

*Required fields are shown with yellow backgrounds and asterisks.*

Filing by NASDAQ OMX PHLX LLC.  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<b>Rule</b>		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

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

Relating to Rule 60

**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.

(Title \*)

Date 09/19/2014 Executive Vice President and General Counsel

By Edward S. Knight

(Name \*)

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.

**Persona Not Validated - 1383935917270,**

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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

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**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 (“Exchange” or “Phlx”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“Commission”) a proposal to correct an inconsistency in the Exchange’s Rulebook related to Rule 60 entitled “Sanctions for Breach of Regulations.”

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is set forth below. Proposed new language is underlined; deleted text is in brackets.

\* \* \* \* \*

**NASDAQ OMX PHLX Rules**

\* \* \* \* \*

**Rule 60. Sanctions for Breach of Regulations**

(a)(i) An Options Exchange Official may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or an Options Exchange Official may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1—960.12.

(ii) Exchange Staff may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

(b)(i) An Options Exchange Official and an officer of the Exchange may exclude a member, participant, and any associated person of member organizations and participant organizations ("member") from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Specifically, members shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members so excluded [are excluded for the remainder of the trading day.] may be excluded for a period of up to five business days.

(c) If a member shall be excluded for a period exceeding forty-eight hours, an expedited hearing ("Expedited Hearing") will be held before the Chair of the Business Conduct Committee or a member of the Committee designated by the Chair ("Expedited Hearing Officer") within forty-eight business hours after the members' exclusion from the trading floor. Written notice will be provided to the member of the date, time and place of the hearing. The member may be represented by counsel. The Expedited Hearing Officer or his or her designee shall conduct an Expedited Hearing. The Expedited Hearing Officer shall allow both the member or his or her representative and Exchange staff to present arguments. The Expedited Hearing Officer shall make a determination of whether to continue the member's exclusion from the trading floor for a period of up to five business days. The determination shall be based on the severity of the threat posed to persons on the trading floor, the disruptiveness caused by the actor and the safety and welfare of persons on the trading floor. The Expedited Hearing Officer shall make a ruling at the time of the hearing and a written decision will be provided to the member following the hearing. Members shall not be excluded from electronic trading, but will be not be permitted to be physically present on the trading floor for the duration of any exclusion.

(ii) For purposes of this Rule, an "officer of the Exchange" shall refer to an officer who is a vice president or higher.

(iii) For purposes of this Rule and the Regulations promulgated thereunder, the "premises immediately adjacent to the trading floor" shall include the following: (1) all premises other than the trading floor that are under Exchange control, and (2) premises in the building where the Exchange maintains its principal office and place of business, namely 1900 Market Street, Philadelphia, Pennsylvania.

(iv) Exclusion from the floor may not be the exclusive sanction for breaches of this Rule and the regulations thereunder. In addition to exclusion, a member may also be subject to a fine or the matter may be referred to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

••• *Commentary (a)* -----

The procedure to be followed in cases where a pre-set fine of up to \$[5]10,000.00 is summarily assessed is as follows:

**.01 Notice of Fine.** Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the Options Exchange Official. The cited party may accept or contest the written citation.

**.02 Time and Place of Hearing.** If the written citation is contested, the Exchange shall fix a mutually convenient time and place of hearing, notice of which must be given in advance and may be given orally.

**.03 Record.** An appropriate record shall be kept. The costs of the making of such a transcript, including, but not limited to, the costs for the court reporter, reproduction of the transcript and producing copies thereof, shall be equally borne by the Exchange and by the cited party.

**.04 Procedure.** The hearing shall be conducted by a Hearing Director appointed by the Chair of the Business Conduct Committee, and will be conducted in whatever manner will permit full presentation of the evidence.

**.05 Finding.** The finding of the Hearing Director shall be rendered at the close of the hearing. The Hearing Director may decide that: (i) the citation should be overturned; (ii) the citation is valid as issued; or (iii) the citation as issued should be modified to specify either a higher or lower fine than the one on the notice as issued.

**.06 Forum Fee.** If a person contests a citation imposed under Rule 60 and the citation is upheld by the reviewing body, the reviewing body will impose a forum fee against the person in the amount of \$100.

**.0[6]7 No Right of Appeal.** The finding of the Hearing Director shall be final. There shall be no appeal from such finding.

**.0[7]8 Report to Securities and Exchange Commission (SEC).** A report in appropriate form shall be made to the SEC. However, no report shall be made in the case of citations for breaches of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange if a citation is not contested and the fine is \$1,000 or less, or if the Hearing Director finds in favor of the appellant.

• • • *Commentary (b)* -----

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

**[.01 Ruling.** After an Options Exchange Official and an officer of the Exchange determine that a member shall be excluded, a member of the Exchange's security staff shall escort the member off the trading floor. The member shall remain off the trading floor for the

remainder of the trading day. Exchange staff shall thereafter memorialize the exclusion in the form of a written citation.]

**.0[2]1 No Further Right of Appeal.** The determination that a member shall be excluded is final. There shall be no appeal from such determination.

**.0[3]2 Report to the SEC.** A report in appropriate form shall be made to the SEC. However, no report shall be made in a case where a clerical employee is excluded for a breach of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange.

## **RULE 60—REGULATION AND FINE SCHEDULE**

### **(ORDER AND DECORUM CODE)**

In most cases, the PHLX will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.

\* \* \* \* \*

## **OPTION FLOOR PROCEDURE ADVICES AND ORDER & DECORUM REGULATIONS**

\* \* \* \* \*

### **H. REGULATIONS Pursuant to Rule 60**

#### **[Rule 60. Sanctions for Breach of Regulations**

(a)(i) An Options Exchange Official may impose on members, member organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or an Options Exchange Official may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1—960.12.

(ii) Exchange Staff may impose on members, member organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange, or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

(b)(i) An Options Exchange Official and an officer of the Exchange may exclude a member, and any associated person of member organizations ("member") from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor. Specifically, members shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members so excluded may be excluded for a period of up to five (5) business days.

(c) If a member shall be excluded for a period exceeding forty-eight hours, an expedited hearing ("Expedited Hearing") will be held before the Chair of the Business Conduct Committee or a member of the Committee designated by the Chair ("Expedited Hearing Officer") within forty-eight (48) business hours after the members' exclusion from the trading floor. Written notice will be provided to the member of the date, time and place of the hearing. The member may be represented by counsel. The Expedited Hearing Officer or his or her designee shall conduct an Expedited Hearing. The Expedited Hearing Officer shall allow both the member or his or her representative and Exchange staff to present arguments. The Expedited Hearing Officer shall make a determination of whether to continue the member's exclusion from the trading floor for a period of up to five (5) business days. The determination shall be based on the severity of the threat posed to persons on the trading floor, the disruptiveness caused by the actor and the safety and welfare of persons on the trading floor. The Expedited Hearing Officer shall make a ruling at the time of the hearing and a written decision will be provided to the member following the hearing. Members shall not be excluded from electronic trading, but will not be permitted to be physically present on the trading floor for the duration of any exclusion

(ii) For purposes of this Rule, an "officer of the Exchange" shall refer to an officer who is a vice president or higher.

(iii) For purposes of this Rule and the Regulations promulgated thereunder, the "premises immediately adjacent to the trading floor" shall include the following: (1) all premises other than the trading floor that are under Exchange control, and (2) premises in the building where the Exchange maintains its principal office and place of business, namely 1900 Market Street, Philadelphia, Pennsylvania.

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••• *Commentary (a)* -----

The procedure to be followed in cases where a pre-set fine of up to \$10,000.00 is summarily assessed is as follows:

**.01 Notice of Fine.** Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the Options Exchange Official. The cited party may accept or contest the written citation.

**.02 Time and Place of Hearing.** If the written citation is contested, the Exchange shall fix a mutually convenient time and place of hearing, notice of which must be given in advance and may be given orally.

**.03 Record.** An appropriate record shall be kept. The costs of the making of such a transcript, including, but not limited to, the costs for the court reporter, reproduction of the transcript and producing copies thereof, shall be equally borne by the Exchange and by the cited party.

**.04 Procedure.** The hearing shall be conducted by a Hearing Director appointed by the Chair of the Business Conduct Committee, and will be conducted in whatever manner will permit full presentation of the evidence.

**.05 Finding.** The finding of the Hearing Director shall be rendered at the close of the hearing. The Hearing Director may decide that: (i) the citation should be overturned; (ii) the citation is valid as issued; or (iii) the citation as issued should be modified to specify either a higher or lower fine than the one on the notice as issued.

**.06 Forum Fee.** If a person contests a citation imposed under Rule 60 and the citation is upheld by the reviewing body, the reviewing body will impose a forum fee against the person in the amount of \$100.

**.07 No Right of Appeal.** The finding of the Hearing Director shall be final. There shall be no appeal from such finding.

**.08 Report to Securities and Exchange Commission (SEC).** A report in appropriate form shall be made to the SEC. However, no report shall be made in the case of citations for breaches of regulations relating to order, decorum, health, safety and welfare



or administration of the Exchange if a citation is not contested and the fine is \$1,000 or less, or if the Hearing Director finds in favor of the appellant.

••• *Commentary (b)* -----

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

**.01 No Further Right of Appeal.** The determination that a member shall be excluded is final. There shall be no appeal from such determination.

**.02 Report to the SEC.** A report in appropriate form shall be made to the SEC. However, no report shall be made in a case where a clerical employee is excluded for a breach of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange.

**RULE 60—REGULATION AND FINE SCHEDULE**

**(ORDER AND DECORUM CODE)**

In most cases, the Exchange will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.]

\* \* \* \* \*

(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 16, 2014. 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 Dunn, Associate General Counsel, The NASDAQ OMX Group, Inc., 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's Rulebook contains Rule 60, Sanctions for Breach of Regulations, in the Rules of the Exchange. This rule is also repeated in the section of the Rulebook entitled "Regulations" which appears prior to the listing of the various regulations. The Exchange repeated the rule in this section for ease of reference as the regulations were adopted pursuant to Rule 60. In 2009, the Exchange filed a rule proposal which, among other things, amended Rule 60.<sup>3</sup> The rule text specifically amended Rule 60 in the section of the Rulebook entitled Regulations, as evidenced from the text in Exhibit 5 of that filing. At that time, the Exchange did not also amend the rule text of Rule 60 in the main rules. The rule text was updated in both places in the Rulebook in 2009 because the error in not amending both rules was not realized at the time the filing was approved. The rule text is currently identical in both Rule 60 versions at this time. There is no inconsistency as between the two versions of Rule 60 as displayed in the Rulebook.

The Exchange is seeking to properly amend Rule 60 in the main Rules at this time

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<sup>3</sup> See Securities Exchange Act Release No. 61207 (December 18, 2009), 74 FR 69185 (December 30, 2009) (SR-Phlx-2009-84).

by restating the amendments that were requested in 2009 in this filing. The Exchange also proposes to delete the duplicate version of Rule 60 in the Regulations section to avoid further confusion in the future. In order that members and member organizations may understand that the Regulations are adopted pursuant to Rule 60, the Exchange proposes to amend the title of the Regulations section to state, “Regulations Pursuant to Rule 60.”

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>5</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, in that the proposal will correct an error in the Exchange’s Rulebook with respect to the text of Rule 60. The Exchange is seeking to correct the error so that Rule 60, as reflected in the main rules, is properly amended. An accurate and up-to-date Rulebook will avoid confusion for market participants. The proposals are not substantive, rather, the proposals seek to update the rules to reflect the current operation of the Exchange.

Also, to avoid future confusion among its market participants, the Exchange proposes to eliminate the Rule 60 version of the rule text which appears in the Regulations section. The Regulations govern conduct on the Exchange’s trading floor. The Exchange believes that noting that the Regulations are pursuant to Rule 60 will avoid

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<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

confusion to members and member organizations subject to these rules because the cross-reference to Rule 60 will be apparent without the need to restate the rule within the Regulations. The Exchange believes this rule change will bring accuracy and clarity to the Rulebook.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange is merely seeking to correct an inadvertent error in the Rule text and proposes other changes to avoid confusion in the future and prevent the possibility of this error occurring again.

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

The Exchange does not consent to an extension of the time period for Commission action.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>6</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>7</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The proposed rule change will correct an inadvertent error in the Rulebook and provide clarity to its members and member organizations. The filing of this proposal will correct the rule text to reflect the intent of the 2009 filing.<sup>8</sup> Also, by eliminating the second version of Rule 60, the Exchange believes that further confusion will be avoided.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay in Rule 19b-4(f)(6)(iii) so that the Exchange can quickly correct the inadvertent error and avoid inconsistency in its Rules. The Exchange believes

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<sup>8</sup> See note 3.

that this is consistent with the protection of investors and the public interest, because accurate rules are important to the function of the Exchange. The proposed amendments reflect the Exchange's intent in a prior filing. This rule change is not substantive but merely seeks to properly amend rules to reflect the current operation of the Exchange.

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

This proposed rule change is based on a prior Phlx Rule Filing.<sup>9</sup>

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. Text of the proposed rule change.

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<sup>9</sup> Id.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
 (Release No. \_\_\_\_\_ ; File No. SR-Phlx-2014-63)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 60

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 19, 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 to correct an inconsistency in the Exchange’s Rulebook related to Rule 60 entitled “Sanctions for Breach of Regulations.”

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is set forth below.

Proposed new language is underlined; deleted text is in brackets.

\* \* \* \* \*

**NASDAQ OMX PHLX Rules**

\* \* \* \* \*

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

**Rule 60. Sanctions for Breach of Regulations**

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building where the Exchange maintains its principal office and place of business, namely 1900 Market Street, Philadelphia, Pennsylvania.

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••• *Commentary (a)* -----

The procedure to be followed in cases where a pre-set fine of up to \$[5]10,000.00 is summarily assessed is as follows:

**.01 Notice of Fine.** Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the Options Exchange Official. The cited party may accept or contest the written citation.

**.02 Time and Place of Hearing.** If the written citation is contested, the Exchange shall fix a mutually convenient time and place of hearing, notice of which must be given in advance and may be given orally.

**.03 Record.** An appropriate record shall be kept. The costs of the making of such a transcript, including, but not limited to, the costs for the court reporter, reproduction of the transcript and producing copies thereof, shall be equally borne by the Exchange and by the cited party.

**.04 Procedure.** The hearing shall be conducted by a Hearing Director appointed by the Chair of the Business Conduct Committee, and will be conducted in whatever manner will permit full presentation of the evidence.

**.05 Finding.** The finding of the Hearing Director shall be rendered at the close of the hearing. The Hearing Director may decide that: (i) the citation should be overturned; (ii) the citation is valid as issued; or (iii) the citation as issued should be modified to specify either a higher or lower fine than the one on the notice as issued.

**.06 Forum Fee.** If a person contests a citation imposed under Rule 60 and the citation is upheld by the reviewing body, the reviewing body will impose a forum fee against the person in the amount of \$100.

**.0[6]7 No Right of Appeal.** The finding of the Hearing Director shall be final. There shall be no appeal from such finding.

**.0[7]8 Report to Securities and Exchange Commission (SEC).** A report in appropriate form shall be made to the SEC. However, no report shall be made in the case of citations for breaches of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange if a citation is not contested and the fine is \$1,000 or less, or if the Hearing Director finds in favor of the appellant.

••• *Commentary (b)* -----

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

**[.01 Ruling.** After an Options Exchange Official and an officer of the Exchange determine that a member shall be excluded, a member of the Exchange's security staff shall escort the member off the trading floor. The member shall remain off the trading floor for the remainder of the trading day. Exchange staff shall thereafter memorialize the exclusion in the form of a written citation.]

**.0[2]1 No Further Right of Appeal.** The determination that a member shall be excluded is final. There shall be no appeal from such determination.

**.0[3]2 Report to the SEC.** A report in appropriate form shall be made to the SEC. However, no report shall be made in a case where a clerical employee is excluded for a breach of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange.

## **RULE 60—REGULATION AND FINE SCHEDULE**

### **(ORDER AND DECORUM CODE)**

In most cases, the PHLX will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.

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## **OPTION FLOOR PROCEDURE ADVICES AND ORDER & DECORUM REGULATIONS**

\* \* \* \* \*

### **H. REGULATIONS Pursuant to Rule 60**

#### **[Rule 60. Sanctions for Breach of Regulations**

(a)(i) An Options Exchange Official may impose on members, member organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or an Options Exchange Official may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1—960.12.

(ii) Exchange Staff may impose on members, member organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange, or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

(b)(i) An Options Exchange Official and an officer of the Exchange may exclude a member, and any associated person of member organizations ("member") from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor. Specifically, members shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members so excluded may be excluded for a period of up to five (5) business days.

(c) If a member shall be excluded for a period exceeding forty-eight hours, an expedited hearing ("Expedited Hearing") will be held before the Chair of the Business Conduct Committee or a member of the Committee designated by the Chair ("Expedited Hearing Officer") within forty-eight (48) business hours after the members' exclusion from the trading floor. Written notice will be provided to the member of the date, time and place of the hearing. The member may be represented by counsel. The Expedited Hearing Officer or his or her designee shall conduct an Expedited Hearing. The Expedited Hearing Officer shall allow both the member or his or her representative and Exchange staff to present arguments. The Expedited Hearing Officer shall make a determination of whether to continue the member's exclusion from the trading floor for a period of up to five (5) business days. The determination shall be based on the severity of the threat posed to persons on the trading floor, the disruptiveness caused by the actor and the safety and welfare of persons on the trading floor. The Expedited Hearing Officer shall make a ruling at the time of the hearing and a written decision will be provided to the member following the hearing. Members shall not be excluded from electronic trading, but will

not be permitted to be physically present on the trading floor for the duration of any exclusion

(ii) For purposes of this Rule, an "officer of the Exchange" shall refer to an officer who is a vice president or higher.

(iii) For purposes of this Rule and the Regulations promulgated thereunder, the "premises immediately adjacent to the trading floor" shall include the following: (1) all premises other than the trading floor that are under Exchange control, and (2) premises in the building where the Exchange maintains its principal office and place of business, namely 1900 Market Street, Philadelphia, Pennsylvania.

(iv) Exclusion from the floor may not be the exclusive sanction for breaches of this Rule and the regulations thereunder. In addition to exclusion, a member may also be subject to a fine or the matter may be referred to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

••• *Commentary (a)* -----

The procedure to be followed in cases where a pre-set fine of up to \$10,000.00 is summarily assessed is as follows:

**.01 Notice of Fine.** Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the Options Exchange Official. The cited party may accept or contest the written citation.

**.02 Time and Place of Hearing.** If the written citation is contested, the Exchange shall fix a mutually convenient time and place of hearing, notice of which must be given in advance and may be given orally.

**.03 Record.** An appropriate record shall be kept. The costs of the making of such a transcript, including, but not limited to, the costs for the court reporter, reproduction of the transcript and producing copies thereof, shall be equally borne by the Exchange and by the cited party.

**.04 Procedure.** The hearing shall be conducted by a Hearing Director appointed by the Chair of the Business Conduct Committee, and will be conducted in whatever manner will permit full presentation of the evidence.

**.05 Finding.** The finding of the Hearing Director shall be rendered at the close of the hearing. The Hearing Director may

decide that: (i) the citation should be overturned; (ii) the citation is valid as issued; or (iii) the citation as issued should be modified to specify either a higher or lower fine than the one on the notice as issued.

**.06 Forum Fee.** If a person contests a citation imposed under Rule 60 and the citation is upheld by the reviewing body, the reviewing body will impose a forum fee against the person in the amount of \$100.

**.07 No Right of Appeal.** The finding of the Hearing Director shall be final. There shall be no appeal from such finding.

**.08 Report to Securities and Exchange Commission (SEC).** A report in appropriate form shall be made to the SEC. However, no report shall be made in the case of citations for breaches of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange if a citation is not contested and the fine is \$1,000 or less, or if the Hearing Director finds in favor of the appellant.

••• *Commentary (b)* -----

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

**.01 No Further Right of Appeal.** The determination that a member shall be excluded is final. There shall be no appeal from such determination.

**.02 Report to the SEC.** A report in appropriate form shall be made to the SEC. However, no report shall be made in a case where a clerical employee is excluded for a breach of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange.

## **RULE 60—REGULATION AND FINE SCHEDULE**

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In most cases, the Exchange will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.]

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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's Rulebook contains Rule 60, Sanctions for Breach of Regulations, in the Rules of the Exchange. This rule is also repeated in the section of the Rulebook entitled "Regulations" which appears prior to the listing of the various regulations. The Exchange repeated the rule in this section for ease of reference as the regulations were adopted pursuant to Rule 60. In 2009, the Exchange filed a rule proposal which, among other things, amended Rule 60.<sup>3</sup> The rule text specifically amended Rule 60 in the section of the Rulebook entitled Regulations, as evidenced from the text in Exhibit 5 of that filing. At that time, the Exchange did not also amend the rule text of Rule 60 in the main rules. The rule text was updated in both places in the Rulebook in 2009 because the

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<sup>3</sup> See Securities Exchange Act Release No. 61207 (December 18, 2009), 74 FR 69185 (December 30, 2009) (SR-Phlx-2009-84).

error in not amending both rules was not realized at the time the filing was approved. The rule text is currently identical in both Rule 60 versions at this time. There is no inconsistency as between the two versions of Rule 60 as displayed in the Rulebook.

The Exchange is seeking to properly amend Rule 60 in the main Rules at this time by restating the amendments that were requested in 2009 in this filing. The Exchange also proposes to delete the duplicate version of Rule 60 in the Regulations section to avoid further confusion in the future. In order that members and member organizations may understand that the Regulations are adopted pursuant to Rule 60, the Exchange proposes to amend the title of the Regulations section to state, “Regulations Pursuant to Rule 60.”

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>5</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, in that the proposal will correct an error in the Exchange’s Rulebook with respect to the text of Rule 60. The Exchange is seeking to correct the error so that Rule 60, as reflected in the main rules, is properly amended. An accurate and up-to-date Rulebook will avoid confusion for market participants. The proposals are not substantive, rather, the proposals seek to update the rules to reflect the current operation of the Exchange.

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<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

Also, to avoid future confusion among its market participants, the Exchange proposes to eliminate the Rule 60 version of the rule text which appears in the Regulations section. The Regulations govern conduct on the Exchange's trading floor. The Exchange believes that noting that the Regulations are pursuant to Rule 60 will avoid confusion to members and member organizations subject to these rules because the cross-reference to Rule 60 will be apparent without the need to restate the rule within the Regulations. The Exchange believes this rule change will bring accuracy and clarity to the Rulebook.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange is merely seeking to correct an inadvertent error in the Rule text and proposes other changes to avoid confusion in the future and prevent the possibility of this error occurring again.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed,



or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>6</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>7</sup>

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2014-63 on the subject line.

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>7</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2014-63. 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-2014-63 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.<sup>8</sup>

Kevin M O'Neill  
Deputy Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).