

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66016; File No. SR-Phlx-2011-164)

December 20, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify the Fee Schedule for Co-Location Services

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 December 9, 2011, NASDAQ OMX PHLX (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed Fee Schedule 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 the Substance of the Proposed Rule Change

The Exchange proposes to modify pricing for co-location services. The text of the proposed rule change is available at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXRulefilings>, at the Exchange’s principal office, on the Commission’s website at <http://www.sec.gov>, and at the Commission’s Public Reference Room.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 is modifying its Fee Schedule regarding co-location fees, Phlx Fee Schedule, Section X(a), to include a fee for an optional cabinet choice. Currently co-location customers have the option of obtaining several cabinet sizes and power densities. The co-located customer may obtain a half cabinet, a low density cabinet, a medium density cabinet, a medium-high density cabinet and a high density cabinet. Each cabinet may vary in size and maximum power capacity.³ The fees related to the cabinet and power usage are incremental, with additional charges being imposed based on higher levels of cabinet and/or power usage, the use of non-standard cabinet sizes or special cabinet cooling equipment. The co-location customer may obtain more power by choosing a combination of lower power density cabinets. However, the Exchange is providing a choice of a larger cabinet (30"W x 48" D x 96" H) with higher power instead of combining several units for more power (>10kW<=17.3kW) with an installation fee of \$7,000; and an ongoing monthly fee of \$15,000. The co-location customer also has the option of a smaller cabinet (24" W x 42" D x 84" H) with the same power structure which would reduce the installation fee to \$3,500 with the same ongoing monthly fee of \$15,000 per month.

Additionally, the Exchange is proposing to include a fee for a super high density cabinet kit in the Phlx Fee Schedule, Section X(c). The optional super high density cabinet requires additional customized equipment to adequately cool the cabinet. The Exchange is proposing an

³ See Exchange Fee Schedule, Section X(a).

installation fee of \$7,000 for the required customized equipment kit. All fees are charged to recoup costs associated with the optional cabinets while providing increased efficiency; and to the extent the costs are covered, provide a profit to the Exchange.

The Exchange is making the super high density cabinets available as a convenience to customers, and notes that use of Exchange cabinets is completely voluntary.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁴ in general, and with Section 6(b)(4) of the Act,⁵ 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.

The Exchange will incur costs for the super high-density cabinets due to the additional costs incurred for the change in design of the cabinets to meet the need of the client, and the costs incurred for infrastructure to accommodate the proposed units as the cabinet design is not of the same dimension as the current cabinets to accommodate new server sizes. The Exchange will also incur additional costs for personnel needed to monitor and support the new cabinets. The Exchange looks to recoup the additional costs from all market participants that opt to utilize the proposed cabinets. Thus, the price charged for the proposed cabinets is equitable and just in that the proposed fees that will be charged only to those that opt for the proposed super high-density cabinets and will be based on the costs to develop and maintain the system, as well as allowing the Exchange to earn a return on its investment. Furthermore, because the proposed super high- density cabinet option is entirely voluntary and available to all members, the

⁴ 15 U.S.C. 78f.

⁵ 15 U.S.C. 78f(b)(4).

Exchange's fees for the proposed cabinet are not only equitably allocated, but also non-discriminatory.

Additionally, the Exchange is providing the additional cabinet option to its co-located customers to provide greater efficiency for their trading operations. In order to receive similar service under the current structure, the co-located customer would need to combine several currently provided cabinets. While the price may appear initially similar, the co-located customer would incur additional monthly interconnectivity costs for cabling to connect all the cabinets. Additionally, having one super high-density cabinet to meet the space and power requirements to operate the newly designed servers reduces the additional latency that would be experienced by combining several cabinets to achieve a similar result. The new design of the super high-density cabinet allows the fit of more equipment in one unit before reaching power capacity. For all the above reasons, the proposed super high-density cabinets results in a more efficient operation overall for the co-located customer.

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

The Exchange does not believe that the proposed Fee Schedule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

The foregoing Fee Schedule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.⁶ At any time within 60 days of the filing of the proposed Fee

⁶ 15 U.S.C. 78s(b)(3)(a)(ii).

Schedule 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, as amended, 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-2011-164 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-2011-164. 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 such 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-2011-164, 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.⁷

Kevin M. O'Neill
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).