

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act⁶ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

In particular, the proposed rule change, which extends the Penny Pilot for an additional six months through June 30, 2015, and changes the date for replacing Penny Pilot issues that were delisted to the second trading day following January 1, 2015, will enable public customers and other market participants to express their true prices to buy and sell options for the benefit of all market participants. This is consistent with the Act.

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. To the contrary, this proposal is pro-competitive because it allows Penny Pilot issues to continue trading on the Exchange. Moreover, the Exchange believes that the proposed rule change will allow for further analysis of the Pilot and a determination of how the Pilot should be structured in the future; and will serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection. The Pilot is an industry wide initiative supported by all other option exchanges. The Exchange believes that extending the Pilot will allow for continued competition between market participants on the Exchange trading similar products as their counterparts on other exchanges, while at the same time allowing the Exchange to continue to compete for order flow with other exchanges in option issues trading as part of the Pilot.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)⁷ of the Act and subparagraph (f)(6) of Rule 19b-4 thereunder.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 action is: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 email to rule-comments@sec.gov. Please include File Number SR-Phlx-2014-77 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, Station Place, 100 F Street NE., Washington, DC 20549-9303.

All submissions should refer to File Number SR-Phlx-2014-77. This file number should be included on the subject line if email 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 Web site <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 Web site 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 Phlx. 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-2014-77 and should be submitted on or before December 23, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2014-28320 Filed 12-1-14; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73687; File No. SR-Phlx-2014-73]

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Active SQF Port Fees

November 25, 2014.

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 November 12, 2014, 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.

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to amend Section VI of the Exchange’s Fee Schedule pertaining to the Active SQF Port Fee.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments be operative on December 1, 2014.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqomxphlx.cchwallstreet.com/>, at the principal office of the Exchange, 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 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 amend the Active SQF Port Fee in Section VII of the Exchange’s Fee Schedule, titled “Access Service, Cancellation, Membership, Regulatory and Other Member Fees,” [sic] in order that the Exchange may provide an equal opportunity to Specialists and Market Makers to access the Specialized Quote Feed (“SQF”) data at a lower cost. SQF is an interface that enables specialists, Streaming Quote Traders (“SQTs”) ³ and Remote Streaming Quote Traders (“RSQTs”) ⁴ to connect and send quotes

³ An SQT is defined in Exchange Rule 1014(b)(ii)(A) as a Registered Options Trader (“ROT”) who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned.

⁴ An RSQT is defined in Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange.

into Phlx XL.⁵ Active SQF ports are ports that receive inbound quotes at any time within that month.⁶

The Exchange is currently undergoing a technology refresh on the Phlx trading system. State-of-the-art hardware and software architecture will be deployed in order to achieve a more efficient and more robust infrastructure to support the growing needs of market participants. Today, the Exchange offers Active SQF Ports in sets of four to accommodate the connections necessary to [sic] the match engine.⁷ The refresh will require at least one port to connect to the match engine as compared to a set of four ports. The functionality will not change as a result of the refresh. The Exchange anticipates that Specialists and Market Makers will benefit from the efficiency of the service that will be available to them as a result of the refresh. While Specialists and Market Makers will be required to make network and other technical changes in order to connect to the Phlx system via SQF, the Exchange believes that members costs will decline overall as a result of the more efficient connectivity offered by the refresh. The increased efficiency in connectivity will not require the same infrastructure on the part of members to connect to the Exchange. Members will not need to have the same level of connectivity after the conversion to the new ports and overall this will reduce cost.

The Exchange intends to provide Specialists and Market Makers with new SQF ports for connectivity and functionality testing so that Specialists and Market Makers may migrate from the old to the new Active SQF Ports over a reasonable period of time.⁸ For

⁵ See Securities Exchange Act Release No. 63034 (October 4, 2010), 75 FR 62441 (October 8, 2010) (SR–Phlx–2010–124).

⁶ The current Active SQF Ports allows member organizations to access, information such as execution reports, execution report messages, auction notifications, and administrative data through a single feed. Other data that is available includes: (1) Options Auction Notifications (e.g., opening imbalance, market exhaust, PIXL or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (4) Complex Order Strategy Auction Notifications (COLA); (5) Complex Order Strategy messages; (6) Option Trading Action Messages (e.g., trading halts, resumption of trading); and (7) Complex Strategy Trading Action Message (e.g., trading halts, resumption of trading).

⁷ These four connections each contain various alpha ranges and therefore four ports are required to access all options.

⁸ The Exchange will migrate on a symbol by symbol basis thereby requiring the use of both new and old Active SQF Ports for a period of time. The Commission notes that the exchange has represented that the rollout will take place over an 8 week period. See Email from Angela Dunn, Associate General Counsel, Phlx, to Tyler Raimo,

purposes of this filing the current ports will be referred to as “current ports” and the ports available after the refresh will be referred to as “new ports.” Current ports will be eliminated after the refresh is complete and only new ports will be utilized thereafter.

Today, the Exchange assesses member organizations an Active SQF Port Fee based on the number of active ports. For 0–4 ports, the member organization is assessed \$350, for 5–18 ports the member organization is assessed \$1,350 and for 19 or more ports the member organization is assessed \$2,500. Active SQF Port Fees are capped at \$41,000 per month.

The Exchange proposes to assess Specialists and Market Makers, who are currently assessed the Active SQF Port Fee because they have ports today, a fee for their current ports which reflects the average of fees assessed to them for the months of August, September and October 2014 (“Fixed Fee”). The Active SQF Fixed Fee will be assessed on a monthly basis to these Specialists and Market Makers, for their current ports, from December 1, 2014 through March 31, 2015.⁹ Any new ports utilized by Specialists or Market Makers, that are being assessed the Fixed Fee, will not be subject to any additional fees through March 31, 2015 beyond the Fixed Fee. The Exchange proposes to not assess Specialists or Market Makers for new ports assigned in connection with XL refresh during the time period from December 1, 2014 through March 31, 2015.

All Specialists and Market Makers would be subject to the following Active SQF Port Fees as of April 1, 2015:

Number of active SQF port	Monthly fee per port
1	\$2,500
2–6	4,000
7 and over	15,000

A Specialist or Market Maker who was not subject to Fixed Fees prior to December 1, 2014, because that Specialist or Marker Maker did not have Active SQF Ports, will be assessed the above Active SQF Port Fees as of December 1, 2014.¹⁰

Senior Special Counsel, Commission, dated November 21, 2014.

⁹ The Exchange intends to notify each Phlx member firm impacted by this proposal in writing, either via email or letter, of the amount of their Fixed Fee.

¹⁰ The Exchange does not anticipate any existing or prospective members seeking to become Specialists or Market Makers to utilize the current system for less than two months given the cost of technology and development resources required to connect to an exchange.

Finally, the Exchange proposes to increase the Active SQF fee cap from \$41,000 to \$42,000 a month as of April 1, 2015.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹¹ in general, and with Section 6(b)(4) and 6(b)(5) of the Act,¹² 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, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The concept of a fixed fee is not novel. A fixed monthly fee was previously adopted in connection with a specialist unit fee on Phlx.¹³

The Exchange believes it is reasonable to allow Specialists and Market Makers to utilize new ports at no cost for a period of time to transition their current SQF ports to the new ports that will be offered as a result of the technology refresh. In order to ease the transition from the current ports to new ports, Specialists and Market Makers would be given an extended period to test functionality and connectivity and resolve any issues that may arise during the testing phase with the new ports. Therefore, pursuant to this proposal, new ports will be offered at no cost to those Specialists and Market Makers that currently pay Active SQF Fees through March 31, 2015 beyond the Fixed Fee. Also, Specialists and Market Maker will be able to continue to utilize their existing SQF ports in the interim to continue to conduct their business at a fixed cost. The Exchange believes that this will allow Specialists and Market Makers to have flexibility when testing the new ports as they will not be limited in number by cost.

The Exchange believes it is equitable and not unfairly discriminatory to allow

Specialists and Market Makers to utilize new ports at no cost because the Exchange is permitting all current Specialists and Market Makers, who will be paying the Active SQF Port Fixed Fee, the opportunity to utilize the new ports at no costs.

The Exchange believes that averaging the months of August, September and October 2014 for the Fixed Active SQF Port Fee that will be assessed from December 1, 2014 to March 31, 2015 is reasonable because the Exchange desires to offer Specialists and Market Makers who currently have ports some certainty with respect to their costs through the transition. The Exchange believes that utilizing the months August, September and October 2014 to determine the Fixed Fee is reasonable because it should reflect an accurate representation of the number of ports typically utilized by that particular Specialist and Market Maker for Active SQF Ports. The three month window reflects the typical pattern of usage for the Specialist or Market Maker. Also, these Specialists and Market Makers would not be assessed any fees to utilize as many new ports as they require to test in the new system.

The Exchange believes that averaging the months of August, September and October 2014 for the Fixed Active SQF Port Fee that will be assessed from December 1, 2014 to March 31, 2015 is equitable and not unfairly discriminatory because the Exchange will assess all current users of Active SQF Ports a Fixed Fee based on the same criteria.

The Exchange believes that it is reasonable to assess the increased port fees as of April 1, 2015 of \$2,500 for 1 port, \$4,000 for 2–6 ports and \$15,000 for 7 or more ports. The technology refresh will increase the efficiency with which members can connect to the Phlx system. As a result of the refresh, members would not be required to utilize the same number of ports as they do today to connect to the Phlx system and therefore this should reduce the number of ports required and lower costs.¹⁴ The refresh will require at least one port to connect to the match engine as compared to a set of four ports. The functionality will not change as a result of the refresh. The Exchange anticipates that Specialists and Market Makers will benefit from the efficiency of the service that will be available to them as a result of the refresh. While Specialists and Market Makers will be required to make

network and other technical changes in order to connect to the Phlx system via SQF, the Exchange believes that members costs will decline overall as a result of the more efficient connectivity offered by the refresh. The increased efficiency in connectivity will not require the same infrastructure on the part of members to connect to the Exchange. Members will not need to have the same level of connectivity after the conversion to the new ports and overall this will reduce cost.

The Exchange believes it is equitable and not unfairly discriminatory to increase the port fees as of April 1, 2015 because all Specialists and Market Makers would be subject to the same fees.

The Exchange believes that assessing new Specialists and Market Makers the new Active SQF Port fees as of December 1, 2014 if they currently have no Active SQF Ports is reasonable because these Specialists and Market Makers would not be required to maintain two sets of ports during the transition.¹⁵ Existing Specialists and Market Makers will be required to maintain old as well as new ports during portions of the migration. These Specialists and Market Makers would be able to commence utilizing the new ports for testing. As previously explained, the technology refresh will increase the efficiency with which members can connect to the Phlx system. As a result of the refresh, members would not be required to utilize the same number of ports as they do today to connect to the Phlx system and therefore this should reduce the number of ports required and lower costs.

The Exchange believes that assessing Specialists and Market Makers the new Active SQF Port fees if they currently have no Active SQF Ports is equitable and not unfairly discriminatory because these Specialists and Market Makers would not be paying an Active SQF Fee for the current ports. All Specialists and Market Makers would be paying a fee to utilize Active SQF Port Fees.

The Exchange believes that increasing the Active Port Fee cap from \$41,000 to \$42,000 as of April 1, 2015 is reasonable because the Exchange is increasing the pricing on new ports. The increase in the cost of the ports aligns with the increased fee cap.

¹⁵ Currently all Specialists and Market Makers are utilizing the current ports. If during the end of October 2014 or November 2014 a new Specialist or Market Maker desired ports they could still obtain the current ports. After December 1, 2014, only the new ports would be offered to a new Specialist or Market Maker.

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(4) and (5).

¹³ See Securities Exchange Act Release No. 48459 (September 8, 2003), 68 FR 54034 (September 15, 2003) (SR-Phlx-2003-61). This proposal offered specialists the ability to pay a fixed monthly fee which was computed by taking the equity options and index options volume in May and June 2003 and multiplying that volume, for the specific specialist, by the specialist transaction fee in effect for equity and index options and adding the total of the charges for that period. In order to qualify for the option of paying a fixed fee, the specialist unit must have been trading an equity or index option book on the Phlx trading floor in their capacity as a specialist unit with Phlx equity option or index option transactions in at least one equity option or index option book, for at least one year from September 1, 2002.

¹⁴ The member organization may have some technological reasons for desiring the same number of ports based on their own technical infrastructure but not because of Phlx's system structure.

The Exchange believes that increasing the Active Port Fee cap from \$41,000 to \$42,000 as of April 1, 2015 is equitable and not unfairly discriminatory because the Exchange will apply the fee cap to all Specialists and Market Makers uniformly at that time.

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

The Exchange does not believe that the proposed rule change will impose an undue burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that offering Specialists and Market Makers the opportunity to utilize certain Active SQF ports, during this transition with XL, at no cost will ensure the transition is done smoothly. Specialists and Market Makers will continue to be assessed the Active SQF Port Fees for current ports at a Fixed Fee that is representative of their typical usage. The Exchange would allow these market participants to utilize new ports at no cost without limit.

Finally, increasing the Active SQF Fee cap from \$41,000 to \$42,000 as of April 1, 2015 will not impose an undue burden on competition because the cap would be applied uniformly to all market participants.

The Exchange operates in a highly competitive market, comprised of twelve options 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.¹⁶ 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 email to rule-comments@sec.gov. Please include File Number SR-Phlx-2014-73 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number SR-Phlx-2014-73. This file number should be included on the subject line if email 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 Web site (<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 Web site 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-2014-73, and should be submitted on or before December 23, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73689; File No. SR-BX-2014-057]

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Extension of the Exchange's Penny Pilot Program and Replacement of Penny Pilot Issues That Have Been Delisted

November 25, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, and Rule 19b-4² thereunder, notice is hereby given that on November 21, 2014, NASDAQ OMX BX, Inc. ("Exchange" or "BX") 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

BX is filing with the Commission a proposal to amend Chapter VI, Section 5 (Minimum Increments) to extend through June 30, 2015, the Penny Pilot Program in options classes in certain issues ("Penny Pilot" or "Pilot"), and to change the date when delisted classes may be replaced in the Penny Pilot.³

The Exchange requests that the Commission waive the 30-day operative

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Penny Pilot was established in June 2012 and extended in 2014. See Securities Exchange Act Release Nos. 67256 (June 26, 2012), 77 FR 39277 (July 2, 2012) (SR-BX-2012-030) (order approving BX option rules and establishing Penny Pilot); and 72246 (May 23, 2014), 79 FR 31160 (May 30, 2014) (SR-BX-2014-027) (notice of filing and immediate effectiveness extending the Penny Pilot through December 31, 2014).

¹⁶ 15 U.S.C. 78s(b)(3)(A)(ii).