



**JOAN C. CONLEY**  
SENIOR VICE PRESIDENT & CORPORATE SECRETARY  
THE NASDAQ OMX GROUP, INC.  
805 KING FARM BLVD.  
ROCKVILLE, MD 20850

P: (301) 978-8735  
F: (301) 978-5055  
E: joan.conley@nasdaqomx.com

July 11, 2014

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: *File No. SR-Phlx-2014-28; SR-NASDAQ-2014-060; SR-BX-2014-029—  
Comment Letter from the International Securities Exchange, LLC (“Proposed  
Rule Changes”)*

Dear Ms. Murphy:

NASDAQ OMX PHLX LLC (“Phlx”), NASDAQ OMX BX, Inc. and The NASDAQ Stock Market LLC (taken together, “NASDAQ OMX”) respectfully submits the following response to the comment letter of the International Securities Exchange, LLC (“ISE”), dated June 24, 2014 (“ISE Comment Letter”) concerning proposed rule changes SR-Phlx-2014-28, SR-NASDAQ-2014-060 and SR-BX-2014-029 (collectively “Proposed Rule Changes”).<sup>1</sup> The stated premise of the ISE Comment Letter is that the Proposed Rule Change is being implemented to “end run” The Options Clearing Corporation’s (“OCC”) proposed procedures that would net long and short positions in market maker accounts in order to facilitate and encourage “dividend trading strategies.” The ISE Comment Letter does not have any factual basis. NASDAQ OMX responds to the mischaracterizations below.

#### **I. The Operation of the Proposed Rule Change.**

ISE incorrectly asserts the proposed rule change is designed to facilitate dividend trades by members of Phlx. With respect to Phlx pricing, today, dividend, merger and short stock interest strategy trades, executed on the same trading day in the same options class when such members are trading in their own proprietary accounts, are capped for floor options transaction charges, in multiply-listed options, at \$1,250 and further capped at \$50,000 per month<sup>2</sup>. These

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<sup>1</sup> Letter from Michael J. Simon, Secretary, ISE, to Elizabeth Murphy, Secretary, Commission (June 24, 2014) (“ISE Letter”).

<sup>2</sup> See Phlx’s Pricing Schedule at Section II.

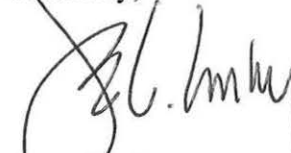
caps are applied to all members and member organizations in a uniform manner. Member organizations that are joint back office participants ("JBO Participants")<sup>3</sup> are able to avail themselves of these fee caps similar to other members and member organizations. Today, JBO Participant accounts are identified by member assigned segregated billing accounts as per Phlx rules. NASDAQ OMX's back office billing process captures and automates JBO Participant orders for the purpose of applying the applicable pricing today. The Proposed Rule Change will require market participants to identify JBO Participant orders when entering those orders into the trading system, similar to the manner in which other fields relevant to orders are entered and captured by the trading system for purposes of audit trail and regulation. The process by which JBO Participant orders are identified will be automated and the billing process will continue to capture that information and apply the appropriate pricing in the same manner as today.

## **II. NASDAQ has not marketed the Proposed Rule Change.**

NASDAQ OMX has not marketed the Proposed Rule Change to its members as a means to circumvent OCC's proposed policy change. The Proposed Rule Change is based on a rule change implemented by The Chicago Board Options Exchange ("CBOE") on November 1, 2011<sup>4</sup>. There is no correlation between the Proposed Rule Change and the facilitation of dividend trades as asserted in the ISE Comment Letter.

The intent of this proposal is to further require JBO Participants to identify JBO Participant orders when entering those orders into NASDAQ OMX trading systems to create an audit trail. NASDAQ OMX believes this Proposed Rule Change will improve the efficiency of identifying JBO Participant Orders and improve regulation. NASDAQ OMX believes this rule filing, similar to the CBOE rule filing, is consistent with the Securities Exchange Act of 1934 ("Act")<sup>5</sup> and respectfully requests that the Proposed Rule Change should be approved.

Sincerely,



Joan Conley  
Corporate Secretary

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<sup>3</sup> A JBO participant is a member, member organization or non-member organization that maintains a JBO arrangement with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System. See Phlx Rule 703

<sup>4</sup> See Securities Release No. 68163 (November 6, 2012), 77 FR 67701 (November 13, 2012) (SR-CBOE-2012-098). CBOE introduced an origin code for billing in 2012.

<sup>5</sup> 15 U.S.C. 78s(b)(1).