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

File No.* SR - 2014 - * 14
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) * ☐

Rule

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

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

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 *).

Customer Rebate Program and Multiply Listed Options

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 02/26/2014
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.

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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: (i) amend the Customer Rebate Program in Section B of the Pricing Schedule; and (ii) amend Section II of the Pricing Schedule entitled "Multiply Listed Options Fees."[3]

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on March 3, 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

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

[2] 17 CFR 240.19b-4.

[3] This includes options overlying equities, ETFs, ETNs and indexes that are multiply listed.

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

The Exchange proposes to amend certain Customer Rebate tier percentage thresholds related to the "Customer Rebate Program," in Section B of the Pricing Schedule to provide members a greater opportunity to receive Customer rebates. The Exchange also proposes to amend Section II of the Pricing Schedule to amend certain Non-Penny Pilot Options Transaction Charges in Multiply Listed Options in order to allow the Exchange to fund additional incentives in connection with the Customer Rebate Program in Section B of the Pricing Schedule.

Customer Rebate Program

Currently, the Exchange has a Customer Rebate Program consisting of five tiers that pays Customer rebates on two Categories, A[4] and B,[5] of transactions.[6] A Phlx member qualifies for a certain rebate tier based on the percentage of total national

[4] 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.

[5] 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.

[6] See Section B of the Pricing Schedule.

customer volume in multiply-listed options that 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,[7] as defined in Exchange Rule 1080(o).[8] The Exchange pays the following rebates:[9]

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% - 0.45%	$0.00	$0.00
Tier 2	Above 0.45% - 1.00%	$0.11	$0.17
Tier 3	Above 1.00% - 1.60%	$0.12	$0.17

[7] 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).

[8] 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.

[9] 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 4	Above 1.60% - 2.50%	$0.16	$0.19
Tier 5	Above 2.50%	$0.17	$0.19

The Exchange proposes to amend the Tier 1 of the Customer Rebate Program to increase the percentage threshold from 0.00% - 0.45% to 0.00% - 0.60%. The Exchange would continue to not pay a rebate for Tier 1. The Exchange increasing the percentage threshold in Tier 1 in order 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 Tier 2 of the Customer Rebate Program to increase the percentage threshold from 0.45% - 1.00% to 0.60% - 1.10%. The Exchange is increasing the percentage threshold in Tier 2 in order to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate. The Exchange also proposes to decrease the Tier 2 Category A rebate from $0.11 to $0.10 per contract. The Category B rebate for Tier 2 will remain at $0.17 per contract. The Exchange proposes to offer a $0.02 per contract rebate in addition to the applicable Tier 2 rebate to a Specialist or Market Maker or its member or member organization affiliate under Common Ownership,[10] provided the Specialist or Market Maker has reached the Monthly Market Maker Cap[11] as defined in Section II ("$0.02 Rebate"). The

[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

Exchange currently offers this $0.02 Rebate in connection with Tier 3 rebates and is proposing to extend this additional rebate in connection with qualifying for Tier 2 rebates. The additional $0.02 Rebate would increase the Category A Tier 2 rebate from $0.10 to $0.12 per contract. The additional $0.02 Rebate would increase the Category B Tier 2 rebate from $0.17 to $0.19 per contract. The Exchange believes that the rebate will incentivize Customer orders to be directed to the Exchange.

The Exchange proposes to amend Tier 3 of the Customer Rebate Program to increase the percentage threshold from 1.00% - 1.60% to 1.10% - 1.60%. The Exchange would continue to pay a Category A rebate of $0.12 per contract and a Category B rebate of $0.17 per contract. The Exchange is increasing the percentage threshold in Tier 3 to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate.

Section II – Multiply Listed Options Fees
Options Transaction Charges

The Exchange currently offers Professionals,[12] Broker-Dealers[13] and Firms[14] an Options Transaction Charge in Non-Penny Pilot Options of $0.60 per contract with

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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] 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).

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

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

respect to electronic orders. Professionals are assessed a reduced fee of $0.30 per contract with respect to electronic Complex Orders.[15] The Exchange is proposing to increase Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per contract with respect to electronic orders. Professionals will continue to be offered the reduced fee of $0.30 per contract with respect to electronic Complex Orders. Despite these increases, the Exchange believes that these fees remain competitive with other options exchanges[16] and permit the Exchange to incentivize its market participants by offering additional rebate incentives in Section B of the Pricing Schedule.[17]

Additionally, the Exchange proposes to offer Professionals, Broker-Dealers and Firms the opportunity to reduce the proposed electronic Options Transaction Charge in Non-Penny Pilot Options from $0.70 to $0.60 per contract if the member or member organization under Common Ownership with another member or member organization qualifies, in a given month, for Customer Rebate Tiers 2, 3, 4, or 5 in Section B of the Pricing Schedule. With respect to Professionals, electronic Complex Orders will

[15] 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).

[16] See The NASDAQ Options Market LLC's ("NOM") Rules at Chapter XV, Section 2 and BATS Exchange, Inc.'s ("BATS") Fee Schedule. NOM assesses an $0.89 transaction fee to remove liquidity in Non-Penny Pilot Options to Professionals, Firms and Broker-Dealers. BATS assesses an $0.89 charge per contract for a Professional or Firm that removes liquidity from the BATS Options order book.

[17] The Exchange is offering an additional rebate in connection with qualifying for Tier 2 rebates to encourage additional Customer order flow, as described in this proposal.

continue to be assessed $0.30 per contract, regardless of any Customer Rebate qualification. The Exchange believes that this incentive will encourage market participants to transact a greater number of electronic Customer orders to obtain the lower fee.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[18] in general, and with Section 6(b)(4) and 6(b)(5) of the Act,[19] 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 that the Exchange operates or controls, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to amend Tier 1 of the Customer Rebate Program to increase the percentage threshold from 0.00% - 0.45% to 0.00% - 0.60% is reasonable because the Exchange recently lowered certain Customer Rebate Tier percentage thresholds and even adopted a new tier.[20] The Exchange does not believe that those amendments to lower certain percentage thresholds resulted in a greater amount of Customer liquidity to the market and is now proposing to increase those percentage thresholds. With this proposal, members that currently qualify for a non-paying Tier 1 rebate may qualify for a Tier 2 rebate by transacting greater than 0.60% of national customer volume in multiply listed equity and ETF options (excluding SPY). The

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[18] 15 U.S.C. 78f.

[19] 15 U.S.C. 78f(b)(4) and (5).

[20] See Securities Exchange Act Release No. 71257 (January 8, 2014), 79 FR 2489 (January 14, 2014) (SR-Phlx-2014-03).

Exchange desires to increase the Tier 1 percentage thresholds to encourage market participants to direct a greater amount of Customer orders to Phlx to obtain a Tier 2 or higher rebate. Members qualifying for Tier 1 will not receive a rebate.

The Exchange's proposal to amend Tier 1 of the Customer Rebate Program to increase the percentage threshold from 0.00% - 0.45% to 0.00% - 0.60% 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 amend Tier 2 of the Customer Rebate Program to increase the percentage threshold from 0.45% - 1.00% to 0.60% - 1.10% is reasonable because the Exchange recently lowered certain Customer Rebate Tier percentage thresholds and even adopted a new tier.[21] The Exchange does not believe that those amendments to lower certain percentage thresholds resulted in a greater amount of Customer liquidity to the market and is now proposing to increase those percentage thresholds. With this proposal, members that currently qualify for a Tier 2 would need to increase the amount of Customer volume by transacting greater than 0.60% of national customer volume in multiply listed equity and ETF options (excluding SPY). The Exchange is also lowering the Category A Tier 2 rebate from $0.11 to $0.10 per contract, but is also offering the opportunity to earn an additional $0.02 Rebate, when qualifying for Tier 2 rebates, as described in this proposal. The Exchange believes that despite the increased volume required to qualify for a Tier 2 rebate and the reduced Tier 2 Category

[21] See note 19.

A rebate, market participants will continue to be encouraged to direct electronic Customer liquidity to Phlx to earn rebates.

The Exchange's proposal to amend Tier 2 of the Customer Rebate Program to increase the percentage threshold from 0.45% - 1.00% to 0.60% - 1.10% 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. In addition, the Exchange's proposal to lower the Category A Tier 2 rebate from $0.11 to $0.10 per contract is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter.

The Exchange believes that its proposal to pay a $0.02 Rebate in addition to Tier 2 rebates 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, is reasonable because the Exchange desires to encourage market participants to transact a greater number of Customer orders on the Exchange to receive the enhanced rebate. Today, the Exchange offers this enhanced rebate to Specialists and Market Makers that qualify for a Tier 3 rebate. The Exchange proposes to expand this offer to Tier 2 rebates to further encourage these market participants to direct Customer order flow to the Exchange.

The Exchange believes that its proposal to pay a $0.02 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, is equitable and not unfairly discriminatory because unlike other market participants, Specialists and Market Makers have burdensome quoting obligations[22] to the market that do not apply to Customers, Professionals, Firms and Broker-Dealers. Specialists and Market Makers serve an important role on the Exchange with regard to order interaction and they provide liquidity in the marketplace. Additionally, Specialists and Market Makers incur costs unlike other market participants including, but not limited to, PFOF and other costs associated with market making activities,[23] which results in a higher average cost per execution as compared to Firms, Broker-Dealers and Professionals. The proposed differentiation as between Specialists and Market Makers as compared to other market participants recognizes the differing contributions made to the trading environment on the Exchange by these market participants. The Exchange is continuing to offer the Tier 2 rebate to 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.

The Exchange's proposal to amend Tier 3 of the Customer Rebate Program to increase the percentage threshold from 1.00% - 1.60% to 1.10% - 1.60% is reasonable because the Exchange recently lowered certain Customer Rebate Tier percentage

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[22] See Rule 1014 titled "Obligations and Restrictions Applicable to Specialists and Registered Options Traders."

[23] Specialists and Market Makers pay for certain data feeds including the SQF Port Fee. SQF Port Fees are listed in the Exchange's Pricing Schedule at Section VII. SQF is an interface that allows Specialists and Market Makers to connect and send quotes into Phlx XL and assists them in responding to auctions and providing liquidity to the market.

thresholds and even adopted a new tier.[24] The Exchange does not believe that those amendments to lower certain percentage thresholds resulted in a greater amount of Customer liquidity to the market and is now proposing to increase those percentage thresholds. With this proposal, members that currently qualify for a Tier 3 rebate would need to increase the amount of Customer volume by transacting greater than 1.10% of national customer volume in multiply listed equity and ETF options (excluding SPY) to continue to receive a Tier 3 rebate. The Exchange believes that despite the increased Customer volume required to qualify for Tier 3 rebate, market participants will continue to be encouraged to direct electronic Customer liquidity to Phlx to earn rebates.

The Exchange's proposal to amend Tier 3 of the Customer Rebate Program to increase the percentage threshold from 1.00% - 1.60% to 1.10% - 1.60% 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.

Section II – Multiply Listed Options Fees
Options Transaction Charges

The Exchange's proposal to increase electronic Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per contract is reasonable because the Exchange's fees will remain competitive with fees at other options markets,[25] despite the fee increase, and will allow the Exchange to

[24] See note 19.

[25] See note 16.

incentivize market participants by offering additional rebate incentives in Section B of the Pricing Schedule.[26]

The Exchange's proposal to increase electronic Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per contract is equitable and not unfairly discriminatory because the Exchange will assess Professionals, Broker-Dealers and Firms the same electronic Options Transaction Charge in Non-Penny Pilot Options. The Exchange does not assess Customers an electronic Options Transaction Charge in Non-Penny Pilot Options because Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Specialists and Market Makers are assessed lower electronic Options Transaction Charges in Non-Penny Pilot Options as compared to Professionals, Broker-Dealers and Firms because they have obligations to the market and regulatory requirements, which normally do not apply to other market participants.[27] They have obligations to make continuous markets, engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with a course of dealings. The proposed differentiation as between Customers, Specialists and Market Makers and other market participants recognizes the

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[26] The Exchange is offering an additional $0.02 Rebate in connection with Tier 2 to further incentivize market participants to direct Customer orders to the Exchange.

[27] See note 22.

differing contributions made to the liquidity and trading environment on the Exchange by these market participants.

The Exchange's proposal to offer Professionals, Broker-Dealers and Firms the opportunity to reduce the proposed electronic Options Transaction Charges in Non-Penny Pilot Options from $0.70 to $0.60 per contract, if the member or member organization under Common Ownership with another member or member organization qualifies, in a given month, for Customer Rebate Tiers 2, 3, 4, or 5 in Section B of the Pricing Schedule, is reasonable because the Exchange is offering these market participants an opportunity to lower the proposed fees by transacting a certain amount of Customer orders. The Exchange believes that this incentive will encourage market participants to transact a greater number of electronic Customer orders to obtain the lower fees. The Exchange would continue to assess Professionals a $0.30 per contract Options Transaction Charge for electronic Complex Orders, regardless of any Customer Rebate qualification. Today, a Professional is assessed a $0.30 per contract electronic Options Transaction Charge in Non-Penny Pilot Options when transacting Complex Orders as compared to a $0.60 per contract electronic Options Transaction Charge in Non-Penny Pilot Options when transacting Simple Orders. The reduced fee assessed to Professionals is comparable with electronic Professional fees at other options exchanges.[28]

The Exchange's proposal to offer Professionals, Broker-Dealers and Firms the opportunity to reduce the proposed electronic Options Transaction Charges in Non-Penny

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[28] The Chicago Board Options Exchange, Incorporated ("CBOE") assesses a Professional and Voluntary Professional a $0.30 per contract electronic fee in Penny and Non-Penny Classes. See CBOE's Fees Schedule. Also, NYSE MKT LLC ("NYSE Amex") assesses a tiered electronic Professional Customer rate starting at $.32 per contract for electronic orders which take liquidity from 0 to 16,999 contracts. See NYSE Amex's Options Fee Schedule.

Pilot Options from $0.70 to $0.60 per contract if the member or member organization under Common Ownership with another member or member organization qualifies, in a given month, for Customer Rebate Tiers 2, 3, 4, or 5 in Section B of the Pricing Schedule, is equitable and not unfairly discriminatory because the Exchange is offering these market participants, that are assessed the highest fees, the opportunity to reduce these fees.[29] The Exchange is proposing to offer Professionals, Broker-Dealers and Firms an opportunity to reduce the proposed electronic Options Transaction Charges in Non-Penny Pilot Options by transacting Customer orders, which would also benefit these market participants in terms of a potential Section B rebates, which they may qualify for by adding Customer liquidity on Phlx. As previously mentioned, Customers are not assessed an electronic Options Transaction Charge in Non-Penny Pilot Options and Specialists and Market Makers pay lower Options Transaction Charges as compared to Professionals, Broker-Dealers and Firms. The Exchange believes that it is equitable and not unfairly discriminatory to continue to assess Professionals a reduced fee of $0.30 per contract for electronic Complex Orders in Non-Penny Pilot Options because Professionals engage in trading activity similar to that conducted by Specialists or Market Makers. For example, Professionals continue to join bids and offers on the Exchange and thus compete for incoming order flow. For these reasons, the Exchange assesses Professionals a Non-Penny Pilot electronic Options Transaction Charge at a rate that is greater than fees assessed to a Specialist and Market Maker and equal to electronic fees assessed to a Firm and Broker-Dealer. Specialists and Market Makers are assessed lower

[29] Customers are not assessed a Non-Penny Pilot Options Transaction Charge and Specialists and Market Makers are assessed a lower electronic Non-Penny Pilot Options Transaction Charge of $0.23 per contract.

electronic fees as compared to non-Customer market participants, because Specialists and Market Makers have burdensome quoting obligations[30] to the market that do not apply to Customers, Professionals, Firms and Broker-Dealers. Customers are not assessed Options Transactions Charges in Non-Penny Pilot Options because Customer order flow brings liquidity to the market, which in turn benefits all market participants.

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. Market participants will be encouraged to transact a greater number of Customer orders to qualify for a rebate. By incentivizing members to route Customer orders to the Exchange, 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 attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. All market participants are eligible to qualify for a Customer Rebate.

The Exchange believes the proposed amendments will continue to encourage market participants to direct Customer liquidity to Phlx despite the increase in the tier volumes and also the Tier 2 rebate decrease. The Exchange believes this pricing amendment does not impose a burden on competition but rather that the proposed rule

[30] See note 22.

change will continue to promote competition on the Exchange. A market participant will be required to transact more Customer volume to earn certain Customer rebates. While some participants will be required to transact a greater number of Customer orders to continue to earn a Tier 2 or 3 rebate, and some will earn a lower Tier 2 Category A rebate, the Exchange believes that members will be encouraged to transact a greater number of Customer contracts to continue to earn rebates, which will promote competition.

In addition, Specialists and Market Makers may qualify for a $0.02 Rebate by qualifying for Tier 2, which 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 Exchange's proposal to increase electronic Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per will not impose an undue burden on competition because the Exchange will assess Professionals, Broker-Dealers and Firms the same electronic Options Transaction Charge in Non-Penny Pilot Options. The Exchange does not assess Customers an electronic Options Transaction Charge in Non-Penny Pilot Options because Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specialists and Market Makers are assessed lower electronic Options Transaction Charges in Non-Penny Pilot Options as compared to Professionals, Broker-Dealers and Firms because they have obligations to the market and regulatory requirements, which normally do not apply to other market participants.[31] The differentiation as between Customers, Specialists and Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. Additionally, Professionals, Broker-Dealers and Firms may reduce their Options Transaction Charges to $0.60 per contract provided they qualify for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule. This incentive encourages these participants to add Customer liquidity on Phlx which liquidity benefits all market participants.

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.

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[31] See note 22.

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,[32] 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

Not applicable.

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.

5. Applicable portion of the Exchange's Pricing Schedule.

[32] 15 U.S.C. 78s(b)(3)(A)(ii).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2014-14)

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

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 February 26, 2014, 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: (i) amend the Customer Rebate Program in Section B of the Pricing Schedule; and (ii) amend Section II of the Pricing Schedule entitled "Multiply Listed Options Fees."[3]

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on March 3, 2014.

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

[2] 17 CFR 240.19b-4.

[3] This includes options overlying equities, ETFs, ETNs and indexes that are multiply listed.

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.

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 related to the "Customer Rebate Program," in Section B of the Pricing Schedule to provide members a greater opportunity to receive Customer rebates. The Exchange also proposes to amend Section II of the Pricing Schedule to amend certain Non-Penny Pilot Options Transaction Charges in Multiply Listed Options in order to allow the Exchange to fund additional incentives in connection with the Customer Rebate Program in Section B of the Pricing Schedule.

Customer Rebate Program

Currently, the Exchange has a Customer Rebate Program consisting of five tiers that pays Customer rebates on two Categories, A[4] and B,[5] of transactions.[6] A Phlx member qualifies for a certain rebate tier based on the percentage of total national customer volume in multiply-listed options that 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,[7] as defined in Exchange Rule 1080(o).[8]

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[4] 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.

[5] 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.

[6] See Section B of the Pricing Schedule.

[7] 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).

[8] 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.

The Exchange pays the following rebates:[9]

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% - 0.45%	$0.00	$0.00
Tier 2	Above 0.45% - 1.00%	$0.11	$0.17
Tier 3	Above 1.00% - 1.60%	$0.12	$0.17
Tier 4	Above 1.60% - 2.50%	$0.16	$0.19
Tier 5	Above 2.50%	$0.17	$0.19

The Exchange proposes to amend the Tier 1 of the Customer Rebate Program to increase the percentage threshold from 0.00% - 0.45% to 0.00% - 0.60%. The Exchange would continue to not pay a rebate for Tier 1. The Exchange increasing the percentage threshold in Tier 1 in order 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 Tier 2 of the Customer Rebate Program to increase the percentage threshold from 0.45% - 1.00% to 0.60% - 1.10%. The Exchange is increasing the percentage threshold in Tier 2 in order to encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate. The Exchange also proposes to decrease the Tier 2 Category A rebate from $0.11 to

[9] 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.

$0.10 per contract. The Category B rebate for Tier 2 will remain at $0.17 per contract. The Exchange proposes to offer a $0.02 per contract rebate in addition to the applicable Tier 2 rebate to a Specialist or Market Maker or its member or member organization affiliate under Common Ownership,[10] provided the Specialist or Market Maker has reached the Monthly Market Maker Cap[11] as defined in Section II ("$0.02 Rebate"). The Exchange currently offers this $0.02 Rebate in connection with Tier 3 rebates and is proposing to extend this additional rebate in connection with qualifying for Tier 2 rebates. The additional $0.02 Rebate would increase the Category A Tier 2 rebate from $0.10 to $0.12 per contract. The additional $0.02 Rebate would increase the Category B Tier 2 rebate from $0.17 to $0.19 per contract. The Exchange believes that the rebate will incentivize Customer orders to be directed to the Exchange.

The Exchange proposes to amend Tier 3 of the Customer Rebate Program to increase the percentage threshold from 1.00% - 1.60% to 1.10% - 1.60%. The Exchange would continue to pay a Category A rebate of $0.12 per contract and a Category B rebate of $0.17 per contract. The Exchange is increasing the percentage threshold in Tier 3 to

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[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.

encourage market participants to direct a greater number of Customer orders to the Exchange to qualify for the rebate.

Section II – Multiply Listed Options Fees
Options Transaction Charges

The Exchange currently offers Professionals,[12] Broker-Dealers[13] and Firms[14] an Options Transaction Charge in Non-Penny Pilot Options of $0.60 per contract with respect to electronic orders. Professionals are assessed a reduced fee of $0.30 per contract with respect to electronic Complex Orders.[15] The Exchange is proposing to increase Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per contract with respect to electronic orders. Professionals will continue to be offered the reduced fee of $0.30 per contract with respect to electronic Complex Orders. Despite these increases, the Exchange believes that these fees remain competitive with other options exchanges[16] and permit the

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[12] 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).

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

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

[15] 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).

[16] See The NASDAQ Options Market LLC's ("NOM") Rules at Chapter XV, Section 2 and BATS Exchange, Inc.'s ("BATS") Fee Schedule. NOM assesses an $0.89 transaction fee to remove liquidity in Non-Penny Pilot Options to Professionals, Firms

Exchange to incentivize its market participants by offering additional rebate incentives in Section B of the Pricing Schedule.[17]

Additionally, the Exchange proposes to offer Professionals, Broker-Dealers and Firms the opportunity to reduce the proposed electronic Options Transaction Charge in Non-Penny Pilot Options from $0.70 to $0.60 per contract if the member or member organization under Common Ownership with another member or member organization qualifies, in a given month, for Customer Rebate Tiers 2, 3, 4, or 5 in Section B of the Pricing Schedule. With respect to Professionals, electronic Complex Orders will continue to be assessed $0.30 per contract, regardless of any Customer Rebate qualification. The Exchange believes that this incentive will encourage market participants to transact a greater number of electronic Customer orders to obtain the lower fee.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[18] in general, and with Section 6(b)(4) and 6(b)(5) of the Act,[19] 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 that the Exchange operates or controls, and is not designed to permit unfair

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and Broker-Dealers. BATS assesses an $0.89 charge per contract for a Professional or Firm that removes liquidity from the BATS Options order book.

[17] The Exchange is offering an additional rebate in connection with qualifying for Tier 2 rebates to encourage additional Customer order flow, as described in this proposal.

[18] 15 U.S.C. 78f.

[19] 15 U.S.C. 78f(b)(4) and (5).

discrimination between customers, issuers, brokers, or dealers.

The Exchange's proposal to amend Tier 1 of the Customer Rebate Program to increase the percentage threshold from 0.00% - 0.45% to 0.00% - 0.60% is reasonable because the Exchange recently lowered certain Customer Rebate Tier percentage thresholds and even adopted a new tier.[20] The Exchange does not believe that those amendments to lower certain percentage thresholds resulted in a greater amount of Customer liquidity to the market and is now proposing to increase those percentage thresholds. With this proposal, members that currently qualify for a non-paying Tier 1 rebate may qualify for a Tier 2 rebate by transacting greater than 0.60% of national customer volume in multiply listed equity and ETF options (excluding SPY). The Exchange desires to increase the Tier 1 percentage thresholds to encourage market participants to direct a greater amount of Customer orders to Phlx to obtain a Tier 2 or higher rebate. Members qualifying for Tier 1 will not receive a rebate.

The Exchange's proposal to amend Tier 1 of the Customer Rebate Program to increase the percentage threshold from 0.00% - 0.45% to 0.00% - 0.60% 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 amend Tier 2 of the Customer Rebate Program to increase the percentage threshold from 0.45% - 1.00% to 0.60% - 1.10% is reasonable because the Exchange recently lowered certain Customer Rebate Tier percentage

[20] See Securities Exchange Act Release No. 71257 (January 8, 2014), 79 FR 2489 (January 14, 2014) (SR-Phlx-2014-03).

thresholds and even adopted a new tier.[21] The Exchange does not believe that those amendments to lower certain percentage thresholds resulted in a greater amount of Customer liquidity to the market and is now proposing to increase those percentage thresholds. With this proposal, members that currently qualify for a Tier 2 would need to increase the amount of Customer volume by transacting greater than 0.60% of national customer volume in multiply listed equity and ETF options (excluding SPY). The Exchange is also lowering the Category A Tier 2 rebate from $0.11 to $0.10 per contract, but is also offering the opportunity to earn an additional $0.02 Rebate, when qualifying for Tier 2 rebates, as described in this proposal. The Exchange believes that despite the increased volume required to qualify for a Tier 2 rebate and the reduced Tier 2 Category A rebate, market participants will continue to be encouraged to direct electronic Customer liquidity to Phlx to earn rebates.

The Exchange's proposal to amend Tier 2 of the Customer Rebate Program to increase the percentage threshold from 0.45% - 1.00% to 0.60% - 1.10% 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. In addition, the Exchange's proposal to lower the Category A Tier 2 rebate from $0.11 to $0.10 per contract is equitable and not unfairly discriminatory because it will be applied to all market participants in a uniform matter.

The Exchange believes that its proposal to pay a $0.02 Rebate in addition to Tier 2 rebates to a Specialist or Market Maker, or its affiliate under Common Ownership,

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[21] See note 19.

provided the Specialist or Market Maker has reached the Monthly Market Maker Cap, is reasonable because the Exchange desires to encourage market participants to transact a greater number of Customer orders on the Exchange to receive the enhanced rebate. Today, the Exchange offers this enhanced rebate to Specialists and Market Makers that qualify for a Tier 3 rebate. The Exchange proposes to expand this offer to Tier 2 rebates to further encourage these market participants to direct Customer order flow to the Exchange.

The Exchange believes that its proposal to pay a $0.02 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, is equitable and not unfairly discriminatory because unlike other market participants, Specialists and Market Makers have burdensome quoting obligations[22] to the market that do not apply to Customers, Professionals, Firms and Broker-Dealers. Specialists and Market Makers serve an important role on the Exchange with regard to order interaction and they provide liquidity in the marketplace. Additionally, Specialists and Market Makers incur costs unlike other market participants including, but not limited to, PFOF and other costs associated with market making activities,[23] which results in a higher average cost per execution as compared to Firms, Broker-Dealers and Professionals. The proposed differentiation as between Specialists and Market Makers as

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[22] See Rule 1014 titled "Obligations and Restrictions Applicable to Specialists and Registered Options Traders."

[23] Specialists and Market Makers pay for certain data feeds including the SQF Port Fee. SQF Port Fees are listed in the Exchange's Pricing Schedule at Section VII. SQF is an interface that allows Specialists and Market Makers to connect and send quotes into Phlx XL and assists them in responding to auctions and providing liquidity to the market.

compared to other market participants recognizes the differing contributions made to the trading environment on the Exchange by these market participants. The Exchange is continuing to offer the Tier 2 rebate to 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.

The Exchange's proposal to amend Tier 3 of the Customer Rebate Program to increase the percentage threshold from 1.00% - 1.60% to 1.10% - 1.60% is reasonable because the Exchange recently lowered certain Customer Rebate Tier percentage thresholds and even adopted a new tier.[24] The Exchange does not believe that those amendments to lower certain percentage thresholds resulted in a greater amount of Customer liquidity to the market and is now proposing to increase those percentage thresholds. With this proposal, members that currently qualify for a Tier 3 rebate would need to increase the amount of Customer volume by transacting greater than 1.10% of national customer volume in multiply listed equity and ETF options (excluding SPY) to continue to receive a Tier 3 rebate. The Exchange believes that despite the increased Customer volume required to qualify for Tier 3 rebate, market participants will continue to be encouraged to direct electronic Customer liquidity to Phlx to earn rebates.

The Exchange's proposal to amend Tier 3 of the Customer Rebate Program to increase the percentage threshold from 1.00% - 1.60% to 1.10% - 1.60% is equitable and not unfairly discriminatory because it will be applied to all market participants in a

[24] See note 19.

uniform matter. Any market participant is eligible to receive the rebate provided they transact a qualifying amount of electronic Customer volume.

Section II – Multiply Listed Options Fees
Options Transaction Charges

The Exchange's proposal to increase electronic Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per contract is reasonable because the Exchange's fees will remain competitive with fees at other options markets,[25] despite the fee increase, and will allow the Exchange to incentivize market participants by offering additional rebate incentives in Section B of the Pricing Schedule.[26]

The Exchange's proposal to increase electronic Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per contract is equitable and not unfairly discriminatory because the Exchange will assess Professionals, Broker-Dealers and Firms the same electronic Options Transaction Charge in Non-Penny Pilot Options. The Exchange does not assess Customers an electronic Options Transaction Charge in Non-Penny Pilot Options because Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Specialists and

[25] See note 16.

[26] The Exchange is offering an additional $0.02 Rebate in connection with Tier 2 to further incentivize market participants to direct Customer orders to the Exchange.

Market Makers are assessed lower electronic Options Transaction Charges in Non-Penny Pilot Options as compared to Professionals, Broker-Dealers and Firms because they have obligations to the market and regulatory requirements, which normally do not apply to other market participants.[27] They have obligations to make continuous markets, engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and not make bids or offers or enter into transactions that are inconsistent with a course of dealings. The proposed differentiation as between Customers, Specialists and Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants.

The Exchange's proposal to offer Professionals, Broker-Dealers and Firms the opportunity to reduce the proposed electronic Options Transaction Charges in Non-Penny Pilot Options from $0.70 to $0.60 per contract, if the member or member organization under Common Ownership with another member or member organization qualifies, in a given month, for Customer Rebate Tiers 2, 3, 4, or 5 in Section B of the Pricing Schedule, is reasonable because the Exchange is offering these market participants an opportunity to lower the proposed fees by transacting a certain amount of Customer orders. The Exchange believes that this incentive will encourage market participants to transact a greater number of electronic Customer orders to obtain the lower fees. The Exchange would continue to assess Professionals a $0.30 per contract Options Transaction Charge for electronic Complex Orders, regardless of any Customer Rebate qualification. Today, a Professional is assessed a $0.30 per contract electronic Options

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[27] See note 22.

Transaction Charge in Non-Penny Pilot Options when transacting Complex Orders as compared to a $0.60 per contract electronic Options Transaction Charge in Non-Penny Pilot Options when transacting Simple Orders. The reduced fee assessed to Professionals is comparable with electronic Professional fees at other options exchanges.[28]

The Exchange's proposal to offer Professionals, Broker-Dealers and Firms the opportunity to reduce the proposed electronic Options Transaction Charges in Non-Penny Pilot Options from $0.70 to $0.60 per contract if the member or member organization under Common Ownership with another member or member organization qualifies, in a given month, for Customer Rebate Tiers 2, 3, 4, or 5 in Section B of the Pricing Schedule, is equitable and not unfairly discriminatory because the Exchange is offering these market participants, that are assessed the highest fees, the opportunity to reduce these fees.[29] The Exchange is proposing to offer Professionals, Broker-Dealers and Firms an opportunity to reduce the proposed electronic Options Transaction Charges in Non-Penny Pilot Options by transacting Customer orders, which would also benefit these market participants in terms of a potential Section B rebates, which they may qualify for by adding Customer liquidity on Phlx. As previously mentioned, Customers are not assessed an electronic Options Transaction Charge in Non-Penny Pilot Options and Specialists and Market Makers pay lower Options Transaction Charges as compared to

[28] The Chicago Board Options Exchange, Incorporated ("CBOE") assesses a Professional and Voluntary Professional a $0.30 per contract electronic fee in Penny and Non-Penny Classes. See CBOE's Fees Schedule. Also, NYSE MKT LLC ("NYSE Amex") assesses a tiered electronic Professional Customer rate starting at $.32 per contract for electronic orders which take liquidity from 0 to 16,999 contracts. See NYSE Amex's Options Fee Schedule.

[29] Customers are not assessed a Non-Penny Pilot Options Transaction Charge and Specialists and Market Makers are assessed a lower electronic Non-Penny Pilot Options Transaction Charge of $0.23 per contract.

Professionals, Broker-Dealers and Firms. The Exchange believes that it is equitable and not unfairly discriminatory to continue to assess Professionals a reduced fee of $0.30 per contract for electronic Complex Orders in Non-Penny Pilot Options because Professionals engage in trading activity similar to that conducted by Specialists or Market Makers. For example, Professionals continue to join bids and offers on the Exchange and thus compete for incoming order flow. For these reasons, the Exchange assesses Professionals a Non-Penny Pilot electronic Options Transaction Charge at a rate that is greater than fees assessed to a Specialist and Market Maker and equal to electronic fees assessed to a Firm and Broker-Dealer. Specialists and Market Makers are assessed lower electronic fees as compared to non-Customer market participants, because Specialists and Market Makers have burdensome quoting obligations[30] to the market that do not apply to Customers, Professionals, Firms and Broker-Dealers. Customers are not assessed Options Transactions Charges in Non-Penny Pilot Options because Customer order flow brings liquidity to the market, which in turn benefits all market participants.

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. Market participants will be encouraged to transact a greater number of Customer orders to qualify for a rebate. By incentivizing members to route Customer orders to the Exchange, the Exchange desires to attract liquidity to the Exchange, which in turn benefits all market participants.

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[30] See note 22.

Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Specialists and Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. All market participants are eligible to qualify for a Customer Rebate.

The Exchange believes the proposed amendments will continue to encourage market participants to direct Customer liquidity to Phlx despite the increase in the tier volumes and also the Tier 2 rebate decrease. 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 will be required to transact more Customer volume to earn certain Customer rebates. While some participants will be required to transact a greater number of Customer orders to continue to earn a Tier 2 or 3 rebate, and some will earn a lower Tier 2 Category A rebate, the Exchange believes that members will be encouraged to transact a greater number of Customer contracts to continue to earn rebates, which will promote competition.

In addition, Specialists and Market Makers may qualify for a $0.02 Rebate by qualifying for Tier 2, which 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 Exchange's proposal to increase electronic Professional, Broker-Dealer and Firm Options Transaction Charges in Non-Penny Pilot Options from $0.60 to $0.70 per will not impose an undue burden on competition because the Exchange will assess Professionals, Broker-Dealers and Firms the same electronic Options Transaction Charge in Non-Penny Pilot Options. The Exchange does not assess Customers an electronic Options Transaction Charge in Non-Penny Pilot Options because Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specialists and Market Makers are assessed lower electronic Options Transaction Charges in Non-Penny Pilot Options as compared to Professionals, Broker-Dealers and Firms because they have obligations to the market and regulatory requirements, which normally do not apply to other market participants.[31] The differentiation as between Customers, Specialists and Market Makers and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. Additionally, Professionals, Broker-Dealers and Firms may reduce their Options Transaction Charges to $0.60 per contract provided they qualify for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule. This incentive encourages these participants to add Customer liquidity on Phlx which liquidity benefits all market participants.

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

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[31] See note 22.

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.[32] 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-2014-14 on the subject line.

[32] 15 U.S.C. 78s(b)(3)(A)(ii).

<u>Paper comments</u>:

- 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-2014-14. 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-2014-14 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.[33]

Kevin M. O'Neill
Deputy Secretary

[33] 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.[45]60%	$0.00	$0.00
Tier 2	Above 0.[45]60% - 1.[00]10%	$0.[11]10*	$0.17*
Tier 3	Above 1.[00]10% - 1.60%	$0.12*	$0.17*
Tier 4	Above 1.60% - 2.50%	$0.16	$0.19

Tier 5	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 4 or higher in the Customer Rebate Program, Customer PIXL Orders that execute against a PIXL Initiating Order will be paid a rebate of $0.14 per contract.

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 4 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 2 and 3 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.

* * * * *

II. Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed[9])

	Customer	Professional		Specialist and Market Maker		Broker-Dealer		Firm	
		Electronic	**Floor**	**Electronic**	**Floor**	**Electronic**	**Floor**	**Electronic**	**Floor**
Options Transaction Charge (Penny Pilot)	$0.00	$0.30[13]	$0.25	$0.22	$0.30	$0.45	$0.25	$0.45	$0.25
Options Transaction Charge (non-Penny Pilot)	$0.00	$0.[60]70[13]	$0.25	$0.23	$0.30	$0.[60]70[14]	$0.25	$0.[60]70[14]	$0.25
Options Surcharge in MNX and NDX	N/A	$0.15	$0.15	$0.15	$0.15	$0.15	$0.15	$0.15	$0.15
Options	N/A	$0.10	$0.10	$0.10	$0.10	$0.10	$0.10	$0.10	$0.10

Surcharge in BKX

Cabinet Options	$0.00	N/A	$0.10	N/A	$0.10	N/A	$0.10	N/A	$0.10

• These fees are per contract.

[9]The following symbols will be assessed the fees in Section III for Singly Listed Options: SOX, HGX and OSX.

[13] Any member or member organization under Common Ownership with another member or member organization that qualifies for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule will be assessed $0.60 per contract, except that [E]electronic Complex Orders will be assessed $0.30 per contract, regardless of any Customer Rebate qualification.

[14] Any member or member organization under Common Ownership with another member or member organization that qualifies for Customer Rebate Tiers 2, 3, 4 or 5 in Section B of the Pricing Schedule will be assessed $0.60 per contract.

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