

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-65049; File No. SR-Phlx-2011-103)

August 5, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rebates and Fees for Adding and Removing Liquidity in Select Symbols

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that, on August 1, 2011, 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 its Complex Order Fees in Section I of its Fee Schedule titled “Rebates and Fees for Adding and Removing Liquidity in Select Symbols.”

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqtrader.com/micro.aspx?id=PHLXRulefilings>, at the principal office of the Exchange, at the Commission’s Public Reference Room, and on the Commission’s website at [www.sec.gov](http://www.sec.gov).

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

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

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

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 rule change is to amend Section I, Part B of the Exchange's Fee Schedule for Complex Orders. A Complex Order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced at a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Furthermore, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying stock or ETF coupled with the purchase or sale of options contract(s).<sup>3</sup>

The Exchange proposes to increase the current Customer Rebate for Adding Liquidity with respect to Complex Orders for options overlying: (i) Standard and Poor's Depository Receipts/SPDRs ("SPY")<sup>4</sup>; (ii) the PowerShares QQQ Trust ("QQQ")<sup>®</sup>; (iii) Apple, Inc. ("AAPL"); (iv) iShares Russell 2000 Index ("IWM"); (v) Bank of America Corporation ("BAC"); (vi) Citigroup, Inc. ("C"); (vii) SPDR Gold Trust ("GLD"); (viii) Intel Corporation ("INTC"); (ix) JPMorgan Chase & Co. ("JPM"); (x) iShares Silver Trust ("SLV"); (xi) Financial Select Sector SPDR ("XLF"); and (xii) Ford Motor Company ("F") (taken together, "Designated Options"). The Exchange also proposes to waive the Customer Complex Order Fee for Removing Liquidity of \$0.25 per contract for the following symbols: BAC, C, GLD, INTC,

<sup>3</sup> See Exchange Rule 1080, Commentary .08(a)(i).

<sup>4</sup> SPY options are based on the SPDR exchange-traded fund ("ETF"), which is designed to track the performance of the S&P 500 Index.

JPM, SLV, XLF and F. The Exchange believes that increasing the Customer Complex Order Rebate to Add Liquidity and waiving the Customer Complex Order Fee for Removing Liquidity for the symbols listed above, respectively, would attract additional Customer order flow to the Exchange.

Currently, the Exchange pays a Customer Complex Order Rebate for Adding Liquidity of \$0.25 per contract in certain Select Symbols, namely SPY, QQQ, AAPL and IWM. The Exchange currently pays a Customer Complex Order Rebate for Adding Liquidity<sup>5</sup> of \$0.24 per contract in all other Select Symbols, excluding SPY, QQQ, AAPL and IWM.<sup>6</sup> The Exchange also currently waives the Customer Complex Order Fee for Removing Liquidity for options overlying SPY, QQQ, AAPL and IWM.<sup>7</sup> The proposal would increase the Customer Rebate for Adding Liquidity to \$0.26 per contract for all Designated Options.<sup>8</sup> In addition, the proposal would extend the current waiver of the Customer Complex Order Fee for Removing Liquidity to include the following symbols: BAC, C, GLD, INTC, JPM, SLV, XLF and F.

Under this proposal, the Exchange will pay Customer Complex Orders a Rebate for Adding Liquidity of \$0.24 per contract, in any Select Symbol, except the Designated Options. The Exchange will also assess the Customer Complex Order Fee for Removing Liquidity of \$0.25 per contract, in any Select Symbol, except the Designated Options.

## 2. Statutory Basis

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<sup>5</sup> The only market participant that receives a Rebate for Adding Liquidity for Complex Orders today is a Customer.

<sup>6</sup> A list of all symbols subject to the Rebates and Fees for Adding and Removing Liquidity are listed in Section I of the Exchange's Fee Schedule and titled "Select Symbols."

<sup>7</sup> All other market participants are assessed a Fee for Removing Liquidity today other than Customer Complex Orders in SPY, QQQ, IWM and AAPL.

<sup>8</sup> This would result in a \$0.01 per contract rebate increase for SPY, QQQ, IWM and AAPL and a \$0.02 per contract rebate increase for BAC, C, GLD, INTC, JPM, SLV, XLF and F.

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>10</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange also believes that there is an equitable allocation of reasonable rebates among Exchange members.

The Exchange believes that it is reasonable and equitable to only pay a Complex Order Rebate for Adding Liquidity to Customers, as compared to other market participants, because the Customer rebate will attract Customer order flow to the Exchange for the benefit of all market participants. Likewise, the Exchange believes that it is reasonable to waive the Complex Order Fee for Removing Liquidity for Customers transacting BAC, C, GLD, INTC, JPM, SLV, XLF and F, because by waiving the fee, this also will attract Customer order flow to the Exchange which in turn also benefits all market participants.

The Exchange believes that these proposals are equitable and not unfairly discriminatory because by paying an increased Rebate for Adding Liquidity to Customers transacting Complex Orders in certain symbols and waiving Fees for Adding Liquidity to Customers transacting Complex Orders in certain additional symbols, all market participants will benefit from the increased liquidity which increased Customer order flow would bring to the Exchange.

With respect to the Customer Complex Order Rebate for Adding Liquidity the Exchange believes that it is reasonable to pay a different rebate for transacting equity options in certain symbols and with respect to the Customer Complex Order Fee for Removing Liquidity the Exchange believes that it is reasonable to assess a different Fee for Removing Liquidity in

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

certain symbols. The Exchange currently pays a different Customer Complex Order Rebate for Adding Liquidity and assesses a different Customer Complex Order Fee for Removing Liquidity in SPY, QQQ, IWM and AAPL as compared to other Select Symbols. Trading in these Select Symbols is different from trading in other symbols in that they are more liquid, have higher volume and competition for executions is more intense. The Exchange believes the same rationale applies in paying a different Customer Complex Order Rebate for Adding Liquidity and assessing a different Customer Complex Order Fee for Removing Liquidity in BAC, C, GLD, INTC, JPM, SLV, XLF and F in that these symbols are also more liquid, have higher volume and competition for executions is more intense.

The Exchange believes that its proposal to pay a higher rebate for transactions in equity options in the Designated Options, as compared to the other Select Symbols, is equitable and not unfairly discriminatory because the Exchange would uniformly pay the same Customer Complex Order Rebate for Adding Liquidity for all Customer Complex Orders in all Designated Options. The Exchange believes that waiving the Customer Complex Order Fee for Removing Liquidity for the following additional symbols: BAC, C, GLD, INTC, JPM, SLV, XLF and F is equitable and not unfairly discriminatory because the Exchange is uniformly waiving the Customer Complex Order Fee for Removing Liquidity.

The Exchange operates in a highly competitive market comprised of nine U.S. options exchanges in which sophisticated and knowledgeable market participants can readily send order flow to competing exchanges if they deem fee levels at a particular exchange to be excessive. The Exchange believes that the Complex Order fees and rebates it pays/assesses must be competitive with fees and rebates in place on other exchanges. The Exchange believes that this

competitive marketplace impacts the fees and rebates present on the Exchange today and influences the proposals set forth above.

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.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>11</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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2011-103 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-2011-103. 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 website (<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-2011-103 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>12</sup>

Elizabeth M. Murphy  
Secretary

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