OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2014 - * 70
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 *).

Proposes to amend the Exchange’s Pricing Schedule under Section VIII.

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 * Sean Last Name * Bennett
Title * Associate General Counsel
E-mail * sean.bennett@nasdaqomx.com
Telephone * (301) 978-8497 Fax (301) 978-8472

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 10/24/2014
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.

Persona Not Validated - 1383935917270,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

1. Text of the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] proposes to amend the Exchange's Pricing Schedule under Section VIII, entitled "NASDAQ OMX PSX FEES," with respect to execution and routing of orders in securities priced at $1 or more per share and to eliminate the Excess Order Fee.

While changes to the Pricing Schedule pursuant to this proposal are effective upon filing, the Exchange has designated that they become operative on November 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 16, 2014. 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.

---

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

[2] 17 CFR 240.19b-4.

Questions and comments on the proposed rule change may be directed to T. Sean Bennett, Associate General Counsel, at (301) 978-8499 (telephone) or (301) 978-8472 (fax).

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

a. Purpose

The purpose of the proposed changes to Chapter VIII of the Exchange's Pricing Schedule is to reduce the fee assessed for shares executed on the NASDAQ OMX PSX System ("PSX") in securities listed on the Nasdaq Stock Market ("Nasdaq") and traded at $1 or more per share, to modify the eligibility requirements of two credits provided for providing displayed liquidity in securities traded at $1 or more per share, and to eliminate the Excess Order Fee under the rule.

Chapter VIII(a)(1) of the PSX Pricing Schedule concerns fees assessed for execution of quotes/orders on PSX in securities priced at $1 or more per share that are Nasdaq-listed, are listed on the New York Stock Exchange ("NYSE") and listed on exchanges other than Nasdaq and NYSE. The Exchange currently assesses three separate fees for execution of securities based on the venue on which the security is listed. Specifically, the Exchange assesses a charge of $0.0024 per share executed in securities listed on NYSE, $0.0024 per share executed in securities listed on an exchange other than Nasdaq or NYSE, and $0.0026 per share executed in securities listed on Nasdaq. The Exchange is proposing to reduce the fee assessed for execution of Nasdaq-listed securities on PSX to $0.0024 per share executed. Reducing the fee will harmonize the fees currently assessed member organizations that are participants on PSX for removing liquidity from PSX and may attract more volume to PSX in Nasdaq-listed securities.

The Exchange is also proposing to amend the eligibility requirements of two credits provided under the rule to member organizations that provide displayed liquidity on PSX. First, the Exchange currently provides a credit of $0.0025 per share executed for Quotes/Orders entered by a member organization that provides an average daily volume of 6 million or more shares of liquidity during the month; provided that (i) the Quote/Order is entered through a PSX MPID through which the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in the security that is the subject of the Quote/Order, or (ii) the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in 500 or more securities. The Exchange is proposing to eliminate the 6 million average daily volume requirement and replace it with a requirement to have average daily volume in shares of liquidity during the month that represents at least 0.12% of Consolidated Volume, which the Exchange defines as the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month, excluding executed orders with a size of less than one round lot.[3] Replacing the current average daily volume requirement with an average daily volume requirement based on Consolidated Volume will cause the required level of liquidity provision to vary depending on overall market volumes during the month. As such, the change is expected to increase the number of member organizations that qualify for this

[3] In lieu of marking each individual fee level with the definition of Consolidated Volume, where applicable, the Exchange is inserting the definition prior to the schedule of fees under subparagraph (a)(1) of the rule.

credit tier during months when overall trading volumes are lower, by allowing the required level of liquidity provision to vary with overall trading volumes, and conversely reduce the number of member organizations eligible for the credit when market volumes are high, for firms that maintain the same level of average daily volume as is currently provided. The Exchange believes that the 0.12% threshold will result in a change in market behavior that will improve liquidity on PSX overall.

Second, the Exchange currently provides a credit of $0.0024 per share executed for Quotes/Orders entered by a member organization that provides an average daily volume of 2 million or more shares of liquidity during the month; provided that (i) the Quote/Order is entered through a PSX MPID through which the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in the security that is the subject of the Quote/Order, or (ii) the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in 500 or more securities. The Exchange is proposing to eliminate the 2 million average daily volume requirement and replace it with a requirement to have average daily volume in shares of liquidity during the month that represents at least 0.04% of Consolidated Volume. In addition, the Exchange is proposing to eliminate the additional requirements found under (i) and (ii) of the credit tier. Like the change to the credit tier discussed immediately above, replacing the current average daily volume requirement with an average daily volume requirement based on Consolidated Volume will cause the required level of liquidity provision to vary depending on overall market volumes during the month, thereby increasing the number of member organizations that qualify for this credit tier during months when overall trading volumes are lower, and conversely reducing the number of member organizations eligible for the credit when market volumes are high, for firms that maintain the same level of average daily volume as is currently provided. Likewise, the Exchange believes that the 0.04% threshold will result in a change in market behavior that will improve liquidity on PSX overall. The Exchange also believes that eliminating the extra requirements under (i) and (ii) of the credit tier will make the tier achievable to more member organizations and may provide incentive to a greater number of member organizations to achieve the tier, thereby improving liquidity on PSX.

Lastly, the Exchange is proposing to eliminate the Excess Order Fee under subparagraph (c) of Chapter VIII of the Pricing Schedule. The Excess Order Fee was designed to provide a disincentive to member organizations to engage in order entry practices that are inefficient and thereby burdensome on the systems of PSX by assessing a fee on member organizations if they reach a threshold of order activity based on an Order Entry Ratio calculation.[4] Although not a pervasive characteristic of the market, the fee was adopted to encourage member organizations with such practices to enhance the efficiency of their systems and modify their order entry practices, thus improving the market for all participants.[5] An unwanted consequence of the rule has been to capture beneficial order flow and thereby dissuade member organizations from participating in PSX in an effort to avoid triggering the fee. Moreover, the Exchange has observed that the fee is not assessed on a significant number of member organizations nor is it triggered

---

4 See Chapter VIII(c)(2) for a definition of "Order Entry Ratio."

5 See Securities Exchange Act Release Nos. 67004 (May 17, 2012), 77 FR 30581 (May 23, 2012) (SR-Phlx-2012-64) (adopting the Excessive Order Fee).

every month, leading the Exchange to conclude that the small number of member organizations that may have been affected by the fee because of their inefficient order practices have taken the steps necessary to avoid such practices. The Exchange believes that, in light of the lack of consistent order activity that triggers the fee and the negative effect it has had on beneficial order flow, the Excess Order Fee should be eliminated. The Exchange notes that, should the inefficient order entry practices that gave rise to the fee once again arise, it may adopt the fee once again or take other steps to provide disincentive for such practices.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,[6] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[7] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

---

[6] 15 U.S.C. 78f.

[7] 15 U.S.C. 78f(b)(4) and (5).

The Exchange believes that the proposed reduction in the charge assessed member organizations that remove liquidity from PSX in Nasdaq-listed securities priced $1 or more per share is reasonable because it is a fee reduction designed to improve liquidity in Nasdaq-listed securities on PSX. Moreover, the proposed reduced charge is reasonable because it harmonizes the charges assessed for removing liquidity in all securities priced at $1 or more per share, thereby simplifying the charges assessed for removing liquidity under the rule. The Exchange believes that the change is consistent with an equitable allocation of fees and is not unfairly discriminatory because every member organization removing liquidity in securities priced at $1 or more per share will be assessed the same charge per share, regardless of the listing venue of the security. Lastly, the Exchange believes that the proposed change does not unfairly burden competition because it may promote member organizations to provide greater liquidity in Nasdaq-listed securities, thereby promoting competition among member organizations rather than placing a burden thereon.

The changes amending the eligibility requirements for the $0.0025 and $0.0024 per share credits that PSX gives to member organizations that provide certain levels of displayed liquidity through PSX are reasonable because they provide member organizations an incentive to provide more meaningful liquidity by tying eligibility for the credits to how impactful their order activity is in relation to overall market volume. Thus the credit is more precise in awarding the credits for order activity that improves the PSX market for all market participants and is consistent with the Exchange's longstanding policy of encouraging the use of displayed orders, which promote price discovery. The changes to the eligibility requirements are consistent with an equitable allocation of fees and not unfairly discriminatory because they allocate the credits in a manner that is tied more closely to the impact on liquidity a member organization has as compared to overall market volume. The current requirement that is being replaced is based on achieving a fixed number of average daily volume in shares of liquidity provided during the month, without accounting for the relative impact that liquidity had on the market at the time. Moreover, the proposed change is equitably allocated because all member organizations that achieve the Consolidated Volume level required by the tiers, together with any other requirements of the rule, will receive the credit. The Exchange believes that the proposed change does not unfairly burden competition, but rather it will promote competition among member organizations to provide more meaningful displayed liquidity on PSX.

The Exchange believes that elimination of the additional eligibility requirements to qualify for the $0.0024 credit tier is reasonable because it broadens the number of member organizations that may qualify for the credit by eliminating requirements tied to the nature and timing of the volume provided on PSX, not the volume of liquidity. Although the additional requirements that are being deleted from the credit tier are designed to improve market quality, the Exchange believes market quality will be improved more at this juncture by attracting additional member organizations to provide liquidity on PSX. The elimination of additional requirements of the tier is consistent with an equitable allocation of fees and not unfairly discriminatory because the credit will be available to more member organizations than is the currently the case, and all member organizations that qualify under the amended tier will receive the credit. Lastly, the Exchange believes that the elimination of the additional requirements under the tier will not unfairly burden competition, but rather will promote competition among member firms to provide greater liquidity to PSX.

The Exchange believes that elimination of the Excessive Order Fee is reasonable because the fee is not triggered by a significant number of member organizations nor is it triggered every month, however, the Exchange believes that certain member organizations are disincentivized from providing order activity that is beneficial to market participants. Moreover, the Exchange may adopt the fee once again should the issues that gave rise to it reemerge. The Exchange believes that the proposed change is consistent with an equitable allocation of fees and is not unfairly discriminatory because it eliminates a fee, which applies to all member organizations and which has served as a disincentive to certain market participants in providing beneficial order activity while also not being assessed significantly on member organizations. The Exchange believes that elimination of the Excess Order Fee will not unfairly burden competition because the fee is not relevant to competition. The Exchange notes that the fee was adopted to deter member organizations from using inefficient order practices that place excessive burden on the systems of PSX and, as a consequence, was not designed to impact competition among member organizations.

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, as amended.[8] The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a

[8] 15 U.S.C. 78f(b)(8).

particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. In this instance, the reduced charge assessed member organizations that remove liquidity from PSX is intended to provide incentive to market participants to add liquidity to the Exchange in securities listed on Nasdaq, which is reflective of a relative decline in liquidity on PSX in Nasdaq-listed securities. The proposed changes to the credits provided are designed to more precisely reward displayed liquidity provided by member organizations and, in the case of the lower tier, expand eligibility for the credit by eliminating other requirements not directly tied to the amount of displayed liquidity provided. As noted above, the Exchange believes that elimination of the Excess Order Fee will not unfairly burden competition because the fee is not relevant to competition as it was adopted to deter member organizations from using inefficient order practices that place excessive burdens on the systems of PSX. Moreover, other exchanges' fee schedules do not restrict order activity by using a fee like the Excess Order Fee. As noted, the practices that prompted the Exchange to adopt the rule have subsided and, consequently, the change does not impact the ability of any market participant or trading venue to compete.

Because there are numerous competitive alternatives to PSX, it is possible that the changes will not have the desired effect and, although the Exchange believes it to be unlikely as a result of the current proposal, the Exchange could lose market share as a result of the changes to the extent that they are unattractive to market participants. Accordingly, the Exchange does not believe the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,[9] 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.

[9] 15 U.S.C. 78s(b)(3)(A)(ii).

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

Not applicable.

11. Exhibits

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

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2014-70)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Pricing Schedule under Section VIII with Respect to Execution and Routing of Orders in Securities Priced at $1 or More Per Share and the Excess Order Fee

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on October 24, 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 amend the Exchange's Pricing Schedule under Section VIII, entitled "NASDAQ OMX PSX FEES," with respect to execution and routing of orders in securities priced at $1 or more per share and to eliminate the Excess Order Fee.

While changes to the Pricing Schedule pursuant to this proposal are effective upon filing, the Exchange has designated that they become operative on November 3, 2014. The text of the proposed rule change is available on the Exchange's Website at http://nasdaqomxphlx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission's Public Reference Room.

---

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

2 17 CFR 240.19b-4.

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

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

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

1. Purpose

The purpose of the proposed changes to Chapter VIII of the Exchange's Pricing Schedule is to reduce the fee assessed for shares executed on the NASDAQ OMX PSX System ("PSX") in securities listed on the Nasdaq Stock Market ("Nasdaq") and traded at $1 or more per share, to modify the eligibility requirements of two credits provided for providing displayed liquidity in securities traded at $1 or more per share, and to eliminate the Excess Order Fee under the rule.

Chapter VIII(a)(1) of the PSX Pricing Schedule concerns fees assessed for execution of quotes/orders on PSX in securities priced at $1 or more per share that are Nasdaq-listed, are listed on the New York Stock Exchange ("NYSE") and listed on exchanges other than Nasdaq and NYSE. The Exchange currently assesses three separate fees for execution of securities based on the venue on which the security is listed. Specifically, the Exchange assesses a charge of $0.0024 per share executed in securities listed on NYSE, $0.0024 per share executed in securities listed on an exchange other than Nasdaq or NYSE, and $0.0026 per share executed in securities listed on Nasdaq. The Exchange is proposing to reduce the fee assessed for execution of Nasdaq-listed securities on PSX to $0.0024 per share executed. Reducing the fee will harmonize the fees currently assessed member organizations that are participants on PSX for removing liquidity from PSX and may attract more volume to PSX in Nasdaq-listed securities.

The Exchange is also proposing to amend the eligibility requirements of two credits provided under the rule to member organizations that provide displayed liquidity on PSX. First, the Exchange currently provides a credit of $0.0025 per share executed for Quotes/Orders entered by a member organization that provides an average daily volume of 6 million or more shares of liquidity during the month; provided that (i) the Quote/Order is entered through a PSX MPID through which the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in the security that is the subject of the Quote/Order, or (ii) the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in 500 or more securities. The Exchange is proposing to eliminate the 6 million average daily volume requirement and replace it with a requirement to have average daily volume in shares of liquidity during the month that represents at least 0.12% of Consolidated Volume, which the Exchange defines as the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month, excluding executed orders with a size of less than one round lot.[3] Replacing the current average daily volume requirement with an average daily volume

3 In lieu of marking each individual fee level with the definition of Consolidated Volume, where applicable, the Exchange is inserting the definition prior to the schedule of fees under subparagraph (a)(1) of the rule.

requirement based on Consolidated Volume will cause the required level of liquidity provision to vary depending on overall market volumes during the month. As such, the change is expected to increase the number of member organizations that qualify for this credit tier during months when overall trading volumes are lower, by allowing the required level of liquidity provision to vary with overall trading volumes, and conversely reduce the number of member organizations eligible for the credit when market volumes are high, for firms that maintain the same level of average daily volume as is currently provided. The Exchange believes that the 0.12% threshold will result in a change in market behavior that will improve liquidity on PSX overall.

Second, the Exchange currently provides a credit of $0.0024 per share executed for Quotes/Orders entered by a member organization that provides an average daily volume of 2 million or more shares of liquidity during the month; provided that (i) the Quote/Order is entered through a PSX MPID through which the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in the security that is the subject of the Quote/Order, or (ii) the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in 500 or more securities. The Exchange is proposing to eliminate the 2 million average daily volume requirement and replace it with a requirement to have average daily volume in shares of liquidity during the month that represents at least 0.04% of Consolidated Volume. In addition, the Exchange is proposing to eliminate the additional requirements found under (i) and (ii) of the credit tier. Like the change to the credit tier discussed immediately above, replacing the current average daily volume requirement with an average daily volume requirement based on Consolidated Volume will cause the required level of liquidity provision to vary depending on overall market volumes during the month, thereby increasing the number of member organizations that qualify for this credit tier during months when overall trading volumes are lower, and conversely reducing the number of member organizations eligible for the credit when market volumes are high, for firms that maintain the same level of average daily volume as is currently provided. Likewise, the Exchange believes that the 0.04% threshold will result in a change in market behavior that will improve liquidity on PSX overall. The Exchange also believes that eliminating the extra requirements under (i) and (ii) of the credit tier will make the tier achievable to more member organizations and may provide incentive to a greater number of member organizations to achieve the tier, thereby improving liquidity on PSX.

Lastly, the Exchange is proposing to eliminate the Excess Order Fee under subparagraph (c) of Chapter VIII of the Pricing Schedule. The Excess Order Fee was designed to provide a disincentive to member organizations to engage in order entry practices that are inefficient and thereby burdensome on the systems of PSX by assessing a fee on member organizations if they reach a threshold of order activity based on an Order Entry Ratio calculation.[4] Although not a pervasive characteristic of the market, the fee was adopted to encourage member organizations with such practices to enhance the efficiency of their systems and modify their order entry practices, thus improving the market for all participants.[5] An unwanted consequence of the rule has been to capture

4 See Chapter VIII(c)(2) for a definition of "Order Entry Ratio."

5 See Securities Exchange Act Release Nos. 67004 (May 17, 2012), 77 FR 30581 (May 23, 2012) (SR-Phlx-2012-64) (adopting the Excessive Order Fee).

beneficial order flow and thereby dissuade member organizations from participating in PSX in an effort to avoid triggering the fee. Moreover, the Exchange has observed that the fee is not assessed on a significant number of member organizations nor is it triggered every month, leading the Exchange to conclude that the small number of member organizations that may have been affected by the fee because of their inefficient order practices have taken the steps necessary to avoid such practices. The Exchange believes that, in light of the lack of consistent order activity that triggers the fee and the negative effect it has had on beneficial order flow, the Excess Order Fee should be eliminated. The Exchange notes that, should the inefficient order entry practices that gave rise to the fee once again arise, it may adopt the fee once again or take other steps to provide disincentive for such practices.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,[6] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[7] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a

[6] 15 U.S.C. 78f.

[7] 15 U.S.C. 78f(b)(4) and (5).

national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed reduction in the charge assessed member organizations that remove liquidity from PSX in Nasdaq-listed securities priced $1 or more per share is reasonable because it is a fee reduction designed to improve liquidity in Nasdaq-listed securities on PSX. Moreover, the proposed reduced charge is reasonable because it harmonizes the charges assessed for removing liquidity in all securities priced at $1 or more per share, thereby simplifying the charges assessed for removing liquidity under the rule. The Exchange believes that the change is consistent with an equitable allocation of fees and is not unfairly discriminatory because every member organization removing liquidity in securities priced at $1 or more per share will be assessed the same charge per share, regardless of the listing venue of the security. Lastly, the Exchange believes that the proposed change does not unfairly burden competition because it may promote member organizations to provide greater liquidity in Nasdaq-listed securities, thereby promoting competition among member organizations rather than placing a burden thereon.

The changes amending the eligibility requirements for the $0.0025 and $0.0024 per share credits that PSX gives to member organizations that provide certain levels of displayed liquidity through PSX are reasonable because they provide member organizations an incentive to provide more meaningful liquidity by tying eligibility for the credits to how impactful their order activity is in relation to overall market volume. Thus the credit is more precise in awarding the credits for order activity that improves the

PSX market for all market participants and is consistent with the Exchange's longstanding policy of encouraging the use of displayed orders, which promote price discovery. The changes to the eligibility requirements are consistent with an equitable allocation of fees and not unfairly discriminatory because they allocate the credits in a manner that is tied more closely to the impact on liquidity a member organization has as compared to overall market volume. The current requirement that is being replaced is based on achieving a fixed number of average daily volume in shares of liquidity provided during the month, without accounting for the relative impact that liquidity had on the market at the time. Moreover, the proposed change is equitably allocated because all member organizations that achieve the Consolidated Volume level required by the tiers, together with any other requirements of the rule, will receive the credit. The Exchange believes that the proposed change does not unfairly burden competition, but rather it will promote competition among member organizations to provide more meaningful displayed liquidity on PSX.

The Exchange believes that elimination of the additional eligibility requirements to qualify for the $0.0024 credit tier is reasonable because it broadens the number of member organizations that may qualify for the credit by eliminating requirements tied to the nature and timing of the volume provided on PSX, not the volume of liquidity. Although the additional requirements that are being deleted from the credit tier are designed to improve market quality, the Exchange believes market quality will be improved more at this juncture by attracting additional member organizations to provide liquidity on PSX. The elimination of additional requirements of the tier is consistent with an equitable allocation of fees and not unfairly discriminatory because the credit will be available to more member organizations than is the currently the case, and all member organizations that qualify under the amended tier will receive the credit. Lastly, the Exchange believes that the elimination of the additional requirements under the tier will not unfairly burden competition, but rather will promote competition among member firms to provide greater liquidity to PSX.

The Exchange believes that elimination of the Excessive Order Fee is reasonable because the fee is not triggered by a significant number of member organizations nor is it triggered every month, however, the Exchange believes that certain member organizations are disincentivized from providing order activity that is beneficial to market participants. Moreover, the Exchange may adopt the fee once again should the issues that gave rise to it reemerge. The Exchange believes that the proposed change is consistent with an equitable allocation of fees and is not unfairly discriminatory because it eliminates a fee, which applies to all member organizations and which has served as a disincentive to certain market participants in providing beneficial order activity while also not being assessed significantly on member organizations. The Exchange believes that elimination of the Excess Order Fee will not unfairly burden competition because the fee is not relevant to competition. The Exchange notes that the fee was adopted to deter member organizations from using inefficient order practices that place excessive burden on the systems of PSX and, as a consequence, was not designed to impact competition among member organizations.

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, as amended.[8] The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. In this instance, the reduced charge assessed member organizations that remove liquidity from PSX is intended to provide incentive to market participants to add liquidity to the Exchange in securities listed on Nasdaq, which is reflective of a relative decline in liquidity on PSX in Nasdaq-listed securities. The proposed changes to the credits provided are designed to more precisely reward displayed liquidity provided by member organizations and, in the case of the lower tier, expand eligibility for the credit by eliminating other requirements not directly tied to the amount of displayed liquidity provided. As noted above, the Exchange believes that elimination of the Excess Order Fee will not unfairly burden competition because the fee is not relevant to competition as it was adopted to deter member organizations from using inefficient order practices that place excessive burdens on the systems of PSX. Moreover, other exchanges' fee schedules do not restrict order activity by using a fee like the Excess Order Fee. As noted, the practices that prompted the Exchange to adopt the rule have

---

[8] 15 U.S.C. 78f(b)(8).

subsided and, consequently, the change does not impact the ability of any market participant or trading venue to compete.

Because there are numerous competitive alternatives to PSX, it is possible that the changes will not have the desired effect and, although the Exchange believes it to be unlikely as a result of the current proposal, the Exchange could lose market share as a result of the changes to the extent that they are unattractive to market participants. Accordingly, the Exchange does not believe the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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 change has become effective pursuant to Section 19(b)(3)(A) of the Act[9] and paragraph (f) of Rule 19b-4[10] thereunder. 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.

---

[9] 15 U.S.C. 78s(b)(3)(A).

[10] 17 CFR 240.19b-4(f).

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-2014-70 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2014-70. 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-2014-70 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.[11]

Brent J. Fields
Deputy Secretary

---

[11] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

The text of the proposed rule change is below. Proposed new language is underlined; deletions are bracketed.

* * * * *

VIII. NASDAQ OMX PSX FEES

* * *

Order Execution and Routing

(a) The following charges and credits shall apply to the use of the order execution and routing services of the NASDAQ OMX PSX System by member organizations for all securities that it trades priced at $1 or more per share:

(1) Fees for Execution of Quotes/Orders in Nasdaq-Listed Securities, Securities Listed on the New York Stock Exchange ("NYSE") and Securities Listed on Exchanges other than Nasdaq and NYSE<u>. As used in this rule, the term "Consolidated Volume" shall mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month, excluding executed orders with a size of less than one round lot.</u>

Charge to member organization entering order that executes in NASDAQ OMX PSX:	$0.002<u>4</u>[6] per share executed for shares in Nasdaq-listed securities $0.0024 per share executed for shares in NYSE-listed securities $0.0024 per share executed for shares in securities listed on exchanges other than Nasdaq and NYSE
Credit to member organization providing liquidity through the NASDAQ OMX PSX System:	
Displayed Quote/Order:	$0.0025 per share executed for Quotes/Orders entered by a member organization that provides an average daily volume <u>in shares of liquidity during the month that represents</u> [of 6 million]<u>0.12%</u> or more <u>of Consolidated Volume</u>[shares of liquidity during the month]; provided that (i) the Quote/Order is entered through a NASDAQ OMX

PSX MPID through which the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours* in the security that is the subject of the Quote/Order, or (ii) the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in 500 or more securities

$0.0024 per share executed for Quotes/Orders entered by a member organization that provides an average daily volume in shares of liquidity during the month that represents[of 2 million]0.04% or more of Consolidated Volume [shares of liquidity during the month; provided that (i) the Quote/Order is entered through a NASDAQ OMX PSX MPID through which the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours* in the security that is the subject of the Quote/Order, or (ii) the member organization displays, on average over the course of the month, 100 shares or more at the national best bid and/or national best offer at least 25% of the time during regular market hours in 500 or more securities]

$0.0021 per share executed for Quotes/Orders entered through a

	NASDAQ OMX PSX MPID through which the member organization provides an average daily volume of 100,000 or more shares of liquidity during the month $0.0015 per share executed for other Quotes/Orders
Non-Displayed Order Charges and Credits:	$0.0003 per share executed charge for a midpoint pegged order (a "midpoint order") $0.0005 per share executed credit for other non-displayed orders that provide liquidity $0.0003 per share executed charge for orders that execute against resting midpoint order liquidity

(2) Fees for Routing of Orders in All Securities

Charge to member organization entering PSTG	$0.0030 per share executed at NYSE
or PSCN order that executes in a venue other	None
than the NASDAQ OMX PSX System:	$0.0030 per share executed in other venues
Charge to member organization entering PMOP order that executes in a venue other than the NASDAQ OMX PSX System:	$0.0035 per share executed at NYSE $0.0035 per share executed at venues other than NYSE
Charge to member organization entering PTFY order that executes in a venue other than the NASDAQ OMX PSX System:	$0.0030 per share executed at NYSE $0.0007 per share executed at venues other than NYSE, NASDAQ or NASDAQ OMX BX $0.0030 per share executed at

	NASDAQ None
Charge to member organization entering PCRT order that executes in a venue other than the NASDAQ OMX PSX System:	\$0.0030 per share executed at NASDAQ None
Charge or credit to member organization entering XDRK order:	\$0.0007 per share for shares executed at a venue other than NASDAQ OMX BX
Charge or credit to member organization entering XCST order:	None \$0.0007 per share for shares executed at a venue other than NASDAQ OMX BX

* "Regular market hours" means 9:30 a.m. through 4:00 p.m. Eastern Time, or such shorter period as may be designated by the Exchange on a day when PSX closes early.

(b) The following charges and credits shall apply to the use of the order execution and routing services of the NASDAQ OMX PSX System by member organizations for all securities that it trades priced at less than $1 per share:

Charge to member organization entering order that executes in NASDAQ OMX PSX:	0.20% of the total transaction cost
Credit to member organization providing liquidity through the NASDAQ OMX PSX System:	$0
Charge to member organization entering order that executes in a venue other than the NASDAQ OMX PSX System:	0.3% of the total transaction cost

[(c) Excess Order Fee

(1) To deter member organizations that are PSX Participants from inefficient order entry practices that place excessive burdens on the systems of the Exchange and other member organizations and that may negatively impact the usefulness of market data, the Exchange imposes an Excess Order Fee on member organizations with an "Order Entry Ratio" of more than 100. The Order Entry Ratio is calculated, and the Excess Order Fee imposed, on a monthly basis. All calculations under the rule will be based on orders received by PSX during regular market hours (generally, 9:30 a.m. to 4:00 p.m.) and will exclude orders received at other times, even if they execute during regular market hours.

(2) For each member organization, the Order Entry Ratio is the ratio of (i) the member organization's Weighted Order Total to (ii) the greater of one (1) or the number of displayed, non-marketable orders sent to NASDAQ OMX PSX by the member organization that execute in full or in part. The Weighted Order Total is the number of displayed, non-marketable orders sent to NASDAQ OMX PSX by the member organization, as adjusted by a "Weighting Factor." The applicable Weighting Factor is applied to each order based on its price in comparison to the national best bid or best offer ("NBBO") at the time of order entry:

Order's Price versus NBBO at Entry	Weighting Factor
Less than 0.20% away	0x
0.20% to 0.99% away	1x
1.00% to 1.99% away	2x
2.00% or more away	3x

Thus, in calculating the Weighted Order Total, an order that was more than 2.0% away from the NBBO would be equivalent to three orders that were 0.50% away. Due to the applicable Weighting Factor of 0x, orders entered less than 0.20% away from the NBBO would not be included in the Weighted Order Total, but would be included in the "executed" orders component of the Order Entry Ratio if they execute in full or part. The following example illustrates the calculation of the Order Entry Ratio:

- A member organization enters 15,000,000 displayed, liquidity-providing orders:
  - 10,000,000 orders are entered at the NBBO. The Weighting Factor for these orders is 0x.
  - 5,000,000 orders are entered at a price that is 1.50% away from the NBBO. The Weighting Factor for these orders is 2x.
- Of the 15,000,000 orders, 90,000 are executed.

- The Weighted Order Total is (10,000,000 x 0) + (5,000,000 x 2) = 10,000,000. The Order Entry Ratio is 10,000,000 / 90,000 = 111

(3) If a member organization has an Order Entry Ratio of more than 100, the Order Entry Fee will be calculated by determining the member organization's Excess Weighted Orders. Excess Weighted Orders are calculated by subtracting (i) the Weighted Order Total that would result in the member organization having an Order Entry Ratio of 100 from (ii) the member organization's actual Weighted Order Total.

In the example above, the Weighted Order Total that would result in an Order Entry Ratio of 100 is 9,000,000, since 9,000,000 / 90,000 = 100. Accordingly, the Excess Weighted Orders would be 10,000,000 - 9,000,000 = 1,000,000.

The Excess Order Fee charged to the member organization will then be determined by multiplying the Applicable Rate by the number of Excess Weighted Orders. The Applicable Rate is determined based on the members organization's Order Entry Ratio.

Order Entry Ratio	Applicable Rate
101 - 1,000	$0.005
More than 1,000	$0.01

In the example above, the Applicable Rate would be $0.005, based on the member organization's Order Entry Ratio of 111. Accordingly, the monthly Excess Order Fee would be 1,000,000 x $0.005 = $5,000.

(4) Notwithstanding the foregoing, member organizations with a daily average Weighted Order Total of less than 100,000 during the month will not be subject to the Excess Order Fee.]

* * * * *