at other options exchanges, and reflects a degree of price differentiation that is comparable to or lower than the degree that exists elsewhere;⁸ (ii) Market Makers are not entitled to guaranteed allocations for directed Complex Orders;⁹ (ii) only Market Maker executions against Customer orders that are

⁸ The Exchange believes that its fee differentiation as between Directed Participants and Market Makers is comparable to a fee differentiation at The International Securities Exchange LLC (“ISE”) which assesses a complex order take fee in Select Symbols of \$0.32 per contract for preferred market makers, \$0.34 per contract for non-preferred market makers, firm proprietary and customer professionals and \$0.38 per contract for the non-ISE market maker (FARMM). See ISE’s Fee Schedule. The Exchange believes that its fee differentiation as between Directed Participants and Market Makers is lower than a similar fee differentiation in place at NYSE Amex, LLC (“Amex”) which assesses \$0.13 per contract for Specialists and eSpecialists complex orders, \$0.20 per contract for an NYSE Amex Options Market Maker-Non Directed and \$0.18 per contract for a NYSE Amex Options Market Maker-Directed.

⁹ Unlike Complex Orders, Single contra-side orders are governed by Rule 1014. Specifically, Directed Orders that are executed electronically shall be automatically allocated as follows: (A) First, to customer limit orders resting on

directed by an OFP and executed by that specific Market Maker receive the Complex Order Directed Participant fee;¹⁰ (iii) Market Makers are unaware of the identity of the contra-party at the time of the trade and are also required to execute at the best price, pursuant to Exchange Rules; (iv) Market Makers compete in offering price improvement in auctions; and (v) the Directed Participant and Market Maker Fees for Removing Liquidity in Complex Orders, along with other Complex Order fee increases proposed in SR-Phlx-2012-27,¹¹ provide the Exchange an opportunity to offer increased Customer

the limit order book at the execution price; (B) Thereafter, contracts remaining in the Directed Order, if any, shall be allocated automatically as follows: (1) The Directed Specialist (where applicable), shall be allocated a number of contracts that is the greater of: (a) the proportion of the aggregate size at the NBBO associated with such Directed Specialist's quote, Streaming Quote Trader ("SQT") and Remote Streaming Quote Trader ("RSQT") quotes, and non-SQT Registered Options Trader ("ROT") limit orders entered on the book at the disseminated price represented by the size of the Directed Specialist's quote; (b) the Enhanced Specialist Participation as described in Rule 1014(g)(ii); or (c) 40% of the remaining contracts. See Rule 1014(g)(viii). Thereafter, SQTs and RSQTs quoting at the disseminated price, and non-SQT ROTs that have placed limit orders on the limit order book via electronic interface at the Exchange's disseminated price shall be allocated contracts according to a formula specified in Rule 1014(g)(viii). If any contracts remain to be allocated after the specialist, SQTs, RSQTs and non-SQT ROTs with limit orders on the limit order book have received their respective allocations, off-floor broker-dealers (as defined in Rule 1080(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book.

¹⁰ Other markets discount their directed fee for other classes of market participants in addition to customers. For example, Amex assesses an NYSE Amex Options Market Maker-Non Directed a fee of \$0.20 per contract and a NYSE Amex Options Market Maker-Directed a fee of \$0.18 per contract. See Amex's Fee Schedule. Phlx only assesses the Directed Participant Fee for Removing Liquidity with respect to Customer orders.

¹¹ SR-Phlx-2012-27 amended the Complex Order Fees for Removing Liquidity in Select Symbols to assess Directed Participants \$0.32 per contract, Market Makers

rebates,¹² which attracts additional Customer order flow and benefits all market participants.

As noted above, SR-Phlx-2012-27 increased Complex Order Fees for Removing Liquidity in Select Symbols for all market participants, except Customers who pay no fee, in order to offer greater Customer Complex Order rebates. Market Makers are assessed lower fees than Professionals,¹³ Firms and Broker-Dealers. By way of background, Specialists,¹⁴ ROTs,¹⁵ SQTs¹⁶ and RSQTs¹⁷ are Market Makers. Such

\$0.37 per contract, and Firms, Broker-Dealer and Professionals \$0.38 per contract.

¹² The Exchange amended its Pricing Schedule to offer a higher Customer Complex Order Rebate for Adding Liquidity (\$0.32 per contract) and offer a new Customer Complex Order Rebate for Removing Liquidity (\$0.06 per contract) in SR-Phlx-2012-27.

¹³ The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).

¹⁴ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

¹⁵ A ROT includes an SQT, an RSQT and a Non-SQT, which by definition is neither a SQT or a RSQT. A 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. See Exchange Rule 1014 (b)(i) and (ii).

¹⁶ An 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.

¹⁷ An RSQT is defined Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member or member organization 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. An RSQT may only submit such quotations electronically from off the floor of the Exchange.

Market Makers may also be categorized as Directed Participants only at the time when such Market Makers execute against a Customer order directed to that Market Maker for execution by an Order Flow Provider (“OFP”).¹⁸ For example, a Market Maker is assessed the Directed Participant category fee for trading against a Customer order directed to it for execution by an OFP. That Market Maker is not assessed the Directed Participant category fee for executing a Customer order directed to different Market Maker, but rather is assessed the Market Maker category fee.¹⁹

The fee structure is consistent with fee structures at other options exchanges.

Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants including, but not limited to, SQF Port Fees²⁰ to assist them in responding to auctions and providing liquidity to the market.²¹ The Directed Participant and Market Maker fees were lower as compared to those charged to other market participants prior to the amendment which became effective on March 1, 2012 with SR-Phlx-2012-27 and continue to be lower. In addition, the Exchange believes that its fee differentiation is within the range of other exchanges,

¹⁸ The term “Order Flow Provider” means any member or member organization that submits, as agent, orders to the Exchange. See Rule 1080(l)(i)(B).

¹⁹ Neither a Market Maker nor a Directed Participant is entitled to a rebate for transacting a Customer Complex Order today.

²⁰ SQF Port Fees are listed in the Exchange’s Pricing Schedule at Section VII.

²¹ Also important are the continuous quoting obligations applicable to Market Makers. Market Makers have these obligations for each series in which they are assigned pursuant to Rule 1014 entitled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders.” These burdensome quoting obligations to the market do not apply to Customers, Firms, Professionals and Broker-Dealers. Also, Market Makers that receive Directed Orders have higher quoting obligations compared to other Market Makers.

as mentioned previously with respect to ISE and Amex, and lower than other fee differentiations that exist today, and have for some time, at Amex. The Exchange notes that Amex has three classes of market makers on its fee schedule: (1) Specialist, eSpecialist; (2) NYSE Amex Options Market Maker-Non-Directed; and (3) NYSE Amex Options Market Maker-Directed (taken together, “Amex Market Makers”). Amex imposes the standard per contract fees on electronic trades for simple and complex orders.²² Pursuant to Amex rules, Amex Market Makers have no allocation rights or quoting obligations in the Amex complex order system and Amex Market Makers are eligible to receive orders directed to them for execution.²³ With no additional quoting obligations or other requirements for complex orders, Amex assesses a Specialist and eSpecialist a fee of \$.13 per contract while assessing a NYSE Amex Options Market Maker-Non-Directed a fee of \$.20 per contract. This fee differentiation is greater than that currently in place on the Exchange. Amex differentiates one type of market maker, the Specialist and eSpecialist, from other Amex Market Makers who receive directed orders, in its pricing with a \$.07 per contract fee differential.²⁴ As mentioned herein, a Market Maker on Phlx includes Specialists and Remote Specialists.²⁵ For this reason, the

²² See Securities Exchange Act Release No. 65549 (October 13, 2011), 76 FR 64983 (SR-NYSEAmex-2011-77) (notice of filing and immediate effectiveness amending electronic complex orders). Amex noted in that filing that the standard per contract fees apply to electronic complex orders.

²³ See Amex Rule 964NY entitled “Display, Priority and Order Allocation-Trading Systems.” See also Amex Rule 980NY “Electronic Complex Order Trading.”

²⁴ Pursuant to Amex’s Rules, specialists and market makers may receive directed orders in their appointed classes. See Amex Rule 964.1NY entitled “Directed Orders.”

²⁵ See Exchange Rule 1020. An options Specialist includes a Remote Specialist which is a defined as an options specialist in one or more classes that does not

Exchange believes that its current fee differentiation is equitable and not unfairly discriminatory because the fees and fee differentiation in place at the Exchange are competitive with and lower than fees and differentials at other options exchanges.²⁶

Only Market Maker executions against Customer orders that are directed by an OFP and executed by that specific Market Maker receive the Complex Order Directed Participant fee.

The Exchange's Fee for Removing Liquidity for Single contra-side transactions in Select Symbols for the Directed Participant category is two cents lower than the Fee for Removing Liquidity for the Market Maker category.²⁷ The Exchange amended the Complex Order Fees for Removing Liquidity in Select Symbols to increase the fee differential between the Directed Participant and Market Maker categories from \$0.02 per contract to \$0.05 per contract for Complex Order transactions to also reflect the fact that unlike in the case of a Single contra-side order, a Directed Participant does not have a guaranteed allocation in a Complex Order. Market Makers receive no allocation guarantee when a Customer Complex Order is directed to them by an OFP and the order is executed. Directed Specialists, Directed ROTs, Directed SQTs and Directed RSQTs

have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Rule 501.

²⁶ By way of further example, the Exchange notes that Amex assesses a NYSE Amex Options Market Maker-Directed a fee of \$.18 per contract which creates a \$.05 per contract fee differential when compared to the Specialist and eSpecialist fee of \$.13 per contract for electronic executions in complex orders.

²⁷ Today, the Exchange assess Directed Participants a fee of \$0.36 per contract and Market Makers a fee of \$0.38 per contract for Single contra-side transactions in Select Symbols.

are guaranteed a 40% allocation with respect to Single contra-side transactions eligible as a Directed Order.²⁸

Market Makers are unaware of the identity of the contra-party at the time of the trade and are required to execute at the best price.

Also, only Customer Complex Order flow which is directed to a Market Maker by an OFP and is executed by that particular Market Maker is eligible for Directed Participant fees for Complex Orders.²⁹ When a Market Maker executes against a Customer Complex Order the Market Maker may do so by responding to an auction,³⁰ executing against an order on the Complex Order Book (“CBOOK”), or sweeping a resting Customer Complex Order.³¹ The Customer Complex Order may also be executed against existing quote and or limit orders on the limit order book for the individual

²⁸ Complex Orders can be distinguished from Single contra-side transactions with respect to allocation guarantees applicable to Directed Specialists, Directed ROTs, Directed SQTs and Directed RSQTs pursuant to Rule 1014(g)(viii). See also Securities Exchange Act Release No. 57844 (May 21, 2008), 73 FR 30988 (May 29, 2008) (SR-Phlx-2008-39) (notice of filing and order granting accelerated approval relating to the permanent approval of the Exchange’s Directed Order Flow program.)

²⁹ All other types of directed non-Customer order flow are not eligible for Directed Participant pricing.

³⁰ The Complex Order Live Auction (“COLA”) is the auction for eligible Complex Orders. See Rule 1080, Commentary .08.

³¹ A COLA Sweep is when a Phlx XL participant bids and/or offers on either or both sides of the market during the COLA Timer (a timing mechanism which is a counting period not to exceed 5 seconds) by submitting one or more bids or offers that improve the cPPBO (the best net debit or credit price for a Complex Order Strategy based on the PBBO for individual components of such Complex Order Strategy). See Rule 1080, Commentary .08.

components of the Complex Order.³² In each of these cases, the order will trade based on the best price or prices available pursuant to Exchange Rules.³³ Therefore, in order to enjoy the benefits of trading against a directed Complex Customer order by receiving a lower transaction fee (the Directed Participant Complex Order Fee for Removing Liquidity), the transaction must: (i) occur at the best price; and (ii) be directed, by an OFP, to the particular Market Maker that executed the order. Also, it is important to note that all market participants may compete equally for Customer Complex Order executions, even if that Customer Complex Order is directed to a specific Market Maker.

A Market Maker, at the time of the trade, is unaware of the identity of the contra-party to the trade. In other words, it is only sometime after the trade occurs that the Market Maker learns whether the Market Maker or Directed Participant fees will be assessed on a particular transaction.³⁴ It is important to note that Customer Complex Orders do not always interact with the intended recipient of the order where such an order was directed because the Market Maker may not have been at the best price at the time the order was executed. For the time period from September 1, 2011 through April 19, 2012, the percentage of Customer Complex directed orders that traded with the Market Maker to which the trade was directed is reflected in the table below:

³² In this scenario the Customer order is “legged” against interest present in the disseminated market.

³³ See Rule 1080.

³⁴ This distinction holds true today for Market Makers and Directed Participants executing either Single contra-side transactions (Part A of Section I of the Pricing Schedule) or Complex Orders (Part B of Section I of the Pricing Schedule). When a Single contra-side transaction is executed against the individual components of a Complex Order, the Single contra-side part of the order will be subject to the fees in Part A of the Pricing Schedule and the individual components will be subject to the fees in Part B.

September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	April 1-19, 2012
17.02%	16.16%	17.94%	14.01%	6.19%	11.47%	14.19%	17.13%

Generally, a Market Maker will be assessed the Market Maker Fee for Removing Liquidity in Complex Orders when the Market Maker is not executing a Customer order intended for that Market Maker. Moreover, in a given month the effective Complex Order Fee for Removing Liquidity for a Market Maker that also has executions subject to the Directed Participant rate is approximately \$0.02 below the Market Maker Complex Order Fee for Removing Liquidity.³⁵

Market Makers compete in offering price improvement in auctions.

The Exchange bases its belief that the fees are reasonable, in part, on an analysis of the level of price improvement currently received by Customer Complex Orders trading in an auction process. Based on an analysis of the week of October 10, 2011, Customer Complex Orders received price improvement 29% of the time and the average level of price improvement was \$0.059 per option or \$5.90 per contract for options receiving price improvement. Based on an analysis of the week of April 9, 2012, Customer Complex Orders received price improvement 29% of the time and the average level of price improvement was \$0.056 per option or \$5.60 per contract for options receiving price improvement.

³⁵ For example if a Market Maker, that is the intended recipient of a Customer Complex Order, only executes the Customer Complex Order 14.5% of the time (paying the Directed Participant Complex Order fee of \$0.32 per contract), then that Market Maker is paying the proposed Market Maker Complex Order fee of \$0.37 per contract the other 85.5% of the time. The effective Complex Order Fee for Removing Liquidity for that Market Maker is \$0.3613 in a given month, less than \$0.01 below the rate paid by a Market Maker that never receives a Customer Complex Order directed to it for execution.

Market Makers compete in offering price improvement in auctions. The significant difference in magnitude between the proposed \$0.05 per contract increased fee differential (between Market Makers and Directed Participants) and the extent of price improvement supports the Exchange's belief that the fee is reasonable and will have a negligible impact on Directed and non-Directed Market Makers.

The Directed Participant and Market Maker Complex Order Fees for Removing Liquidity provide the Exchange an opportunity to offer increased Customer rebates to attract Customer order flow.

Today, options exchanges aggressively compete for Complex order flow. In January 2012, based on data from the Options Price Reporting Authority ("OPRA"), the average daily equity options complex order transactions on the various option exchanges totaled 117,539. The combined total for the last six months of 2011 was 593,286. With respect to market share, the six options exchanges handling complex orders had market share in complex orders ranging from 2.4% to 40.1% in January 2012. The Exchange believes the increased fees, which fund Customer Complex Order rebates, bring more Customer order flow to the market and, in turn, benefit all market participants.

The Exchange operates in a highly competitive market, comprised of nine exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates offered to be insufficient. Accordingly, the fees that are assessed by the Exchange and the rebates it pays for options overlying the various Select Symbols in Complex Orders must remain competitive with fees and rebates charged/paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

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. Further, the Exchange notes that the Directed Participant and Market Maker Fees for Removing Liquidity currently in place at the Exchange apply only to certain Select Symbols which are Multiply-Listed and highly liquid securities. As described herein, the Exchange's fees are comparable to and lower than other fee differentials today at other options exchanges. Given the highly competitive environment for options trading and the attendant benefits to investors, the Exchange believes that no exchange has market power sufficient to raise prices for competitively-traded options in an unreasonable or unfairly discriminatory manner in violation of the Exchange Act. In actuality, it is member firms that control the order flow that options markets compete to attract as evidenced by the large number of pricing-related rule changes and shifts of market share among options markets.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,³⁶ the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person,

³⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

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 based on fees at ISE and Amex.³⁷

9. Exhibits

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

³⁷ The Exchange believes that its fees differentiation, as between Directed Participants and Market Makers, is comparable to a similar differentiation at ISE which assesses a complex order take fee in Select Symbols of \$0.32 per contract for preferenced market makers, \$0.34 per contract for non-preferenced market makers, firm proprietary and customer professionals and \$0.38 per contract for the non-ISE market maker (FARMM). See ISE's Fee Schedule. The Exchange believes its fees differentiation as between Directed Participants and Market Makers is lower than Amex's fee differentiation. Amex assesses \$0.13 per contract for Specialists and eSpecialists complex orders, \$0.20 per contract for an NYSE Amex Options Market Maker-Non Directed and \$0.18 per contract for a NYSE Amex Options Market Maker-Directed. Amex differentiates one type of market maker, the Specialist and eSpecialist, from other Amex Market Makers who receive directed orders, in its pricing with a \$.07 per contract fee differential. The Exchange currently has a fee differentiation in place today of \$.05 per contract as between Directed Participants and Market Makers. A Market Maker on Phlx includes Specialists and Remote Specialists. The Exchange has a comparable fee differentiation of \$0.05 per contract as Amex when comparing an NYSE Amex Options Market Maker-Directed a fee of \$.18 per contract with Amex's Specialist, eSpecialist category of \$.13 per contract for electronic executions in complex orders.

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2012-54)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Complex Order Fees for Removing Liquidity in Select Symbols

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 23, 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 replace a portion of a previously filed rule change. Specifically, PHLX is replacing SR-Phlx-2012-27,³ which amended Section I of the Exchange's Pricing Schedule titled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols," with this filing which provides additional information concerning the current Complex Order Directed Participant and Market Maker Fees for

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 66551 (March 9, 2012), 77 FR 15400 (March 15, 2012) (SR-Phlx-2012-27). This rule proposal amended the Customer Complex Order Rebate to Add Liquidity, adopted a new category of Complex Order "Rebate to Remove Liquidity," amended various Complex Order Fees for Removing Liquidity and created a volume tier for certain market participants that transact significant volumes of Complex Orders. These fees became effective on March 1, 2012. The Exchange does not intend to amend any pricing changes that became effective in SR-Phlx-2012-27.

Removing Liquidity in Select Symbols. Those fees became effective on March 1, 2012 pursuant to SR-Phlx-2012-27, and they will remain in effect, unchanged by this filing.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

This rule change seeks to replace a portion of SR-Phlx-2012-27 to provide additional information concerning the Directed Participant and Market Maker Fees for Removing Liquidity in Complex Orders.⁴ The Exchange filed SR-Phlx-2012-27 in order to attract additional Customer Complex Orders from competing exchanges because increased order flow benefits all market participants and investors that trade on the

⁴ A Complex Order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced at a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Furthermore, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying stock or exchange-traded fund ("ETF") coupled with the purchase or sale of options contract(s). See Exchange Rule 1080, Commentary .08(a)(i).

Exchange. This filing maintains the fees adopted in SR-Phlx-2012-27 related to Directed Participants and Market Makers because the evidence (set forth below) demonstrates that while those fees have been in effect, since March 1, 2012 to the present, the Exchange has experienced increased Customer order flow. The Exchange continues to believe such Customer order flow will encourage Market Makers to compete more aggressively to trade against that order flow.

Specifically, the Exchange amended certain fees in Section I of the Exchange's Pricing Schedule, entitled "Rebates and Fees for Adding and Removing Liquidity in Select Symbols."⁵ The Directed Participant Complex Order Fee for Removing Liquidity was increased from \$0.30 per contract to \$0.32 per contract and the Market Maker Complex Order Fee for Removing Liquidity was increased from \$0.32 per contract to \$0.37 per contract. Today, the Complex Order Fees for Removing Liquidity are as follows:

	Customer	Directed Participant	Market Maker	Firm	Broker-Dealer	Professional
Fee for Removing Liquidity	\$0.00	\$0.32	\$0.37	\$0.38	\$0.38	\$0.38

The Exchange is not amending any of these prices in this proposal. Rather, this proposal is intended to justify further the differential between the fees paid by different participants that trade Complex Orders. Specifically, the filing addresses the Directed Participant Complex Order Fee for Removing Liquidity, which was increased from \$0.30

⁵ The Select Symbols are listed in Section I of the Pricing Schedule.

per contract to \$0.32 per contract, and the Market Maker Complex Order Fee for Removing Liquidity, which was increased from \$0.32 per contract to \$0.37 per contract.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(4) of the Act⁷ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

SR-Phlx-2012-27 amended the Complex Order Fees for Removing Liquidity in Select Symbols to assess a \$0.32 per contract Complex Order Directed Participant Fee for Removing Liquidity and a \$0.37 per contract Complex Order Market Maker Fee for Removing Liquidity. The Exchange argued in SR-Phlx-2012-27 that it is reasonable, equitable and not unfairly discriminatory to increase the Market Maker Complex Order Fee for Removing Liquidity from \$0.32 to \$0.37 per contract and increase the Directed Participant Complex Order Fee for Removing Liquidity from \$0.30 to \$0.32 per contract. The Exchange intends in this filing to justify further the differential by indicating that the differential is reasonable, equitable and not unfairly discriminatory because (i) the current fee structure is consistent with fee structures at other options exchanges, and reflects a degree of price differentiation that is comparable to or lower than the degree that exists elsewhere;⁸ (ii) Market Makers are not entitled to guaranteed allocations for directed

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4).

⁸ The Exchange believes that its fee differentiation as between Directed Participants and Market Makers is comparable to a fee differentiation at The International Securities Exchange LLC (“ISE”) which assesses a complex order take fee in Select Symbols of \$0.32 per contract for preferred market makers, \$0.34 per

Complex Orders;⁹ (ii) only Market Maker executions against Customer orders that are directed by an OFP and executed by that specific Market Maker receive the Complex Order Directed Participant fee;¹⁰ (iii) Market Makers are unaware of the identity of the

contract for non-preferenced market makers, firm proprietary and customer professionals and \$0.38 per contract for the non-ISE market maker (FARMM). See ISE's Fee Schedule. The Exchange believes that its fee differentiation as between Directed Participants and Market Makers is lower than a similar fee differentiation in place at NYSE Amex, LLC ("Amex") which assesses \$0.13 per contract for Specialists and eSpecialists complex orders, \$0.20 per contract for an NYSE Amex Options Market Maker-Non Directed and \$0.18 per contract for a NYSE Amex Options Market Maker-Directed.

⁹ Unlike Complex Orders, Single contra-side orders are governed by Rule 1014. Specifically, Directed Orders that are executed electronically shall be automatically allocated as follows: (A) First, to customer limit orders resting on the limit order book at the execution price; (B) Thereafter, contracts remaining in the Directed Order, if any, shall be allocated automatically as follows: (1) The Directed Specialist (where applicable), shall be allocated a number of contracts that is the greater of: (a) the proportion of the aggregate size at the NBBO associated with such Directed Specialist's quote, Streaming Quote Trader ("SQT") and Remote Streaming Quote Trader ("RSQT") quotes, and non-SQT Registered Options Trader ("ROT") limit orders entered on the book at the disseminated price represented by the size of the Directed Specialist's quote; (b) the Enhanced Specialist Participation as described in Rule 1014(g)(ii); or (c) 40% of the remaining contracts. See Rule 1014(g)(viii). Thereafter, SQTs and RSQTs quoting at the disseminated price, and non-SQT ROTs that have placed limit orders on the limit order book via electronic interface at the Exchange's disseminated price shall be allocated contracts according to a formula specified in Rule 1014(g)(viii). If any contracts remain to be allocated after the specialist, SQTs, RSQTs and non-SQT ROTs with limit orders on the limit order book have received their respective allocations, off-floor broker-dealers (as defined in Rule 1080(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book.

¹⁰ Other markets discount their directed fee for other classes of market participants in addition to customers. For example, Amex assesses an NYSE Amex Options Market Maker-Non Directed a fee of \$0.20 per contract and a NYSE Amex Options Market Maker-Directed a fee of \$0.18 per contract. See Amex's Fee Schedule. Phlx only assesses the Directed Participant Fee for Removing Liquidity with respect to Customer orders.

contra-party at the time of the trade and are also required to execute at the best price, pursuant to Exchange Rules; (iv) Market Makers compete in offering price improvement in auctions; and (v) the Directed Participant and Market Maker Fees for Removing Liquidity in Complex Orders, along with other Complex Order fee increases proposed in SR-Phlx-2012-27,¹¹ provide the Exchange an opportunity to offer increased Customer rebates,¹² which attracts additional Customer order flow and benefits all market participants.

As noted above, SR-Phlx-2012-27 increased Complex Order Fees for Removing Liquidity in Select Symbols for all market participants, except Customers who pay no fee, in order to offer greater Customer Complex Order rebates. Market Makers are assessed lower fees than Professionals,¹³ Firms and Broker-Dealers. By way of background, Specialists,¹⁴ ROTs,¹⁵ SQTs¹⁶ and RSQTs¹⁷ are Market Makers. Such

¹¹ SR-Phlx-2012-27 amended the Complex Order Fees for Removing Liquidity in Select Symbols to assess Directed Participants \$0.32 per contract, Market Makers \$0.37 per contract, and Firms, Broker-Dealer and Professionals \$0.38 per contract.

¹² The Exchange amended its Pricing Schedule to offer a higher Customer Complex Order Rebate for Adding Liquidity (\$0.32 per contract) and offer a new Customer Complex Order Rebate for Removing Liquidity (\$0.06 per contract) in SR-Phlx-2012-27.

¹³ The term "professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).

¹⁴ A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

¹⁵ A ROT includes an SQT, an RSQT and a Non-SQT, which by definition is neither a SQT or a RSQT. A ROT is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission

Market Makers may also be categorized as Directed Participants only at the time when such Market Makers execute against a Customer order directed to that Market Maker for execution by an Order Flow Provider (“OFP”).¹⁸ For example, a Market Maker is assessed the Directed Participant category fee for trading against a Customer order directed to it for execution by an OFP. That Market Maker is not assessed the Directed Participant category fee for executing a Customer order directed to different Market Maker, but rather is assessed the Market Maker category fee.¹⁹

The fee structure is consistent with fee structures at other options exchanges.

Market Makers are valuable market participants that provide liquidity in the marketplace and incur costs unlike other market participants including, but not limited to, SQF Port Fees²⁰ to assist them in responding to auctions and providing liquidity to the

from the Exchange to trade in options for his own account. See Exchange Rule 1014 (b)(i) and (ii).

¹⁶ An 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.

¹⁷ An RSQT is defined Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member or member organization 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. An RSQT may only submit such quotations electronically from off the floor of the Exchange.

¹⁸ The term “Order Flow Provider” means any member or member organization that submits, as agent, orders to the Exchange. See Rule 1080(l)(i)(B).

¹⁹ Neither a Market Maker nor a Directed Participant is entitled to a rebate for transacting a Customer Complex Order today.

²⁰ SQF Port Fees are listed in the Exchange’s Pricing Schedule at Section VII.

market.²¹ The Directed Participant and Market Maker fees were lower as compared to those charged to other market participants prior to the amendment which became effective on March 1, 2012 with SR-Phlx-2012-27 and continue to be lower. In addition, the Exchange believes that its fee differentiation is within the range of other exchanges, as mentioned previously with respect to ISE and Amex, and lower than other fee differentiations that exist today, and have for some time, at Amex. The Exchange notes that Amex has three classes of market makers on its fee schedule: (1) Specialist, eSpecialist; (2) NYSE Amex Options Market Maker-Non-Directed; and (3) NYSE Amex Options Market Maker-Directed (taken together, “Amex Market Makers”). Amex imposes the standard per contract fees on electronic trades for simple and complex orders.²² Pursuant to Amex rules, Amex Market Makers have no allocation rights or quoting obligations in the Amex complex order system and Amex Market Makers are eligible to receive orders directed to them for execution.²³ With no additional quoting obligations or other requirements for complex orders, Amex assesses a Specialist and eSpecialist a fee of \$.13 per contract while assessing a NYSE Amex Options Market

²¹ Also important are the continuous quoting obligations applicable to Market Makers. Market Makers have these obligations for each series in which they are assigned pursuant to Rule 1014 entitled “Obligations and Restrictions Applicable to Specialists and Registered Options Traders.” These burdensome quoting obligations to the market do not apply to Customers, Firms, Professionals and Broker-Dealers. Also, Market Makers that receive Directed Orders have higher quoting obligations compared to other Market Makers.

²² See Securities Exchange Act Release No. 65549 (October 13, 2011), 76 FR 64983 (SR-NYSEAmex-2011-77) (notice of filing and immediate effectiveness amending electronic complex orders). Amex noted in that filing that the standard per contract fees apply to electronic complex orders.

²³ See Amex Rule 964NY entitled “Display, Priority and Order Allocation-Trading Systems.” See also Amex Rule 980NY “Electronic Complex Order Trading.”

Maker-Non-Directed a fee of \$.20 per contract. This fee differentiation is greater than that currently in place on the Exchange. Amex differentiates one type of market maker, the Specialist and eSpecialist, from other Amex Market Makers who receive directed orders, in its pricing with a \$.07 per contract fee differential.²⁴ As mentioned herein, a Market Maker on Phlx includes Specialists and Remote Specialists.²⁵ For this reason, the Exchange believes that its current fee differentiation is equitable and not unfairly discriminatory because the fees and fee differentiation in place at the Exchange are competitive with and lower than fees and differentials at other options exchanges.²⁶

Only Market Maker executions against Customer orders that are directed by an OFP and executed by that specific Market Maker receive the Complex Order Directed Participant fee.

The Exchange's Fee for Removing Liquidity for Single contra-side transactions in Select Symbols for the Directed Participant category is two cents lower than the Fee for Removing Liquidity for the Market Maker category.²⁷ The Exchange amended the Complex Order Fees for Removing Liquidity in Select Symbols to increase the fee

²⁴ Pursuant to Amex's Rules, specialists and market makers may receive directed orders in their appointed classes. See Amex Rule 964.1NY entitled "Directed Orders."

²⁵ See Exchange Rule 1020. 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.

²⁶ By way of further example, the Exchange notes that Amex assesses a NYSE Amex Options Market Maker-Directed a fee of \$.18 per contract which creates a \$.05 per contract fee differential when compared to the Specialist and eSpecialist fee of \$.13 per contract for electronic executions in complex orders.

²⁷ Today, the Exchange assess Directed Participants a fee of \$0.36 per contract and Market Makers a fee of \$0.38 per contract for Single contra-side transactions in Select Symbols.

differential between the Directed Participant and Market Maker categories from \$0.02 per contract to \$0.05 per contract for Complex Order transactions to also reflect the fact that unlike in the case of a Single contra-side order, a Directed Participant does not have a guaranteed allocation in a Complex Order. Market Makers receive no allocation guarantee when a Customer Complex Order is directed to them by an OFP and the order is executed. Directed Specialists, Directed ROTs, Directed SQTs and Directed RSQTs are guaranteed a 40% allocation with respect to Single contra-side transactions eligible as a Directed Order.²⁸

Market Makers are unaware of the identity of the contra-party at the time of the trade and are required to execute at the best price.

Also, only Customer Complex Order flow which is directed to a Market Maker by an OFP and is executed by that particular Market Maker is eligible for Directed Participant fees for Complex Orders.²⁹ When a Market Maker executes against a Customer Complex Order the Market Maker may do so by responding to an auction,³⁰ executing against an order on the Complex Order Book (“CBOOK”), or sweeping a

²⁸ Complex Orders can be distinguished from Single contra-side transactions with respect to allocation guarantees applicable to Directed Specialists, Directed ROTs, Directed SQTs and Directed RSQTs pursuant to Rule 1014(g)(viii). See also Securities Exchange Act Release No. 57844 (May 21, 2008), 73 FR 30988 (May 29, 2008) (SR-Phlx-2008-39) (notice of filing and order granting accelerated approval relating to the permanent approval of the Exchange’s Directed Order Flow program.)

²⁹ All other types of directed non-Customer order flow are not eligible for Directed Participant pricing.

³⁰ The Complex Order Live Auction (“COLA”) is the auction for eligible Complex Orders. See Rule 1080, Commentary .08.

resting Customer Complex Order.³¹ The Customer Complex Order may also be executed against existing quote and or limit orders on the limit order book for the individual components of the Complex Order.³² In each of these cases, the order will trade based on the best price or prices available pursuant to Exchange Rules.³³ Therefore, in order to enjoy the benefits of trading against a directed Complex Customer order by receiving a lower transaction fee (the Directed Participant Complex Order Fee for Removing Liquidity), the transaction must: (i) occur at the best price; and (ii) be directed, by an OFP, to the particular Market Maker that executed the order. Also, it is important to note that all market participants may compete equally for Customer Complex Order executions, even if that Customer Complex Order is directed to a specific Market Maker.

A Market Maker, at the time of the trade, is unaware of the identity of the contra-party to the trade. In other words, it is only sometime after the trade occurs that the Market Maker learns whether the Market Maker or Directed Participant fees will be assessed on a particular transaction.³⁴ It is important to note that Customer Complex

³¹ A COLA Sweep is when a Phlx XL participant bids and/or offers on either or both sides of the market during the COLA Timer (a timing mechanism which is a counting period not to exceed 5 seconds) by submitting one or more bids or offers that improve the cPPBO (the best net debit or credit price for a Complex Order Strategy based on the PBBO for individual components of such Complex Order Strategy). See Rule 1080, Commentary .08.

³² In this scenario the Customer order is “legged” against interest present in the disseminated market.

³³ See Rule 1080.

³⁴ This distinction holds true today for Market Makers and Directed Participants executing either Single contra-side transactions (Part A of Section I of the Pricing Schedule) or Complex Orders (Part B of Section I of the Pricing Schedule). When a Single contra-side transaction is executed against the individual components of a Complex Order, the Single contra-side part of the order will be

Orders do not always interact with the intended recipient of the order where such an order was directed because the Market Maker may not have been at the best price at the time the order was executed. For the time period from September 1, 2011 through April 19, 2012, the percentage of Customer Complex directed orders that traded with the Market Maker to which the trade was directed is reflected in the table below:

September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	April 1-19, 2012
17.02%	16.16%	17.94%	14.01%	6.19%	11.47%	14.19%	17.13%

Generally, a Market Maker will be assessed the Market Maker Fee for Removing Liquidity in Complex Orders when the Market Maker is not executing a Customer order intended for that Market Maker. Moreover, in a given month the effective Complex Order Fee for Removing Liquidity for a Market Maker that also has executions subject to the Directed Participant rate is approximately \$0.02 below the Market Maker Complex Order Fee for Removing Liquidity.³⁵

Market Makers compete in offering price improvement in auctions.

The Exchange bases its belief that the fees are reasonable, in part, on an analysis of the level of price improvement currently received by Customer Complex Orders trading in an auction process. Based on an analysis of the week of October 10, 2011,

subject to the fees in Part A of the Pricing Schedule and the individual components will be subject to the fees in Part B.

³⁵ For example if a Market Maker, that is the intended recipient of a Customer Complex Order, only executes the Customer Complex Order 14.5% of the time (paying the Directed Participant Complex Order fee of \$0.32 per contract), then that Market Maker is paying the proposed Market Maker Complex Order fee of \$0.37 per contract the other 85.5% of the time. The effective Complex Order Fee for Removing Liquidity for that Market Maker is \$0.3613 in a given month, less than \$0.01 below the rate paid by a Market Maker that never receives a Customer Complex Order directed to it for execution.

Customer Complex Orders received price improvement 29% of the time and the average level of price improvement was \$0.059 per option or \$5.90 per contract for options receiving price improvement. Based on an analysis of the week of April 9, 2012, Customer Complex Orders received price improvement 29% of the time and the average level of price improvement was \$0.056 per option or \$5.60 per contract for options receiving price improvement.

Market Makers compete in offering price improvement in auctions. The significant difference in magnitude between the proposed \$0.05 per contract increased fee differential (between Market Makers and Directed Participants) and the extent of price improvement supports the Exchange's belief that the fee is reasonable and will have a negligible impact on Directed and non-Directed Market Makers.

The Directed Participant and Market Maker Complex Order Fees for Removing Liquidity provide the Exchange an opportunity to offer increased Customer rebates to attract Customer order flow.

Today, options exchanges aggressively compete for Complex order flow. In January 2012, based on data from the Options Price Reporting Authority ("OPRA"), the average daily equity options complex order transactions on the various option exchanges totaled 117,539. The combined total for the last six months of 2011 was 593,286. With respect to market share, the six options exchanges handling complex orders had market share in complex orders ranging from 2.4% to 40.1% in January 2012. The Exchange believes the increased fees, which fund Customer Complex Order rebates, bring more Customer order flow to the market and, in turn, benefit all market participants.

The Exchange operates in a highly competitive market, comprised of nine exchanges, in which market participants can easily and readily direct order flow to

competing venues if they deem fee levels at a particular venue to be excessive or rebates offered to be insufficient. Accordingly, the fees that are assessed by the Exchange and the rebates it pays for options overlying the various Select Symbols in Complex Orders must remain competitive with fees and rebates charged/paid by other venues and therefore must continue to be reasonable and equitably allocated to those members that opt to direct orders to the Exchange rather than competing venues.

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.³⁶ 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.

³⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2012-54 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-2012-54. 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-2012-54 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.³⁷

Kevin M. O'Neill
Deputy Secretary

³⁷ 17 CFR 200.30-3(a)(12).