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

File No.* SR - 2013 - * 98
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 *).

A Rule Change to Amend a Billing Process for Rebates

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 10/01/2013
By Edward S. Knight
(Name *)

(Title *)
Executive Vice President and General Counsel

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,

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 manner in which it will calculate volume and pay rebates pursuant to the Customer Rebate Program in Section B of the Pricing Schedule.

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

a. Purpose

The Exchange proposes to amend the manner in which it calculates volume and pays Customer rebates pursuant to the "Customer Rebate Program," in Section B of the Pricing Schedule.

Currently, the Exchange has in place a four tier structure Customer Rebate Program at Section B of the Pricing Schedule which pays Customer rebates on two Categories, A[3] and B,[4] of transactions. Specifically, a member would qualify 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,[5] as defined in Exchange Rule 1080(o).[6] The Exchange pays the following

[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 of the Pricing Schedule. Rebates are paid on Customer PIXL Orders in Section II symbols that execute against non-Initiating Order interest, except in the case of Customer PIXL Orders that are greater than 999 contracts. All Customer PIXL Orders that are greater than 999 contracts are paid a rebate regardless of the contra party to the transaction.

[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, except in the case of Customer PIXL Complex Orders that are greater than 999 contracts. All Customer PIXL Complex Orders that are greater than 999 contracts are paid a rebate regardless of the contra-party to the transaction.

[5] 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.

rebates:[7]

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% - 2.60%	$0.14	$0.17
Tier 4	Above 2.60%	$0.15	$0.17

Today, the Exchange calculates volume and pays the Section B Customer rebates

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).

[6] 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.

[7] 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.

by Phlx house account number.[8] The Phlx house account number is a unique identifier assigned by the Exchange to members.[9] All members are assigned at least one house account number, but may request additional house account numbers. The Exchange is proposing to amend its billing process to instead calculate volume and pay Customer rebates based on order entry ports.[10] To access the Exchange's trading system, Phlx members must utilize an order entry port to send electronic orders.[11] Members may have more than one order entry port.

The Exchange believes that paying rebates to the member that owns the order entry port and makes decisions with respect to routing will further incentivize members to direct Customer orders to the Exchange to the benefit of all market participants.[12]

b. Statutory Basis

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

[8] See Securities Exchange Act Release No. 68924 (February 13, 2013), 78 FR 11916 (February 20, 2013) (SR-Phlx-2013-13) (clarifying the Exchange calculates volume and pays rebates based on a Phlx house account number).

[9] Phlx house accounts are associated with mnemonics. A mnemonic is a unique identifier consisting letters and numbers. Members may have multiple mnemonics. Every mnemonic has a unique house account number.

[10] Members are assessed an Order Entry Port Fee of $550 per month, per mnemonic. This fee is a connectivity fee in connection with routing orders to the Exchange via the external order entry port. The Order Entry Port Fee is waived for mnemonics that are used exclusively for complex orders where one of the components of the complex order is the underlying security. See Section VII, B of the Pricing Schedule.

[11] Members may access the Exchange's trading system by utilizing another member's order entry port.

[12] The Exchange will communicate this change in billing to impacted members by issuing a notification to those members.

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 calculate volume and pay rebates utilizing order entry ports, instead of Phlx house account numbers, is reasonable, equitable and not unfairly discriminatory for the reasons which follow. Today, all members with a Phlx house account that send a qualifying number of Customer orders to the Exchange are entitled to a Customer rebate as specified in Section B of the Pricing Schedule. For example, today, member ABC that directs a qualifying number of Customer orders to the Exchange with Phlx house account number 567 and also owns an order entry port would receive the applicable Customer rebate in Section B. Under the proposal, the owner of the order entry port, member ABC, would continue to receive the applicable rebate, provided a qualifying number of Customer orders were directed to the Exchange. There would be no impact in this case because the member with a Phlx house account number is also the owner of one or more order entry ports.

Another scenario that exists today is where member ABC owns an order entry port and routes orders to the Exchange on an agency basis. In this case, member ABC would enter an order into the Exchange's trading system via an order entry port and "give up" another Phlx member's mnemonic with the order, for example mnemonic EFG.

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

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

Today, EFG would be entitled to the Customer rebate if EFG sent a qualifying number of Customer orders to the Exchange because the rebate is paid to the owner of the Phlx house account. Under this proposal, member ABC, the owner of the order entry port, would receive the Customer rebate instead of EFG, provided ABC sent a qualifying number of Customer orders to the Exchange.

The Exchange believes that its proposal to amend the manner in which it calculates and pays Customer rebates is reasonable because the proposal will continue to reward those members that receive rebates today, because they all own one or more order entry ports, to direct a qualifying number of Customer orders to the Exchange and also incentivize other members with order entry ports to direct order flow to the Exchange to qualify for and receive a rebate. The Exchange pays the Customer rebates in Section B of the Pricing Schedule to attract order flow to the Exchange to the benefit of its members. Customer order flow brings unique benefits to the market through increased liquidity. The Exchange believes that incentivizing members with order entry ports to direct Customer order flow to the Exchange will provide increased liquidity on Phlx to the benefit of its members.

The Exchange believes that its proposal to amend the manner in which it calculates and pays Customer rebates is equitable and not unfairly discriminatory for the reasons which follow below. The Exchange proposes to pay all Customer rebates in Section B to order entry port owners that send a qualifying number of Customer orders to the Exchange. This proposal will not impact Phlx members receiving rebates today because these members own one or more order entry ports. The proposed change to calculate volume and pay rebates to order entry port owners, instead of by Phlx house account number, will not result in fewer rebates for members that receive rebates today. With respect to members that own one or more order entry ports and conduct an agency business by "giving up" another Phlx member's house account to the Exchange when entering orders, those members will have an opportunity to receive a Customer rebate if they transact a qualifying number of Customer orders, because the Exchange would pay the order entry port owner. Members that today receive a Customer rebate but do not own an order entry port will no longer be entitled to a Customer rebate. Today, members that do not own an order entry port do not qualify for a Customer rebate in Section B because those members do not transact a qualifying volume of Customer orders on the Exchange. While this proposal would not permit members that do not own order entry ports to obtain a Customer rebate, today these members do not receive such a Customer rebate.

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. With respect to members that receive Customer rebates today pursuant to Section B, those members would continue to receive rebates because they own order entry ports. With respect to certain routing brokers that direct orders on an agency basis, these members will most likely direct a qualifying number of Customer orders to the Exchange and qualify to receive the applicable Customer rebate. Today, these members that own order entry ports may transact a qualifying number of Customer orders on Phlx, but they do not receive a Customer rebate because of the manner in which the Exchange pays Customer rebates to Phlx house account owners. This proposal will not have an undue burden on competition because while in theory certain members that do not own ports will no longer be able to receive a Customer rebate, those members today do not receive Customer rebates because they do not have a qualifying number of Customer volume.

The Exchange believes the proposal will incentivize members that own order entry ports to direct an even greater amount of qualifying Customer volume to the Exchange, which in turn will bring additional Customer liquidity to Phlx with which other market participants may interact. The Exchange's proposal will further healthy competition among options exchanges that compete for Customer order flow.

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

No written comments were either solicited or received.

6. <u>Extension of Time Period for Commission Action</u>

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,[15] 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.

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.

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

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2013-98)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend a Billing Process for Rebates

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 October 1, 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 manner in which it will calculate volume and pay rebates pursuant to the Customer Rebate Program in Section B of the Pricing Schedule.

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 the manner in which it calculates volume and pays Customer rebates pursuant to the "Customer Rebate Program," in Section B of the Pricing Schedule.

Currently, the Exchange has in place a four tier structure Customer Rebate Program at Section B of the Pricing Schedule which pays Customer rebates on two Categories, A[3] and B,[4] of transactions. Specifically, a member would qualify for a

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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 of the Pricing Schedule. Rebates are paid on Customer PIXL Orders in Section II symbols that execute against non-Initiating Order interest, except in the case of Customer PIXL Orders that are greater than 999 contracts. All Customer PIXL Orders that are greater than 999 contracts are paid a rebate regardless of the contra party to the transaction.

[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, except in the case of Customer PIXL Complex Orders that are greater than 999 contracts. All Customer PIXL Complex Orders that are greater than 999 contracts are paid a rebate regardless of the contra-party to the transaction.

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,[5] as defined in Exchange Rule 1080(o).[6] The Exchange pays the following rebates:[7]

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

[5] 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).

[6] 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.

[7] 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% - 2.60%	$0.14	$0.17
Tier 4	Above 2.60%	$0.15	$0.17

Today, the Exchange calculates volume and pays the Section B Customer rebates by Phlx house account number.[8] The Phlx house account number is a unique identifier assigned by the Exchange to members.[9] All members are assigned at least one house account number, but may request additional house account numbers. The Exchange is proposing to amend its billing process to instead calculate volume and pay Customer rebates based on order entry ports.[10] To access the Exchange's trading system, Phlx members must utilize an order entry port to send electronic orders.[11] Members may have more than one order entry port.

[8] See Securities Exchange Act Release No. 68924 (February 13, 2013), 78 FR 11916 (February 20, 2013) (SR-Phlx-2013-13) (clarifying the Exchange calculates volume and pays rebates based on a Phlx house account number).

[9] Phlx house accounts are associated with mnemonics. A mnemonic is a unique identifier consisting letters and numbers. Members may have multiple mnemonics. Every mnemonic has a unique house account number.

[10] Members are assessed an Order Entry Port Fee of $550 per month, per mnemonic. This fee is a connectivity fee in connection with routing orders to the Exchange via the external order entry port. The Order Entry Port Fee is waived for mnemonics that are used exclusively for complex orders where one of the components of the complex order is the underlying security. See Section VII, B of the Pricing Schedule.

[11] Members may access the Exchange's trading system by utilizing another member's order entry port.

The Exchange believes that paying rebates to the member that owns the order entry port and makes decisions with respect to routing will further incentivize members to direct Customer orders to the Exchange to the benefit of all market participants.[12]

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 calculate volume and pay rebates utilizing order entry ports, instead of Phlx house account numbers, is reasonable, equitable and not unfairly discriminatory for the reasons which follow. Today, all members with a Phlx house account that send a qualifying number of Customer orders to the Exchange are entitled to a Customer rebate as specified in Section B of the Pricing Schedule. For example, today, member ABC that directs a qualifying number of Customer orders to the Exchange with Phlx house account number 567 and also owns an order entry port would receive the applicable Customer rebate in Section B. Under the proposal, the owner of the order entry port, member ABC, would continue to receive the applicable rebate, provided a qualifying number of Customer orders were directed to the Exchange. There would be

[12] The Exchange will communicate this change in billing to impacted members by issuing a notification to those members.

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

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

no impact in this case because the member with a Phlx house account number is also the owner of one or more order entry ports.

Another scenario that exists today is where member ABC owns an order entry port and routes orders to the Exchange on an agency basis. In this case, member ABC would enter an order into the Exchange's trading system via an order entry port and "give up" another Phlx member's mnemonic with the order, for example mnemonic EFG. Today, EFG would be entitled to the Customer rebate if EFG sent a qualifying number of Customer orders to the Exchange because the rebate is paid to the owner of the Phlx house account. Under this proposal, member ABC, the owner of the order entry port, would receive the Customer rebate instead of EFG, provided ABC sent a qualifying number of Customer orders to the Exchange.

The Exchange believes that its proposal to amend the manner in which it calculates and pays Customer rebates is reasonable because the proposal will continue to reward those members that receive rebates today, because they all own one or more order entry ports, to direct a qualifying number of Customer orders to the Exchange and also incentivize other members with order entry ports to direct order flow to the Exchange to qualify for and receive a rebate. The Exchange pays the Customer rebates in Section B of the Pricing Schedule to attract order flow to the Exchange to the benefit of its members. Customer order flow brings unique benefits to the market through increased liquidity. The Exchange believes that incentivizing members with order entry ports to direct Customer order flow to the Exchange will provide increased liquidity on Phlx to the benefit of its members.

The Exchange believes that its proposal to amend the manner in which it calculates and pays Customer rebates is equitable and not unfairly discriminatory for the reasons which follow below. The Exchange proposes to pay all Customer rebates in Section B to order entry port owners that send a qualifying number of Customer orders to the Exchange. This proposal will not impact Phlx members receiving rebates today because these members own one or more order entry ports. The proposed change to calculate volume and pay rebates to order entry port owners, instead of by Phlx house account number, will not result in fewer rebates for members that receive rebates today. With respect to members that own one or more order entry ports and conduct an agency business by "giving up" another Phlx member's house account to the Exchange when entering orders, those members will have an opportunity to receive a Customer rebate if they transact a qualifying number of Customer orders, because the Exchange would pay the order entry port owner. Members that today receive a Customer rebate but do not own an order entry port will no longer be entitled to a Customer rebate. Today, members that do not own an order entry port do not qualify for a Customer rebate in Section B because those members do not transact a qualifying volume of Customer orders on the Exchange. While this proposal would not permit members that do not own order entry ports to obtain a Customer rebate, today these members do not receive such a Customer rebate.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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. With respect to members that receive Customer rebates today pursuant to

Section B, those members would continue to receive rebates because they own order entry ports. With respect to certain routing brokers that direct orders on an agency basis, these members will most likely direct a qualifying number of Customer orders to the Exchange and qualify to receive the applicable Customer rebate. Today, these members that own order entry ports may transact a qualifying number of Customer orders on Phlx, but they do not receive a Customer rebate because of the manner in which the Exchange pays Customer rebates to Phlx house account owners. This proposal will not have an undue burden on competition because while in theory certain members that do not own ports will no longer be able to receive a Customer rebate, those members today do not receive Customer rebates because they do not have a qualifying number of Customer volume.

The Exchange believes the proposal will incentivize members that own order entry ports to direct an even greater amount of qualifying Customer volume to the Exchange, which in turn will bring additional Customer liquidity to Phlx with which other market participants may interact. The Exchange's proposal will further healthy competition among options exchanges that compete for Customer order flow.

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

IV. Solicitation of Comments

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

Electronic comments:

- 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-2013-98 on the subject line.

Paper comments:

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

- 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-2013-98. 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-2013-98 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.[16]

Kevin M. O'Neill
Deputy Secretary

[16] 17 CFR 200.30-3(a)(12).