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August 16, 2012

Ms. Elizabeth M. Murphy
Secretary
US Securities and Exchange Commission
100 F Street NE
Washington, DC 20549



Re: File No. SR-PHLX-2012-78; Release No. 34-67446

Dear Ms. Murphy:

This is in response to a comment received in connection with the Securities and Exchange Commission’s (the “SEC” or “Commission”) review of rule filing SR-PHLX-2012-78 (the “Filing”).¹ The Filing proposed by NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) would modify the Short Term Option Program (“STO Program” or “Program”)² and establish that the interval between strike prices on STOs shall be \$0.50 or greater where the strike price is less than \$75 and \$1 or greater where the strike price is between \$75 and \$150. In addition, the Filing would establish that during the expiration week of a non-STO³ that is selected for the STO Program, the strike price intervals for the non-STO shall be \$0.50 or greater where the strike price is less than \$75 and \$1 or greater where the strike price is between \$75 and \$150.

PHLX believes that the STO Program has provided investors with greater trading opportunities and flexibility and the ability to more closely tailor their investment and risk

¹ See Securities Exchange Act Release No. 67446 (July 26, 2012), 77 FR 42780 (July 20, 2012)(SR-PHLX-2012-78)(notice for comment).

² Short term options are generally known as “STOs,” “weeklies,” or “weekly options.” STOs are series in an options class that are approved for listing and trading on the Exchange in which the series are opened for trading on any Thursday or Friday that is a business day and that expire on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. See Commentary .11 to Rule 1012 and Rules 1101A(b)(vi), 1000(b)(44), 1000A(b)(16).

³ A non-STO is an option that is in the same option class as the STO but has a longer expiration cycle (e.g. a SLV monthly option as compared to a SLV weekly option).

management strategies and decisions. The Exchange believes that expansion of the STO Program to allow \$0.50 or greater and \$1 or greater strikes within the proposed parameters would be financially beneficial to investors and would provide investors with better choices for investment, trading, and risk management purposes.⁴

At or about the same time as the Exchange filed its Filing regarding STOs, the International Securities Exchange ("ISE") also filed a proposal to expand its short term options program ("ISE Filing").⁵ Unlike the Phlx Filing, however, the ISE Filing does not propose dollar value parameters for \$0.50 and \$1 strike prices. In the notice for comments regarding the Filing, the Commission specifically asked for views regarding implementation of both proposals. The Exchange believes that the Commission should approve only one of the proposals for the options markets and believes that its proposal, as represented by the Filing, represents the best alternative for the industry.

One commenter, Chicago Board Options Exchange ("CBOE"), submitted a letter to the Commission regarding the Filing.⁶ CBOE supports the objective of Phlx's Filing, and states that it "favors the new strike price interval setting parameters proposed by Phlx since they are broader whereas the ISE proposal provides increased granularity only to those classes in which \$1 strike price intervals are currently permitted." CBOE urges the Commission to approve the Filing and states that it "would expect to make similar changes to its Weekly options program if SR-Phlx-2012-78 is approved." The commenter states also that "Phlx does not address whether the 30 series limitation per class for Weekly options [(STOs)] would apply to standard options when Weekly option strike price intervals are permitted to be added."

The 30 series limitation states that an exchange may select up to thirty (30) currently listed option classes on which short term option series may be opened initially;⁷ the limitation is similar for all exchanges that have short term options programs. We continue to believe, as when submitting the Filing, that the 30 series limitation applies only within the STO Program

⁴ For specific examples of potential financial benefits that investors may glean from narrower STO strike price intervals as proposed, see the Filing at pp. 5-6 of 9.

⁵ See Securities Exchange Act Release No. 67083 (May 31, 2012), 77 FR 33543 (June 6, 2012)(SR-ISE-2012-33)(notice for comment).

⁶ Letter from Jenny Klebes-Golding, Senior Attorney, Legal Division, CBOE, dated August 10, 2012.

⁷ Commentary .11 to Phlx Rule 1012 states, in relevant part: (a) The Exchange may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the thirty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

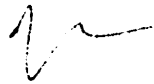
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and therefore only to STO series. The 30 strike limitation does not, and by its construction can not, apply outside the STO Program. As such, the 30 strike limitation must not be applied to non-STOs series that would be traded at \$0.50 and \$1 series in a non-STO expiration week.⁸

The sole commenter, CBOE, recognized the need for \$.50 and \$1 strike prices for STOs, as well as for the ability to trade non-STOs at \$0.50 and \$1 strikes during expiration week as proposed by the Exchange. We urge the Commission to follow the recommendation of CBOE and approve the STO proposal.

We appreciate the opportunity to address the Commission regarding the STO proposal.

Respectfully submitted,



Jurij Trypupenko

cc: Tina Barry, Division of Trading and Markets
Heather Seidel, Division of Trading and Markets

⁸ We note also that the commenter suggested the Exchange consider whether the 30 series limitation should be expanded. We did not propose to do so at this time. As noted in the Filing, our STO proposal is structured to minimize the proliferation of strikes; and while the 30 series limitation is applied to selection of initial STO strikes, exchanges can also list STO strikes that are listed pursuant to another exchange's short term options program.