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

File No.* SR - 2013 - * 130
Amendment No. (req. for Amendments *)

Filing 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) *
☑	☐	☐	☐	☑	☐

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

Rule

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

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

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

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

Section 3C(b)(2) * ☐

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

Description

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

Relating to the Customer Rebate Program

Contact Information

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

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

Date 12/31/2013
By Edward S. Knight
(Name *)

(Title *)
Executive Vice President and General Counsel

Persona Not Validated - 1383935917270,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

1. Text of the Proposed Rule Change

(a) NASDAQ 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 the Customer Rebate Program in Section B of the Pricing Schedule.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on January 2, 2014.

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) 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 July 17, 2013. 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. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

a. <u>Purpose</u>

The Exchange proposes to amend certain Customer Rebate tier percentage thresholds and add a new tier to the "Customer Rebate Program," in Section B of the Pricing Schedule to provide members a greater opportunity to receive Customer rebates.

Currently, the Exchange has a Customer Rebate Program consisting of four tiers which pays Customer rebates on two Categories, A[3] and B,[4] of transactions.[5] A Phlx member qualifies for a certain rebate tier based on the percentage of total national customer volume in multiply-listed options which it transacts monthly on Phlx. The Exchange calculates Customer volume in Multiply Listed Options by totaling electronically-delivered and executed volume, except volume associated with electronic Qualified Contingent Cross ("QCC") Orders,[6] as defined in Exchange Rule 1080(o).[7]

---

[3] Category A rebates are paid to members executing electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot Options in Section II symbols. Rebates are paid on Customer PIXL Orders in Section II symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 3 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order are paid a rebate of $0.14 per contract.

[4] Category B rebates are paid to members executing electronically-delivered Customer Complex Orders in Penny Pilot Options and Non-Penny Pilot Options in Section II. Rebates are paid on Customer PIXL Complex Orders in Section II symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 3 or higher in the Customer Rebate Program, Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order will be paid a rebate of $0.17 per contract.

[5] <u>See</u> Section B of the Pricing Schedule.

[6] 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 Exchange pays the following rebates:[8]

Customer Rebate Tiers	Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)	Category A	Category B
Tier 1	0.00% - 0.75%	$0.00	$0.00
Tier 2	Above 0.75% - 1.60%	$0.12*	$0.17*
Tier 3	Above 1.60% - 2.50%	$0.16	$0.19
Tier 4	Above 2.50%	$0.17	$0.19

*The Exchange will pay a $0.02 per contract rebate in addition to the applicable Tier 2 rebate to a Specialist or Market Maker or its affiliate under Common Ownership provided the Specialist or Market Maker has reached the Monthly Market Maker Cap, as defined in Section II.

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).

[7] Members and member organizations under common ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Common ownership means members or member organizations under 75% common ownership or control.

[8] SPY is included in the calculation of Customer volume in Multiply Listed Options that are electronically-delivered and executed for purposes of the Customer Rebate Program, however, the rebates do not apply to electronic executions in SPY.

The Exchange proposes to amend Tier 1 of the Customer Rebate Program to lower the percentage threshold from 0.00% - 0.75% to 0.00% - 0.45%. The Exchange believes that lowering the percentage threshold in Tier 1 will continue to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate.

The Exchange proposes to adopt a new Tier 2 Customer rebate with a percentage threshold of above 0.45% - 1.00% and offer a Category A rebate of $0.11 per contract and a Category B rebate of $0.17 per contract. The Exchange believes that this new tier will continue to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate.

The Exchange proposes to amend the current Tier 2 rebate by renaming it "Tier 3" and amending the percentage threshold from above 0.75% - 1.60% to above 1.00% - 1.60%. The Exchange is increasing this rebate tier to account for the new Tier 2 rebate.

The Exchange proposes to rename current Tier 3 as Tier 4 and current Tier 4 as Tier 5 to account for the new rebate tier that is being proposed.

The Exchange proposes to amend rule text related to a current rebate which was recently added in November 2013.[9] In that filing the Exchange amended the Pricing Schedule at Section B to offer a Specialist or Market Maker, or its affiliate under Common Ownership,[10] provided the Specialist or Market Maker has reached the Monthly

[9] See Securities Exchange Act Release No. 70969 (December 3, 2013), 78 FR 73907 (December 9, 2013) (SR-Phlx-2013-114).

[10] The term "Common Ownership" means members or member organizations under 75% common ownership or control.

Market Maker Cap[11] as defined in Section II, an additional $0.02 per contract rebate in addition to the applicable Tier 2 rebate if they qualified for the Tier 2 rebate ("$0.02 Rebate"). The Exchange is proposing to amend the rule text to continue to refer to the current Tier 2 rebate which the Exchange is proposing to rename Tier 3. The rule text will be amended to also reflect the change to Tier 3 with respect to the "$0.02 Rebate." Further, the Exchange proposes to clarify the rule text by noting that the reference to "affiliate" with respect to the "$0.02 Rebate is to a member or member organization affiliate. This relates back to the definition of Common Ownership which means members or member organizations under 75% common ownership or control.[12] The Exchange is proposing to add the words "member or member organization" before "affiliate" to make clear that the affiliate must be a member or member organization of Phlx.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the

[11] Specialists and Market Makers are subject to a "Monthly Market Maker Cap" of $550,000 for: (i) electronic and floor Option Transaction Charges; (ii) QCC Transaction Fees (as defined in Exchange Rule 1080(o) and Floor QCC Orders, as defined in 1064(e)); and (iii) fees related to an order or quote that is contra to a PIXL Order or specifically responding to a PIXL auction. The trading activity of separate Specialist and Market Maker member organizations is aggregated in calculating the Monthly Market Maker Cap if there is Common Ownership between the member organizations. All dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions (as defined in this Section II) are excluded from the Monthly Market Maker Cap. In addition, Specialists or 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 are assessed a $0.17 per contract fee.

[12] See the Preface of the Exchange's Pricing Schedule which includes the definition of Common Ownership.

provisions of Section 6 of the Act,[13] in general, and with Section 6(b)(4) and 6(b)(5) of the Act,[14] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to lower the Tier 1 percentage threshold from 0.00% - 0.75% to 0.00% - 0.45% is reasonable because the Exchange is proposing to adopt a Tier 2 rebate for volume between 0.45% - 1.00%. Members that currently qualify for a non-paying Tier 1 rebate by transacting greater than 0.75% of national customer volume in multiply listed equity and ETF options (excluding SPY) may qualify for the newly added Tier 2 rebate, which pays a Category A rebate of $0.11 per contract and a Category B rebate of $0.17 per contract, by transacting greater than 0.45% of national customer volume in multiply listed equity and ETF options (excluding SPY). The Exchange believes that the new Tier 2 will offer members an opportunity to earn a Customer rebate because the volume threshold is lower with new Tier 2 than with current Tier 1.

The Exchange's proposal to lower the Tier 1 percentage threshold from 0.00% - 0.75% to 0.00% - 0.45% is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter. Any market participant is eligible to receive the rebate provided they transact a qualifying amount of electronic Customer volume.

The Exchange's proposal to adopt a Tier 2 rebate of above 0.45% - 1.00% is

[13] 15 U.S.C. 78f.

[14] 15 U.S.C. 78f(b)(4) and (5).

reasonable because, as stated above, members that today do not earn a Customer Rebate in current Tier 1 may be able to qualify for the new Tier 2 rebate. Some members that currently qualify for the current Tier 2 (0.75% - 1.60%) rebate would receive a lower Category A rebate as the new Tier 2 rebate pays a Category A rebate of $0.11 per contract and the current Tier 2 Category A rebate is $0.12 per contract. The Category B rebate is $0.17 per contract in both the current and proposed Tier 2. However, the volume requirement for the new Tier 2 rebate (0.45% - 1.00%) is lower than the current Tier 2 rebate (0.75% - 1.60%). The Exchange believes that despite the lower Category A rebate, the new Tier 2 will continue to encourage members to transact Customer orders on Phlx. Certain members that currently qualify for the current Tier 2 rebate will need to transact above 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to continue to receive the higher Category A rebate of $0.12 per contract. In addition Specialists and Market Makers that currently qualify for the $0.02 Rebate will need to transact the increased volume of at least 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to qualify for the $0.02 Rebate. The Exchange believes that members will be encouraged to transact a greater number of Customer contracts to receive higher rebates, despite the reduced Category A rebate with the new Tier 2.

The Exchange's proposal to adopt a new Tier 2 rebate of above 0.45% - 1.00% is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter. Any market participant is eligible to receive the rebate provided they transact a qualifying amount of electronic Customer volume.

The Exchange's proposal to increase the current Tier 3 rebate from above 0.75% -

1.60% to above 1.00% - 1.60% is reasonable because it should incentivize members to direct a greater number of Customer orders to the Exchange to qualify for the newly named Tier 3 rebate. As explained above, certain members that currently qualify for the current Tier 2 rebate will need to transact above 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to continue to receive the higher Category A rebate of $0.12 per contract.[15] The Exchange believes that members will be encouraged to transact a greater number of Customer contracts to receive the higher Category A rebate in newly named Tier 3. In addition Specialists and Market Makers that currently qualify for the $0.02 Rebate will need to transact the increased volume of at least 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to qualify for the $0.02 Rebate. This should also incentivize Specialists and Market Makers to transact a greater number of Customer orders on the Exchange. Phlx offers members certain Customer rebates to encourage Phlx member organizations to direct Customer order flow to the Exchange, and the $0.02 Rebate provides an additional incentive for Customer order flow. Customer liquidity benefits all market participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to increase the current Tier 3 rebate from above 0.75% - 1.60% to above 1.00% - 1.60% is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter. All members are eligible to

[15] The Category B rebate is $0.17 per contract with new Tier 2 and newly named Tier 3.

receive the rebate provided they submit a qualifying number of electronic Customer volume.

The Exchange's proposal to renumber the Customer Rebate Tiers to accommodate the new Tier 2 is reasonable, equitable and not unfairly discriminatory to clarify the Pricing Schedule.

The Exchange's proposal to add the words "member or member organization" before "affiliate" is reasonable, equitable and not unfairly discriminatory because the addition of these words further clarifies the intent of the $0.02 Rebate to apply to affiliates that are members or member organizations of the Exchange. The proposed amendment is not substantive as this is the manner in which the Common Ownership is applied today.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose an undue burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the Customer Rebate Program will continue to encourage Customer order flow to be directed to the Exchange. By incentivizing members to route Customer orders, the Exchange desires to attract liquidity to the Exchange, which in turn benefits all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. All market participants are eligible to qualify for a Customer Rebate.

The Exchange believes the proposed amendments would allow market participants to qualify for the new Tier 2 rebate and possibly higher rebates if they direct a qualifying number of Customer orders to the Exchange. The Exchange believes this pricing amendment does not impose a burden on competition but rather that the proposed rule change will continue to promote competition on the Exchange. A market participant requires less Customer volume with this proposal to earn a Customer rebate. The current Tier 2 rebate requires above 0.75% of national customer volume in multiply listed equity and ETF options (excluding SPY) while the new Tier 2 rebate requires above 0.45% of national customer volume in multiply listed equity and ETF options (excluding SPY). While some participants will be required to transact a greater number of Customer orders to continue to earn the newly named Tier 3 Category A rebate, the Exchange believes that members will be encouraged to transact a greater number of Customer contracts to receive the higher rebate, which will promote competition.

In addition Specialists and Market Makers that currently qualify for the $0.02 Rebate will need to transact the increased volume of at least 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to qualify for the $0.02 Rebate. This proposal should incentivize Specialists and Market Makers to transact a greater number of Customer orders on the Exchange to achieve the $0.02 Rebate and therefore would not create an undue burden on competition, but would instead encourage competition.

The remainder of the proposed amendments are clarifying and would not impose an undue burden on competition.

The Exchange operates in a highly competitive market, comprised of twelve options 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 to be inadequate. Accordingly, the fees that are assessed and the rebates paid by the Exchange described in the above proposal are influenced by these robust market forces and therefore must remain competitive with fees charged and rebates 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.

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,[16] 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. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

[16] 15 U.S.C. 78s(b)(3)(A)(ii).

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

Not applicable.

11. Exhibits

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

5. Text of the Rule Change.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2013-130)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Customer Rebate Program

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 December 31, 2013, 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 the Customer Rebate Program in Section B of the Pricing Schedule.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on January 2, 2014.

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

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

[2] 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend certain Customer Rebate tier percentage thresholds and add a new tier to the "Customer Rebate Program," in Section B of the Pricing Schedule to provide members a greater opportunity to receive Customer rebates.

Currently, the Exchange has a Customer Rebate Program consisting of four tiers which pays Customer rebates on two Categories, A[3] and B,[4] of transactions.[5] A Phlx

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[3] Category A rebates are paid to members executing electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot Options in Section II symbols. Rebates are paid on Customer PIXL Orders in Section II symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 3 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order are paid a rebate of $0.14 per contract.

[4] Category B rebates are paid to members executing electronically-delivered Customer Complex Orders in Penny Pilot Options and Non-Penny Pilot Options in Section II. Rebates are paid on Customer PIXL Complex Orders in Section II symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 3 or higher in the Customer Rebate Program, Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order will be paid a rebate of $0.17 per contract.

[5] See Section B of the Pricing Schedule.

member qualifies for a certain rebate tier based on the percentage of total national customer volume in multiply-listed options which it transacts monthly on Phlx. The Exchange calculates Customer volume in Multiply Listed Options by totaling electronically-delivered and executed volume, except volume associated with electronic Qualified Contingent Cross ("QCC") Orders,[6] as defined in Exchange Rule 1080(o).[7] The Exchange pays the following rebates:[8]

Customer Rebate Tiers	Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)	Category A	Category B
Tier 1	0.00% - 0.75%	$0.00	$0.00
Tier 2	Above 0.75% - 1.60%	$0.12*	$0.17*

[6] 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).

[7] Members and member organizations under common ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Common ownership means members or member organizations under 75% common ownership or control.

[8] SPY is included in the calculation of Customer volume in Multiply Listed Options that are electronically-delivered and executed for purposes of the Customer Rebate Program, however, the rebates do not apply to electronic executions in SPY.

Tier 3	Above 1.60% - 2.50%	$0.16	$0.19
Tier 4	Above 2.50%	$0.17	$0.19

*The Exchange will pay a $0.02 per contract rebate in addition to the applicable Tier 2 rebate to a Specialist or Market Maker or its affiliate under Common Ownership provided the Specialist or Market Maker has reached the Monthly Market Maker Cap, as defined in Section II.

The Exchange proposes to amend Tier 1 of the Customer Rebate Program to lower the percentage threshold from 0.00% - 0.75% to 0.00% - 0.45%. The Exchange believes that lowering the percentage threshold in Tier 1 will continue to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate.

The Exchange proposes to adopt a new Tier 2 Customer rebate with a percentage threshold of above 0.45% - 1.00% and offer a Category A rebate of $0.11 per contract and a Category B rebate of $0.17 per contract. The Exchange believes that this new tier will continue to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate.

The Exchange proposes to amend the current Tier 2 rebate by renaming it "Tier 3" and amending the percentage threshold from above 0.75% - 1.60% to above 1.00% - 1.60%. The Exchange is increasing this rebate tier to account for the new Tier 2 rebate.

The Exchange proposes to rename current Tier 3 as Tier 4 and current Tier 4 as Tier 5 to account for the new rebate tier that is being proposed.

The Exchange proposes to amend rule text related to a current rebate which was recently added in November 2013.[9] In that filing the Exchange amended the Pricing Schedule at Section B to offer a Specialist or Market Maker, or its affiliate under Common Ownership,[10] provided the Specialist or Market Maker has reached the Monthly Market Maker Cap[11] as defined in Section II, an additional $0.02 per contract rebate in addition to the applicable Tier 2 rebate if they qualified for the Tier 2 rebate ("$0.02 Rebate"). The Exchange is proposing to amend the rule text to continue to refer to the current Tier 2 rebate which the Exchange is proposing to rename Tier 3. The rule text will be amended to also reflect the change to Tier 3 with respect to the "$0.02 Rebate." Further, the Exchange proposes to clarify the rule text by noting that the reference to "affiliate" with respect to the "$0.02 Rebate is to a member or member organization affiliate. This relates back to the definition of Common Ownership which means

[9] See Securities Exchange Act Release No. 70969 (December 3, 2013), 78 FR 73907 (December 9, 2013) (SR-Phlx-2013-114).

[10] The term "Common Ownership" means members or member organizations under 75% common ownership or control.

[11] Specialists and Market Makers are subject to a "Monthly Market Maker Cap" of $550,000 for: (i) electronic and floor Option Transaction Charges; (ii) QCC Transaction Fees (as defined in Exchange Rule 1080(o) and Floor QCC Orders, as defined in 1064(e)); and (iii) fees related to an order or quote that is contra to a PIXL Order or specifically responding to a PIXL auction. The trading activity of separate Specialist and Market Maker member organizations is aggregated in calculating the Monthly Market Maker Cap if there is Common Ownership between the member organizations. All dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions (as defined in this Section II) are excluded from the Monthly Market Maker Cap. In addition, Specialists or 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 are assessed a $0.17 per contract fee.

members or member organizations under 75% common ownership or control.[12] The Exchange is proposing to add the words "member or member organization" before "affiliate" to make clear that the affiliate must be a member or member organization of Phlx.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[13] in general, and with Section 6(b)(4) and 6(b)(5) of the Act,[14] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to lower the Tier 1 percentage threshold from 0.00% - 0.75% to 0.00% - 0.45% is reasonable because the Exchange is proposing to adopt a Tier 2 rebate for volume between 0.45% - 1.00%. Members that currently qualify for a non-paying Tier 1 rebate by transacting greater than 0.75% of national customer volume in multiply listed equity and ETF options (excluding SPY) may qualify for the newly added Tier 2 rebate, which pays a Category A rebate of $0.11 per contract and a Category B rebate of $0.17 per contract, by transacting greater than 0.45% of national customer volume in multiply listed equity and ETF options (excluding SPY). The Exchange believes that the new Tier 2 will offer members an opportunity to earn a Customer rebate

[12] See the Preface of the Exchange's Pricing Schedule which includes the definition of Common Ownership.

[13] 15 U.S.C. 78f.

[14] 15 U.S.C. 78f(b)(4) and (5).

because the volume threshold is lower with new Tier 2 than with current Tier 1.

The Exchange's proposal to lower the Tier 1 percentage threshold from 0.00% - 0.75% to 0.00% - 0.45% is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter. Any market participant is eligible to receive the rebate provided they transact a qualifying amount of electronic Customer volume.

The Exchange's proposal to adopt a Tier 2 rebate of above 0.45% - 1.00% is reasonable because, as stated above, members that today do not earn a Customer Rebate in current Tier 1 may be able to qualify for the new Tier 2 rebate. Some members that currently qualify for the current Tier 2 (0.75% - 1.60%) rebate would receive a lower Category A rebate as the new Tier 2 rebate pays a Category A rebate of $0.11 per contract and the current Tier 2 Category A rebate is $0.12 per contract. The Category B rebate is $0.17 per contract in both the current and proposed Tier 2. However, the volume requirement for the new Tier 2 rebate (0.45% - 1.00%) is lower than the current Tier 2 rebate (0.75% - 1.60%). The Exchange believes that despite the lower Category A rebate, the new Tier 2 will continue to encourage members to transact Customer orders on Phlx. Certain members that currently qualify for the current Tier 2 rebate will need to transact above 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to continue to receive the higher Category A rebate of $0.12 per contract. In addition Specialists and Market Makers that currently qualify for the $0.02 Rebate will need to transact the increased volume of at least 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to qualify for the $0.02 Rebate. The Exchange believes that members will be encouraged to transact a greater number of Customer contracts to receive higher rebates, despite the reduced Category A rebate with the new Tier 2.

The Exchange's proposal to adopt a new Tier 2 rebate of above 0.45% - 1.00% is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter. Any market participant is eligible to receive the rebate provided they transact a qualifying amount of electronic Customer volume.

The Exchange's proposal to increase the current Tier 3 rebate from above 0.75% - 1.60% to above 1.00% - 1.60% is reasonable because it should incentivize members to direct a greater number of Customer orders to the Exchange to qualify for the newly named Tier 3 rebate. As explained above, certain members that currently qualify for the current Tier 2 rebate will need to transact above 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to continue to receive the higher Category A rebate of $0.12 per contract.[15] The Exchange believes that members will be encouraged to transact a greater number of Customer contracts to receive the higher Category A rebate in newly named Tier 3. In addition Specialists and Market Makers that currently qualify for the $0.02 Rebate will need to transact the increased volume of at least 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to qualify for the $0.02 Rebate. This should also incentivize Specialists and Market Makers to transact a greater number of Customer orders on the Exchange. Phlx offers members certain Customer rebates to encourage Phlx member organizations to direct Customer order flow to the Exchange, and the $0.02 Rebate provides an additional incentive for Customer order flow. Customer liquidity benefits all market

[15] The Category B rebate is $0.17 per contract with new Tier 2 and newly named Tier 3.

participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange's proposal to increase the current Tier 3 rebate from above 0.75% - 1.60% to above 1.00% - 1.60% is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter. All members are eligible to receive the rebate provided they submit a qualifying number of electronic Customer volume.

The Exchange's proposal to renumber the Customer Rebate Tiers to accommodate the new Tier 2 is reasonable, equitable and not unfairly discriminatory to clarify the Pricing Schedule.

The Exchange's proposal to add the words "member or member organization" before "affiliate" is reasonable, equitable and not unfairly discriminatory because the addition of these words further clarifies the intent of the $0.02 Rebate to apply to affiliates that are members or member organizations of the Exchange. The proposed amendment is not substantive as this is the manner in which the Common Ownership is applied today.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose an undue burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the Customer Rebate Program will continue to encourage Customer order flow to be directed to the Exchange. By incentivizing members to route Customer orders, the Exchange desires to attract liquidity to the Exchange, which in turn benefits all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attract Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. All market participants are eligible to qualify for a Customer Rebate.

The Exchange believes the proposed amendments would allow market participants to qualify for the new Tier 2 rebate and possibly higher rebates if they direct a qualifying number of Customer orders to the Exchange. The Exchange believes this pricing amendment does not impose a burden on competition but rather that the proposed rule change will continue to promote competition on the Exchange. A market participant requires less Customer volume with this proposal to earn a Customer rebate. The current Tier 2 rebate requires above 0.75% of national customer volume in multiply listed equity and ETF options (excluding SPY) while the new Tier 2 rebate requires above 0.45% of national customer volume in multiply listed equity and ETF options (excluding SPY). While some participants will be required to transact a greater number of Customer orders to continue to earn the newly named Tier 3 Category A rebate, the Exchange believes that members will be encouraged to transact a greater number of Customer contracts to receive the higher rebate, which will promote competition.

In addition Specialists and Market Makers that currently qualify for the $0.02 Rebate will need to transact the increased volume of at least 1.00% of national customer volume in multiply listed equity and ETF options (excluding SPY) to qualify for the

$0.02 Rebate. This proposal should incentivize Specialists and Market Makers to transact a greater number of Customer orders on the Exchange to achieve the $0.02 Rebate and therefore would not create an undue burden on competition, but would instead encourage competition.

The remainder of the proposed amendments are clarifying and would not impose an undue burden on competition.

The Exchange operates in a highly competitive market, comprised of twelve options 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 to be inadequate. Accordingly, the fees that are assessed and the rebates paid by the Exchange described in the above proposal are influenced by these robust market forces and therefore must remain competitive with fees charged and rebates 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.

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.[16] 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

[16] 15 U.S.C. 78s(b)(3)(A)(ii).

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:

- 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-2013-130 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-2013-130. 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-2013-130 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.[17]

Kevin M. O'Neill
Deputy Secretary

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

Exhibit 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX LLC[1] PRICING SCHEDULE

ALL BILLING DISPUTES MUST BE SUBMITTED TO THE EXCHANGE IN WRITING AND MUST BE ACCOMPANIED BY SUPPORTING DOCUMENTATION. ALL DISPUTES MUST BE SUBMITTED NO LATER THAN SIXTY (60) DAYS AFTER RECEIPT OF A BILLING INVOICE, EXCEPT FOR DISPUTES CONCERNING NASDAQ OMX PSX FEES, PROPRIETARY DATA FEED FEES AND CO-LOCATION SERVICES FEES. AS OF JANUARY 3, 2011, THE EXCHANGE WILL CALCULATE FEES ON A TRADE DATE BASIS.

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[1]PHLX® is a registered trademark of The NASDAQ OMX Group, Inc.

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B. Customer Rebate Program

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

Customer Rebate Tiers	Percentage Thresholds of National Customer Volume in Multiply-Listed Equity and ETF Options Classes, excluding SPY Options (Monthly)	Category A	Category B
Tier 1	0.00% - 0.4[7]5%	$0.00	$0.00
Tier 2	Above 0.45% - 1.00%	$0.11	$0.17
Tier 3[2]	Above 1.00[0.75]% - 1.60%	$0.12[*]	$0.17[*]

Tier 4[3]	Above 1.60% - 2.50%	$0.16*	$0.19*
Tier 5[4]	Above 2.50%	$0.17	$0.19

Category A: Rebate will be paid to members executing electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot Options in Section II symbols. Rebate will be paid on Customer PIXL Orders in Section II symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 3 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order will be paid a rebate of $0.14 per contract.

Category B: Rebate will be paid to members executing electronically-delivered Customer Complex Orders in Penny Pilot Options and Non-Penny Pilot Options in Section II symbols. Rebate will be paid on Customer PIXL Complex Orders in Section II symbols that execute against non-Initiating Order interest. In the instance where member organizations qualify for Tier 3 or higher in the Customer Rebate Program, Customer Complex PIXL Orders that execute against a Complex PIXL Initiating Order will be paid a rebate of $0.17 per contract.

*The Exchange will pay a $0.02 per contract rebate in addition to the applicable Tier 3[2] rebate to a Specialist or Market Maker or its member or member organization affiliate under Common Ownership provided the Specialist or Market Maker has reached the Monthly Market Maker Cap, as defined in Section II.

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