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June 20, 2014

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E
Washington, D.C 20549-0609

Re: File No. SR-PHLX-2014-23

Dear Ms. Murphy,

We submit this letter in response to comments submitted by letter dated June 3, 2014, to the U.S. Securities and Exchange Commission by the International Securities Exchange, LLC ("ISE") on the above referenced rule filing in which NASDAQ OMX PHLX, LLC ("PHLX") proposes to amend Rule 1014, Commentary .05(c)(ii) ("Proposal"). If approved, the Proposal would afford priority in open outcry trading to in-crowd participants over out-of-crowd Streaming Quote Traders ("SQTs"), Remote Specialists, and Remote Streaming Quote Traders ("RSQTs") and over out-of-crowd broker-dealer limit orders (collectively, "out-of-crowd participants") on the limit order book (but not over public customer orders) in crossing, facilitation and solicited orders, regardless of order size. As ISE points out in its letter, PHLX currently limits this priority provision to orders of at least 500 contracts. The proposed rule change merely removes the 500 contract minimum.

As noted in the Proposal, CBOE rules already provide for similar order handling. CBOE Rule 6.74 provides in relevant part that for purposes of establishing priority for bids and offers at the same price, bids and offers of in crowd market participants have first priority except with respect to public customer orders resting in the electronic book and that all other bids and offers (including bids and offers of broker-dealer orders in the electronic book and electronic quotes of market makers) have second priority. The rule makes no distinction based on order size.

ISE also asserts that these non-electronic orders will not benefit from the opportunities for price improvement built into electronic auctions, where liquidity providers can and often do improve their quoted prices in response to the auction. PHLX disagrees with ISE's apparent view (formed without the benefit of operating a trading floor) that on-screen liquidity always exceeds on-floor liquidity. Based on our experience, on-floor liquidity on PHLX in many issues exceeds the displayed wider electronic markets. PHLX believes its proposal continues to nurture the on-floor liquidity that exists today in those issues. At a time when the industry is working to

improve market structure PHLX believes attracting smaller orders to the trading floor fosters an environment for on-floor liquidity providers to continue to provide both price improvement and size improvement to the market.

ISE asserts that the “practical effect of the proposed change will be to facilitate a market structure focused entirely on internalization, where participants can bring orders of any size to the floor in order to ensure that there is little or no chance that electronic participants will be able to break-up their pre-arranged trades.” Under the PHLX proposal, priority will be afforded to all in-crowd participants, including market makers, not just floor brokers. PHLX believes the rule change should actually encourage small participants like floor-based market makers to continue to make markets which the Exchange believes improves the quality of execution for these smaller orders.

In summary, we believe ISE’s concerns are misguided and raise no valid concerns in terms of current market structure. ISE states that “the proposal will encourage PHLX participants to bring more orders to the floor.” As a competitor of PHLX this is of concern to them. However, as stated above and in our filing, we believe the proposed rule change is good for investors. PHLX respectfully submits that the proposed rule change should be approved.

Sincerely,

A handwritten signature in cursive script, reading "Carla Behnfeldt".

Carla Behnfeldt
Associate General Counsel

cc: Stephen Luparello, Director, Division of Trading and Markets
James Burns, Deputy Director, Division of Trading and Markets
Heather Seidel, Associate Director, Division of Trading and Markets