SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NASDAQ OMX PHXL LLC; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto To Establish a Lead Market Maker Program on the NASDAQ OMX PSX Market and To Make Related Changes to the Schedule Fees and Rebates for Execution of Quotes and Orders

May 21, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), and Rule 19b–4 thereunder, notice is hereby given that on May 7, 2013, NASDAQ OMX PHXL LLC ("PHXL" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change, which filing was amended by Amendment No. 1 thereto on May 15, 2013, as described in Items 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 establish a Lead Market Maker ("LMM") program on its NASDAQ OMX PSX ("PSX") market and to make related changes to its schedule of fees and rebates for execution of quotes and orders on PSX. PHXL proposes to implement the proposed rule change as soon as practicable following Commission approval. The text of the proposed rule change is available on the Exchange’s Web site at http://nasdaxomxphlx.chwallstreet.com/nasdaqomxphlx/phlx/, at the Exchange’s principal office, 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 Commission recently approved modifications to the rules governing the operation of PHXL’s PSX trading platform in order to replace its price/size/pro rata allocation model with a price/time model, and to permit member organizations to register as market makers in securities traded on PSX.3 PHXL is now proposing to adopt a program for designating Lead Market Makers in particular securities, and adopting associated pricing changes. The overall purpose of these changes is to use financial incentives to encourage member organizations to become LMMs on PSX and adhere to rigorous standards of market quality.4 In doing so, the Exchange hopes to increase the attractiveness of PSX as a trading venue and benefit all of its market participants by increasing the extent to which liquidity is available on PSX at or near the national best bid and national best offer ("NBBO").

An NMS stock that has been selected by the Exchange as a security for which it wishes to designate a Lead Market Maker will be known as a “Qualified Security.” Initially, the Exchange expects that Qualified Securities will be limited to trust-issued receipts, portfolio depository receipts, managed fund shares, and other forms of exchange-traded products (“ETPs”). PHXL has the discretion, however, to designate any NMS stock eligible for trading on PSX as a Qualified Security for which an LMM may be designated. The Exchange will select Qualified Securities based on factors that include, but may not be limited to, historical trading patterns and the interest expressed by member organizations in making a market in particular securities. Depending on its...