

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69958; File No. SR-Phlx-2013-71)

July 10, 2013

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Eliminate Section I Pricing for Select Symbols

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 26, 2013, 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 remove its Select Symbols,<sup>3</sup> along with pricing in Section I of the Pricing Schedule entitled “Rebates and Fees for Adding and Removing Liquidity in Select Symbols.”

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on July 1, 2013.

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.

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

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

<sup>3</sup> The Select Symbols are noted in Section I of the Pricing Schedule.

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 Exchange proposes to eliminate the current pricing in Section I of the Pricing Schedule which is applicable to Select Symbols. The Exchange would apply the pricing in Section II entitled “Multiply Listed Options Fees”<sup>4</sup> to these Select Symbols in order to attract additional order flow to the Exchange.

Section I Select Symbols

Today, the Exchange applies the pricing in Section I to the following Select Symbols: Bank of America Corporation (“BAC”), iShares MSCI Emerging Markets Index (“EEM”), SPDR Gold Shares (“GLD”), iShares Russell 2000 Index (“IWM”), Microsoft Corporation (“MSFT”), PowerShares QQQ (“QQQ”), and Financial Select Sector SPDR (“XLF”). Specifically, the Exchange applies the following Simple Order and Complex Order Pricing:

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<sup>4</sup> This includes options overlying currencies, equities, ETFs, ETNS and indexes not listed on another exchange.

**Part A. Simple Order**

	<b>Customer</b>	<b>Market Specialist</b>	<b>Maker</b>	<b>Broker-Firm</b>	<b>Dealer</b>	<b>Professional</b>
<b>Rebate for Adding Liquidity</b>	N/A	\$0.20	\$0.20	N/A	N/A	N/A
<b>Fee for Adding Liquidity</b>	\$0.00	\$0.10	\$0.10	\$0.45	\$0.45	\$0.45
<b>Fee for Removing Liquidity</b>	\$0.00	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45

**Part B. Complex Order**

	<b>Customer</b>	<b>Market Specialist</b>	<b>Maker</b>	<b>Broker-Firm</b>	<b>Dealer</b>	<b>Professional</b>
<b>Fee for Adding Liquidity</b>	\$0.00	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
<b>Fee for Removing Liquidity</b>	\$0.00	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50

The Exchange proposes to eliminate this Section I pricing and instead apply the pricing which currently applies to all other Multiply Listed Options in Section II of the Pricing Schedule<sup>5</sup>:

<b>Customer</b>	<b>Professional</b>	<b>Specialist and Market Maker</b>	<b>Broker-Dealer</b>	<b>Firm</b>
	<b>Electronic Floor</b>	<b>Electronic Floor</b>	<b>Electronic Floor</b>	<b>Electronic Floor</b>

<sup>5</sup> SPY has its own pricing in Section C, which will be renamed as new Section I. See Section C of the Pricing Schedule.

<b>Options Transaction Charge (Penny Pilot)</b>	\$0.00	\$0.30	\$0.25	\$0.22	\$0.25	\$0.45	\$0.25	\$0.45	\$0.25
<b>Options Transaction Charge (non-Penny Pilot)</b>	\$0.00	\$0.30	\$0.25	\$0.23	\$0.25	\$0.60	\$0.25	\$0.50	\$0.25
<b>Options Surcharge in MNX and NDX</b>	N/A	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15
<b>Options Surcharge in BXX</b>	N/A	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
<b>Cabinet Options</b>	\$0.00	N/A	\$0.10	N/A	\$0.10	N/A	\$0.10	N/A	\$0.10

The Select Symbols that are being eliminated in Section I are all Penny Pilot Options and would be subject to Section II Penny Pilot electronic Options Transaction Charges. With respect to Simple and Complex Orders, Customers<sup>6</sup> would continue to not be assessed any fees in the Select Symbols with this proposal.

A Professional<sup>7</sup> that currently pays a \$0.45 per contract Simple Order Fee for

<sup>6</sup> The term “Customer” applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional” (as that term is defined in Rule 1000(b)(14)).

<sup>7</sup> The term “professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 1000(b)(14).

Adding and Removing Liquidity, a \$0.10 per contract Complex Order Fee for Adding Liquidity and a \$0.50 per contract Complex Order Fee for Removing Liquidity would now be assessed a \$0.30 per contract electronic Options Transaction Charge in Penny Pilot Options.

A Specialist<sup>8</sup> and Market Maker<sup>9</sup> that today receives a Simple Order Rebate for Adding Liquidity of \$0.20 per contract and pays a Simple and Complex Order Fee for Adding Liquidity of \$0.10 per contract, a \$0.45 per contract Simple Order Fee for Removing Liquidity and a Complex Order Fee for Removing Liquidity of \$0.25 per contract,<sup>10</sup> would now be assessed a \$0.22 per contract electronic Options Transaction Charge in Penny Pilot Options. There are no rebates paid in Section II for Simple Orders.

A Firm<sup>11</sup> that currently pays a \$0.45 per contract Simple Order Fee for Adding and Removing Liquidity, a \$0.10 per contract Complex Order Fee for Adding Liquidity and a \$0.50 per contract Complex Order Fee for Removing Liquidity would be now assessed a \$0.45 per contract electronic Options Transaction Charge in Penny Pilot Options. In addition, Firm electronic Options Transaction Charges in Penny Pilot Options (and Non-Penny Pilot Options) are reduced to \$0.17 per contract for a given

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<sup>8</sup> A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

<sup>9</sup> A Market Maker includes Registered Options Traders (Rule 1014(b)(i) and (ii)), which includes Streaming Quote Traders (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders (see Rule 1014(b)(ii)(B)). Directed Participants are also Market Makers.

<sup>10</sup> Today, Complex Order Fees for Removing Liquidity, applicable to Specialists and Market Makers, are decreased by \$0.02 per contract when the Specialist or Market Maker transacts against a Customer Order directed to that Specialist or Market Maker for execution.

<sup>11</sup> The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at OCC.

month provided that a Firm has volume greater than 500,000 electronically-delivered contracts in a month.

Finally, a Broker-Dealer<sup>12</sup> that currently pays a \$0.45 per contract Simple Order Fee for Adding and Removing Liquidity, a \$0.10 per contract Complex Order Fee for Adding Liquidity and a \$0.50 per contract Complex Order Fee for Removing Liquidity would now be assessed a \$0.45 per contract electronic Options Transaction Charge in Penny Pilot Options.<sup>13</sup>

With this proposal, the Monthly Market Maker Cap<sup>14</sup> on transaction fees that is currently applicable to Market Makers and Specialists transacting Multiply Listed Options is applicable to electronic transactions in the Section II symbols, except for QCC<sup>15</sup> Transaction Fees. The Monthly Market Maker Cap would now apply to the

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<sup>12</sup> The term “Broker-Dealer” applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

<sup>13</sup> All market participants, other than Customers, would continue to be assessed a \$0.15 per contract Options Surcharge on options on the one-tenth value of the Nasdaq 100 Index traded under the symbol “MNX” and options on the Nasdaq 100 Index traded under the symbol “NDX” and a \$0.10 per contract surcharge on options on PHLX/KBW Bank Index (“BKX”). Today, all Select Symbols transacted on the Exchange’s trading floor are assessed the fees in Section II with respect to floor transactions.

<sup>14</sup> Specialists and Market Makers are subject to a “Monthly Market Maker Cap” of \$550,000 for: (i) electronic and floor Option Transaction Charges; (ii) Qualified Contingent Cross (“QCC”) Transaction Fees (as defined in Exchange Rule 1080(o) and Floor QCC Orders, as defined in 1064(e)); and (iii) fees related to an order or quote that is contra to a PIXL Order or specifically responding to a PIXL auction. The trading activity of separate Specialist and Market Maker member organizations is aggregated in calculating the Monthly Market Maker Cap if there is Common Ownership between the member organizations. All dividend, merger, short stock interest and reversal and conversion strategy executions (as defined in Section II) are excluded from the Monthly Market Maker Cap.

<sup>15</sup> A QCC Order is comprised of an order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Rule 1080(o)(3), coupled with a contra-side order to buy or sell an equal number of contracts.

Select Symbols as part of Section II. As is the case today, the Monthly Firm Fee Cap<sup>16</sup> will continue to apply to the Select Symbols as part of Section II. Today, Payment for Order Flow (“PFOF”)<sup>17</sup> fees are collected on transactions in the Select Symbols, except when a Specialist or Market Maker is also assessed the Simple Order Fee for Removing Liquidity, in which case the PFOF fees will not apply. Section II symbols are subject to PFOF fees on electronic orders and, with this proposal, these Select Symbols.

Currently, the Cancellation Fee<sup>18</sup> for each cancelled electronically delivered

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The QCC Order must be executed at a price at or between the National Best Bid and Offer (NBBO) and be rejected if a Customer order is resting on the Exchange book at the same price. A QCC Order shall only be submitted electronically from off the floor to the PHLX XL II System. See Rule 1080(o). See also Securities Exchange Act Release No. 64249 (April 7, 2011), 76 FR 20773 (April 13, 2011) (SR-Phlx-2011-47) (a rule change to establish a QCC Order to facilitate the execution of stock/option Qualified Contingent Trades (QCT) that satisfy the requirements of the trade through exemption in connection with Rule 611(d) of the Regulation NMS).

<sup>16</sup> Firms are subject to a maximum fee of \$75,000 (“Monthly Firm Fee Cap”). Firm Floor Option Transaction Charges and QCC Transaction Fees in the aggregate, for one billing month may not exceed the Monthly Firm Fee Cap per member organization when such members are trading in their own proprietary account. All dividend, merger, and short stock interest strategy executions (as defined in Section II) are excluded from the Monthly Firm Fee Cap. Reversal and conversion strategy executions (as defined in Section II) are included in the Monthly Firm Fee Cap. QCC Transaction Fees are included in the calculation of the Monthly Firm Fee Cap.

<sup>17</sup> The PFOF program started on July 1, 2005 as a pilot and after a series of orders extending the pilot became effective on April 29, 2012. See Securities Exchange Act Release No. 52114 (July 22, 2005), 70 FR 44138 (August 1, 2005) (SR-Phlx-2005-44); 57851 (May 22, 2008), 73 FR 31177 (May 20, 2008)(SR-Phlx-2008-38); 55891 (June 11, 2007), 72 FR 333271 (June 15, 2007)(SR-Phlx-2007-39); 53754 (May 3, 2006), 71 FR 27301 (May 10, 2006) (SR-Phlx-2006-25); 53078 (January 9, 2006), 71 FR 2289 (January 13, 2006) (SR-Phlx-2005-88); 52568 (October 6, 2005), 70 FR 60120 (October 14, 2005) (SR-Phlx-2005-58); and 59841 (April 29, 2009), 74 FR 21035 (May 6, 2009) (SR-Phlx-2009-38).

<sup>18</sup> A Cancellation Fee of \$1.10 per order is assessed for each cancelled electronically delivered All-or-None (AON) order submitted by a Professional in excess of the number of AON orders submitted by a Professional executed on the Exchange by a member organization in a given month. All AON orders submitted by a Professional from the

Professional AON order applies to the Select Symbols. The Cancellation Fee does not apply for each cancelled electronically delivered Customer order in Select Symbols.

With this proposal, the application of the Cancellation Fees to the Select Symbols would remain the same.

As noted above, transactions in the Select Symbols originating on the Exchange floor are subject to the Multiply Listed Options Fees in Section II. However, today if one side of the transaction originates on the Exchange floor and any other side of the trade was the result of an electronically submitted order or a quote, then Section I fees apply to the transactions which originated on the Exchange floor and contracts that are executed electronically on all sides of the transaction. With this proposal, Section II pricing would apply to these transactions.

Today, a non-Complex electronic auction includes the Quote Exhaust auction and, for purposes of these fees, the opening process. A Complex electronic auction includes, but is not limited to, the Complex Order Live Auction (“COLA”). Customer executions that occur as part of a Complex electronic auction are assessed \$0.00 per contract.

Customer executions that occur as part of a non-Complex electronic auction are assessed \$0.00 per contract. Professional, Firm, Broker-Dealer, Specialist and Market Maker executions that occur as part of a Complex electronic auction are assessed the Fees for Removing Liquidity in Section I, Part B. Professional, Firm, Broker-Dealer, Specialist

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same member organization that are executed in the same series on the same side of the market at the same price within a 300 second period will be aggregated and counted as one executed AON option order submitted by a Professional. A Cancellation Fee is not assessed in a month in which fewer than 500 electronically delivered AON orders submitted by a Professional are cancelled. A Cancellation Fee will not apply to pre-market cancellations or Complex Orders that are submitted electronically. A Cancellation Fee is assessed on AON orders submitted by a Professional.



and Market Maker executions that occur as part of a non-Complex electronic auction are assessed the Fees for Removing Liquidity in Section I, Part A. However, during an opening auction a Specialist or Market Maker is assessed the Simple Order Fee for Adding Liquidity in Section I if contra to a Customer order. With this proposal, the Exchange would assess the Options Transaction Charges in Section II with respect to non-Complex electronic auctions, Complex electronic auctions and the opening process. With this proposal, the QCC Transaction fees and rebates, defined in Section II, are and will continue to be applicable to the Select Symbols as part of Section II.

The Exchange also proposes to remove the current reference to Section I in the Preface and instead renumber current Section C entitled “Rebates and Fees for Adding Liquidity in SPY” as new Section I. The Exchange proposes to remove references to the Select Symbols in the Customer Rebate Program along with Categories C<sup>19</sup> and D<sup>20</sup> of the Customer Rebate Program, which relate to Simple and Complex Orders in Select Symbols. These Categories will no longer be relevant with this proposal. All Multiply

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<sup>19</sup> Category C Rebates are paid to members executing electronically-delivered Customer Complex Orders in Select Symbols in Section I symbols. Rebates are paid on Customer PIXL Complex Orders in Section I symbols that execute against non-Initiating Order interest, except in the case of Customer PIXL Complex Orders that are greater than 999 contracts. All Customer PIXL Complex Orders that are greater than 999 contracts are paid a rebate regardless of the contra-party to the transaction.

<sup>20</sup> Category D Rebates are paid to members executing electronically-delivered Customer Simple Orders in Select Symbols in Section I. Rebates are paid on PIXL Orders in Section I symbols that execute against non-Initiating Order interest. Rebates are paid on Customer PIXL Orders in Section I symbols that execute against non-Initiating Order interest, except in the case of Customer PIXL Order that are greater than 999 contracts. All Customer PIXL Orders that are greater than 999 contracts are paid a rebate regardless of the contra-party to the transaction.

Listed Options in Section II would qualify for either the Category A<sup>21</sup> or B<sup>22</sup> rebates.

The Exchange also proposes to amend Sections II and IV<sup>23</sup> to remove references to Select Symbols and also pricing in PIXL<sup>24</sup> concerning transactions in Select Symbols, as that pricing is no longer relevant.

The Exchange believes that the proposed pricing will enable the Exchange to remain competitive.

#### Monthly Market Maker Cap

The Exchange also proposes to increase the \$0.16 per contract fee that today is assessed to Specialists and Market Makers that are on the contra-side of an electronically-delivered and executed Customer order; and have reached the Monthly Market Maker Cap to \$0.17 per contract. The Exchange is amending this fee to capture the cost to the Exchange of paying a Category B Customer Rebate.

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<sup>21</sup> Category A Rebates are paid to members executing electronically-delivered Customer Simple Orders in Penny Pilot Options and Customer Simple Orders in Non-Penny Pilot Options in Section II symbols. Rebates are paid on Customer PIXL Orders in Section II symbols that execute against non-Initiating Order interest, except in the case of Customer PIXL Orders that are greater than 999 contracts. All Customer PIXL Orders that are greater than 999 contracts will be paid a rebate regardless of the contra-party to the transaction.

<sup>22</sup> Category B Rebates are paid to members executing electronically-delivered Customer Complex Orders in Penny Pilot Options and Non-Penny Pilot Options in Section II symbols. Rebates are paid on Customer PIXL Complex Orders in Section II symbols that execute against non-Initiating Order interest, except in the case of Customer PIXL Complex Orders that are greater than 999 contracts. All Customer PIXL Complex Orders that are greater than 999 contracts will be paid a rebate regardless of the contra-party to the transaction.

<sup>23</sup> Today, the Exchange assesses PIXL Pricing based on whether the symbol is a Select Symbol in Section I or a Multiply Listed Options symbol subject to Section II pricing. See Section IV of the Pricing Schedule.

<sup>24</sup> PIXL is the Exchange's price improvement mechanism known as Price Improvement XL or (PIXL<sup>SM</sup>). See Rule 1080(n).

## 2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>25</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>26</sup> in particular, in that it provides for an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

### Section I Select Symbols

The Exchange believes that it is reasonable to remove BAC, EEM, GLD, IWM, MSFT, QQQ, and XLF from the list of Select Symbols, eliminate the pricing in Section I and apply the pricing for Multiply Listed Options in Section II to the Select Symbols in order to attract additional order flow to the Exchange as result of the new pricing.

The Exchange believes that it is equitable and not unfairly discriminatory to eliminate the list of Select Symbols and Section I pricing because the Exchange would uniformly apply Section II pricing to all Multiply Listed Options, with the exception of SPY,<sup>27</sup> to all market participants.

Customers would not be assessed Section II Options Transaction Charges, including transaction fees related to electronic and non-electronic Complex auctions. Today, Customers are not assessed transaction fees in Section I. With this proposal, a Customer would pay a Cancellation Fee for cancelled orders. In addition, with this proposal, the Exchange would pay Customers that qualify for the Customer Rebate

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<sup>25</sup> 15 U.S.C. 78f(b).

<sup>26</sup> 15 U.S.C. 78f(b)(4).

<sup>27</sup> SPY has its own pricing in Section C, which will be renamed as new Section I. See Section C of the Pricing Schedule.

Program the Category A rebates instead of the Category D rebates they may qualify for today with respect to the Select Symbols. The ability to qualify for Category A rebates would result in increased rebates for Customers.<sup>28</sup>

A Professional would incur lower fees except for adding liquidity in Complex Order where the fee today is \$0.10 per contract. Section II fees do not distinguish between adding and removing liquidity; the Select Symbols would be subject to the electronic Options Transaction Charges for Penny Pilot Options regardless of whether the market participant was adding or removing liquidity. The Exchange believes that it is equitable and not unfairly discriminatory to assess Professionals the same Options Transaction Charges for Select Symbols that are assessed today for all other Multiply Listed Options symbols, except SPY options.

Specialist and Market Maker fees would increase except with respect to removing liquidity, however Specialists and Market Makers would now be able to cap their fees because the Monthly Market Maker Cap is applicable to Section II symbols. Specialists and Market Makers would no longer be entitled to the \$0.20 per contract Simple Order Rebate for Adding Liquidity. Specialists and Market Makers would also incur increased costs during the opening auction. Specialists and Market Makers would now be subject to PFOF fees for Simple Orders that remove liquidity. The Exchange believes that it is equitable and not unfairly discriminatory to assess the Section II Options Transaction Charges to Specialists and Market Makers because while certain fees will increase and the Exchange would no longer pay Simple Order rebates, Specialists and Market Makers

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<sup>28</sup> Simple Order Category A rebates range between \$0.12 and \$0.15 per contract and Category D rebates are \$0.08 per contract, where applicable. Complex Order Category C rebates are \$0.17 per contract. With this proposal, Customers transacting Select Symbols could qualify for Category B rebates, which are also \$0.17 per contract where applicable.

will be able to cap fees. Also, Specialists and Market Makers will be assessed the same Options Transaction Charges for the Select Symbols that are assessed today for all other Multiply Listed Options symbols, except SPY options. In addition, PFOF fees will apply to Select Symbols similar to the manner in which they apply today to Section II symbols.

Firms would pay the same or lower fees with respect to removing liquidity, except where they have volume greater than 500,000 electronically-delivered contracts in a month, than the fee would be reduced.<sup>29</sup> A Firm would pay more to add liquidity in Complex Orders. Firms would continue to have the opportunity to cap their fees with the Monthly Firm Fee Cap which is applicable to Section II symbols as it was applicable to Section I Select Symbols. The Exchange believes that it is equitable and not unfairly discriminatory to assess Section II fees to Firms because they will continue to have the ability to cap fees and also have the ability to pay a reduced Options Transaction Charge when executing a certain amount of volume. Also, Firms will be assessed the same Options Transaction Charges for the Select Symbols that are assessed today for all other Multiply Listed Options symbols, except SPY options.

Broker-Dealers would pay the same or lower fees with respect to removing liquidity. A Broker-Dealer would pay more to add liquidity in Complex Orders. The Exchange believes that it is equitable and not unfairly discriminatory to assess Section II fees to Broker Dealers because they will be assessed the same Options Transaction Charges for the Select Symbols that are assessed today for all other Multiply Listed Options symbols, except SPY options.

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<sup>29</sup> Firm electronic Options Transaction Charges in Penny Pilot and non-Penny Pilot Options will be reduced to \$0.17 per contract for a given month provided that a Firm has volume greater than 500,000 electronically-delivered contracts in a month.

### Monthly Market Maker Cap

The Exchange's proposal to increase the \$0.16 per contract fee that today is assessed to Specialists and Market Makers that are on the contra-side of an electronically-delivered and executed Customer order and have reached the Monthly Market Maker Cap to \$0.17 per contract is reasonable because today the Exchange pays a Customer rebate of \$0.17 for Customer Complex Orders pursuant to Section B of the Pricing Schedule. The Exchange is amending this fee to capture the \$0.17 per contract cost to the Exchange of paying an increased Category B Customer Rebate for transactions in Complex Orders. This amendment will allow the Exchange to continue to pay certain qualifying Complex Order Customer rebates pursuant to the Customer Rebate Program in Section B. This fee is only paid once the Monthly Market Maker Cap is exceeded and Specialists or Market Makers are not otherwise incurring fees and the Specialist or Market Maker is contra to a Customer order.

The Exchange's proposal to increase the \$0.16 per contract fee that today is assessed to Specialists and Market Makers that are on the contra-side of an electronically-delivered and executed Customer order and have reached the Monthly Market Maker Cap to \$0.17 per contract is equitable and not unfairly discriminatory because all Specialists and Market Makers would be uniformly assessed the fee as long as they have reached the cap and are contra to an electronically-delivered Customer order.

#### 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. The Exchange believes that its proposal to eliminate the Section I pricing applicable

to Select Symbols and instead assess BAC, EEM, GLD, IWM, MSFT, QQQ, and XLF the fees in Section II and subject these Select Symbols to other Section II pricing does not impose any undue burden on competition. In most cases, market participants will be subject to the same or better pricing. There will be no pricing differentials among market participants for adding versus removing liquidity. All of these Select Symbols are Penny Pilot Options and therefore would be subject a single electronic Options Transaction Charge applicable to Penny Pilot Options. The floor transaction fees remain unaffected because today Section II pricing applies to Select Symbols. Other than options on SPY, which are subject to different pricing, all Multiply Listed Options symbols would be subject to the pricing in Section II with this proposal.

With respect to increasing the \$0.16 per contract fee that today is assessed to Specialists and Market Makers that are on the contra-side of an electronically-delivered and executed Customer order and have reached the Monthly Market Maker Cap to \$0.17 per contract the Exchange believes that this proposed amendment will also not impose an undue burden on competition. The Exchange will uniformly assess this fee to Specialists and Market Makers in limited circumstances.

The Exchange operates in a highly competitive market, comprised of eleven exchanges, in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates to be inadequate. Accordingly, the fees that are assessed and the rebates paid by the Exchange described in the above proposal are influenced by these robust market forces and therefore must remain competitive with fees charged and rebates paid by other venues and therefore must continue to be reasonable and equitably allocated to those

members that opt to direct orders to the Exchange rather than competing venues.

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>30</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
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2013-71 on the subject line.

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<sup>30</sup> 15 U.S.C. 78s(b)(3)(A)(ii).



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-2013-71. 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-2013-71 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>31</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>31</sup> 17 CFR 200.30-3(a)(12).