

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66757; File No. SR-Phlx-2012-45)

April 6, 2012

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

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 April 2, 2012, 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 Section I³ of its Pricing Schedule to further incentivize market participants to transact SPDR S&P 500 (“SPY”)⁴ options.

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, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Section I of the Exchange’s Pricing Schedule is entitled “Rebates and Fees for Adding and Removing Liquidity in Select Symbols.”

⁴ SPY is one of the Select Symbols subject to the rebates and fees in Section I. A complete list of Select Symbols is included 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to further incentivize Customers who transact Complex Orders in SPY. The Exchange currently pays a Customer Complex Order Rebate for Adding Liquidity of \$0.32 per contract and a Customer Complex Order Rebate for Removing Liquidity of \$0.06 per contract. The Exchange is proposing to amend Section I of the Pricing Schedule to specify that the Exchange will increase the Customer Complex Order Rebates for Adding and Removing Liquidity by \$0.01 per contract for transactions in SPY. Therefore, Customer Complex Orders that add liquidity in SPY will receive a rebate of \$0.33 per contract and Customer Complex Orders that remove liquidity in SPY will receive a rebate of \$0.07 per contract.

2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act⁵ in general, and furthers the objectives of Section 6(b)(4) of the Act⁶ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

The Exchange's proposal to further incentivize Customers who transact Complex Orders in SPY is reasonable because Customer Complex Orders are becoming an increasingly important segment of options trading. The Exchange believes that it is reasonable to further incentivize Customer Complex Orders by offering a \$0.01 per contract incentive for SPY options in addition to the Customer Complex Order Rebates for Adding and Removing Liquidity because the Exchange seeks to incentivize market participants to direct and transact a greater number of Customer Complex Orders at the Exchange, particularly in SPY. Creating these incentives and attracting Customer Complex Orders to the Exchange, in turn, benefits all market participants through increased liquidity at the Exchange. The Exchange's proposal to further incentivize Customers who transact Complex Orders in SPY is equitable and not unfairly discriminatory because the Exchange will uniformly pay an additional \$0.01 per contract incentive in addition to the Customer Complex Order Rebates for Adding and Removing Liquidity to all Customer Complex Orders in SPY that receive the rebates.

Further, the Exchange also believes it is reasonable, equitable and not unfairly discriminatory to only offer rebates to Customers and not other market participants because Customer Complex Order flow brings unique benefits to the marketplace in terms of liquidity and order interaction. It is an important Exchange function to provide an opportunity to all market participants to trade against Customer Complex Orders.

In addition, the Exchange believes that paying an additional \$0.01 per contract incentive in addition to the Customer Complex Order Rebates for Adding and Removing Liquidity in SPY, as compared to other option symbols, is reasonable, equitable and not unfairly discriminatory because any market participant is able to transact a Customer Complex Order in SPY and receive the additional rebate incentive regardless of volume. There is no requirement to transact a

certain volume of Customer Complex Orders to qualify for the additional \$0.01 per contract rebate incentive. Further, options overlying SPY are the most actively traded equity and ETF option in the United States (U.S.), accounting for more than 15% of the total volume on any given day.⁷ Because of the substantial volume opportunity, the Exchange believes this additional \$0.01 per contract incentive for SPY, as compared to other symbols, would continue to attract volume to the Exchange and benefit all market participants.

The Exchange operates in a highly competitive market, comprised of nine 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. Accordingly, the rebates paid by the Exchange must remain competitive with rebates offered 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.

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.⁸ 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

⁷ For March 2012, SPY options accounted for 17.21% of the total listed equity and ETF options volume traded in the U.S.

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

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. Please include File No. SR-Phlx-2012-45 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 No. SR-Phlx-2012-45. 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 No. SR-Phlx-2012-45 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.⁹

Kevin M. O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).