Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2012 - * 136

Amendment No. (req. for Amendments *)

Filing by NASDAQ OMX PHLX LLC.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑	Amendment * ☐	Withdrawal ☐

Section 19(b)(2) * ☐

Section 19(b)(3)(A) * ☑

Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * 回

Date Expires *

Rule

☐ 19b-4(f)(1)   ☐ 19b-4(f)(4)
☐ 19b-4(f)(2)   ☐ 19b-4(f)(5)
☐ 19b-4(f)(3)   ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) 回

Section 806(e)(2) 回

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) 回

Exhibit 2 Sent As Paper Document 回

Exhibit 3 Sent As Paper Document 回

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Relating to Distribution of Auction Messages

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Angela   Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaqomx.com

Telephone * (215) 496-5692   Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 12/11/2012

By Edward S. Knight

(Name *)

Executive Vice President and General Counsel

Edward S Knight,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

[Add] [Remove] [View]

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

[Add] [Remove] [View]

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies

[Add] [Remove] [View]

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

[Add] [Remove] [View]

Exhibit Sent As Paper Document
☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

[Add] [Remove] [View]

Exhibit Sent As Paper Document
☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

[Add] [Remove] [View]

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

[Add] [Remove] [View]

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

[Add] [Remove] [View]

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1.   Text of the Proposed Rule Change

(a)   NASDAQ OMX PHLX LLC ("Phlx" or "Exchange"), pursuant to Section

19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2]

proposes to amend Rule 1080(m) to provide for the distribution of auction messages for

certain orders.

The Exchange proposes this amendment become operative on January 2, 2013.

A notice of the proposed rule change for publication in the Federal Register is

attached hereto as Exhibit 1 and the text of the amended Exchange Rule is attached

hereto as Exhibit 5.

(b)   Not applicable.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange

pursuant to authority delegated by the Board of Directors of the Exchange on July 10,

2012. Exchange staff will advise the Board of Directors of any action taken pursuant to

delegated authority. No other action by the Exchange is necessary for the filing of the

rule change.

Questions and comments on the proposed rule change may be directed to Angela

Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

3.   Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis
        for, the Proposed Rule Change

        a.   Purpose

The purpose of the proposed rule change is to amend Rule 1080 titled "Phlx XL

and Phlx XL II," which describes the Exchange's fully automated options trading

system.[3] Specifically, the Exchange seeks to amend an aspect of the order handling rules

related to routing orders to away markets in Rule 1080(m).

Currently, when the Exchange's disseminated bid or offer ("PBBO") is inferior to

the away best bid or offer ("ABBO") the Phlx XL II system will route FIND[4] and SRCH[5]

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[3] This proposal refers to "PHLX XL$^{®}$" as the Exchange's automated options trading
system. In May 2009 the Exchange enhanced the system and adopted corresponding
rules referring to the system as "Phlx XL II." See Securities Exchange Act Release No.
59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). The Exchange
intends to submit a separate technical proposed rule change that would change all
references to the system from "Phlx XL II" to "PHLX XL" for branding purposes.

[4] A FIND order is an order that is routable upon receipt during open trading. Only a
customer FIND order on the Phlx XL II book, whether it is received prior to the opening
or it is a GTC FIND order from a prior day, may be routed as part of the Opening
Process. Non-customer FIND orders are not eligible for routing during the Opening
Process. Once the Opening Process is complete, any FIND order is either eligible to trade
at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one
Minimum Price Variation ("MPV") from the ABBO price if it would otherwise lock or
cross the ABBO. Such FIND order will not be eligible for routing until the next time the
option series is subject to a new Opening Process. See Rule 1080 (m)(iv)(B).

[5] A SRCH order is a customer order that is routable at any time. A SRCH order on the
Phlx XL II book during the Opening Process (including a re-opening following a trading
halt), whether it is received prior to the opening or it is a GTC SRCH order from a prior
day, may be routed as part of the Opening Process. Once the Opening Process is
complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is
equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders
have been routed to better priced markets for their full size; or (2) be routed to better
priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II
book at its limit price if not participating in the Phlx opening at the opening price and not
locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing
if it is locked or crossed by an away market. See Rule 1080 (m)(C).

Orders with no other contingencies as specified in Rule 1080(m) and will place contracts designated as not available for routing ("DNR")[6] on the Phlx book.

With respect to routable FIND and SRCH orders, today the Phlx XL II system has a Route Timer which provides for a system pause for a period not to exceed one second.[7] When the Route Timer is initiated, Phlx XL II participants and other market participants are provided an opportunity to interact with the FIND or SRCH order. During the Route Timer, the FIND or SRCH order is included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND or SRCH order that is equal to or better than the ABBO price, the FIND or SRCH order will trade against such new interest at the ABBO price.[8]

At this time, the Exchange is proposing to expose orders by broadcasting a notification to all Phlx XL II participants and other market participants who have elected to receive such notifications[9] at the time that a FIND or SRCH order is received by Phlx XL II for a time period not to exceed the Route Timer.[10] In the instance that the ABBO changes during the Route Timer, the Exchange would broadcast an updated notification with the new price. Once the Route Timer commences, as is the case today, Phlx XL II

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[6] A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. See Rule 1080(m)(iv)(A). In addition, responses may not trade through the away market. See Rule 1084.

[7] See Rule 1080(m)(iv)(B) and (C).

[8] Id.

[9] The Exchange will broadcast the notifications as specified below in the filing. Only subscribers to certain data feeds will receive the notifications. The notification will identify the size and the side of the market in addition to the exposed price.

[10] Pursuant to Rule 1080(m)(iv), the Route Timer will not exceed one second.

market participants and other market participants would be able to submit new interest opposite the FIND or SRCH order that is equal to or better than the ABBO price, the FIND or SRCH order will trade against such new interest at the ABBO price. Today, if, at the end of the Route Timer, the ABBO is still the best price, the FIND or SRCH order, will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order, as is the case today.[11] This would not change with this proposal.

The Exchange's proposal to expose the order by way of a broadcasting a notification to Phlx XL II participants and other market participants is an amendment to the Exchange's current rules. The Exchange is not proposing to amend any other functionality in Rule 1080(m) related to FIND or SRCH orders. Today, the Exchange executes any responses at a price at or better than the ABBO on a first come, first served basis prior to routing the order to an away market in accordance with the rules currently in effect in Rule 1080(m). If a response trades against new interest, the Route Timer would terminate early if the order is fully executed. This amendment is similar to rules at other options exchanges.[12]

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[11] If the FIND or SRCH order still has remaining size after such routing, it may (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

[12] Currently the Chicago Board Options Exchange, Incorporated ("CBOE") and the International Securities Exchange LLC ("ISE") expose orders during an auction period not to exceed one second.

By way of an example, today assuming that Phlx's best offer is 1.22 for 200 contracts and the NBO is 1.19 for 10 contracts with one other market disseminating a 1.20 offer for 20 contracts. An order to buy 100 contracts at 1.22 is received. The order would be broadcast through a notification message at 1.19. A market participant submits a response to trade 10 contracts at 1.19. As a result 10 contracts trade against market participant A at 1.19 (leaving 90 contracts on the order). During the remaining time on the Route Timer market participant B submits a response to trade 20 contracts at 1.21. As soon as the Route Timer concludes (assuming away market prices have not changed), the Exchange will simultaneously: route an ISO to buy 10 contracts at 1.19 to the NBBO market, route an ISO to buy 20 contracts at 1.20 to the market displaying the 1.20 offer, execute 20 contracts at 1.21 market participant B, and execute the remaining 40 contracts against the Exchange's 1.22 offer.

With respect to non-routable DNR orders, today a DNR order may execute at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Phlx book and be displayed at a price one minimum price variation inferior to that away best bid/offer.[13] An incoming order interacting with such a resting DNR order receives the best away market price.[14] The Exchange is not proposing to change this functionality.

Similar to routable orders, the Exchange is proposing to expose the DNR order, upon receipt, to Phlx XL II participants and other market participants in a manner similar

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[13] See Rule 1080(m)(iv)(A).

[14] Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price. Also, once priced at its original limit price, it will remain at that price until executed or cancelled.

to FIND and SRCH orders. The Exchange proposes to expose the order by broadcasting

a notification to Phlx XL II participants and other market participants. In the instance

that the best away market changes to an inferior price, the DNR order automatically re-

prices again. If, and only if, after repricing, the DNR order is still not displayed at its

original limit price the Exchange will expose the order again to Phlx XL II participants

and other market participants. The DNR order would remain on the book until executed

or cancelled, and not route to an away market, pursuant to current Exchange rules. Any

responses received to the exposed order would be executed in accordance with the

current text of Rule 1080(m)(iv)(A).[15]

By way of an example, today assuming that the PBBO is 1.00 bid/ 2.00 offer and

the NBBO is 1.00 bid/1.20 offer and a DNR order to buy 100 contracts for 1.50 is

received. The order would be broadcast through a notification message at 1.20 and the

PBBO would be updated to 1.19 bid/2.00 offer. If the NBBO moved to 1.00 bid/1.50

offer, and the DNR order was not completely filled, the Exchange would reprice the DNR

order and update the PBBO to 1.49 bid/2.00 offer and broadcast another notification

message at 1.50. The Exchange would expose the order in this instance because the re-

priced DNR order locked the market. The Exchange would also expose the repriced

DNR order in the instance that the order crossed the market. For example, assuming that

the PBBO is 1.00 bid/ 2.00 offer and the NBBO is 1.00 bid/1.20 offer and a DNR order to

buy 100 contracts for 1.50 is received. The order would be broadcast through a

notification message at 1.20. If the NBBO moved to 1.00 bid/1.40 offer, and the order

was not completely filled, the Exchange would reprice the DNR order and update the

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[15] See also Rule 1080(c)(ii).

PBBO to 1.39 bid/2.00 offer and rebroadcast the message at 1.40.   If the NBBO moved

to 1.00 bid/1.53 offer, and the order was not completely filled, the Exchange would

reprice the DNR order to its limit of 1.50 and update the PBBO to 1.50 bid/2.00 offer.

The DNR order, since posted at its limit, will not be rebroadcast and will remain on the

book until it is either executed or cancelled. As previously stated, the Exchange is not

proposing to add any additional functionality to the Phlx XL II system.

      This proposal only seeks to expose certain orders by broadcasting a notification

message to all Phlx XL II participants and market participants that subscribe to certain

data feeds. The Exchange would send the notification message which exposes the order

through both the TOPO Plus Order feed[16] and the Phlx Depth Data feed.[17] In addition,

Market Makers would also receive the notification through the specialized quote feed

("SQF") which is an interface that allows Specialists,[18] Streaming Quote Traders[19] and

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[16] TOPO Plus Orders provides disseminated Exchange simple and complex PHLX order as well as top of file quotation information and PHLX last sale data. See Securities Exchange Act Release No. 60877 (October 26, 2009), 74 FR 56255 (October 30, 2009) (SR-Phlx-2009-92).

[17] PHLX Depth of Market is a data product that provides: (i) order and quotation information for individual quotes and orders on the PHLX book; (ii) last sale information for trades executed on PHLX; and (iii) an Imbalance Message. See Securities Exchange Act Release No. 66967 (May 11, 2012), 77 FR 29440 (May 17, 2012) (SR-Phlx-2012-60). Both of these feeds require subscribers to pay certain fees in order to obtain these feeds. The pricing associated with these data feeds are located in the Exchange's Pricing Schedule at Section IX, titled "Proprietary Date Feed Fees."

[18] A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

[19] An SQT is defined in Exchange Rule 1014(b)(ii)(A) as an 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.

Remote Streaming Quote Traders[20] to connect and send quotes into Phlx XL II.[21]

The Exchange also proposes to rename Rule 1080(m) from "Order Routing" to "Away Markets and Order Routing" to better reflect the various order types in that section.

The Exchange proposes this amendment become operative on January 2, 2013.

b.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[22] in general, and furthers the objectives of Section 6(b)(5) of the Act[23] 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, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that exposing certain orders has the potential to result in more efficient executions for customers as responses to exposed orders could result in quicker executions. The Exchange's proposal to expose the orders to all Phlx XL II market participants as well as other market participants is consistent with the protection

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[20] A Remote Streaming Quote Trader ("RSQT") is defined 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.

[21] See Securities Exchange Act Release No. 63034 (October 4, 2010), 75 FR 62441 (October 8, 2010) (SR-Phlx-2010-124).

[22] 15 U.S.C. 78f(b).

[23] 15 U.S.C. 78f(b)(5).

of investors and the public interest. Broadcasting the message to all market participants

should promote broader awareness of, and provide increased opportunities for greater

participation in, these executions and consequentially, facilitate the ability of the

Exchange to bring together participants and encourage more robust competition for these

orders. In addition, the proposal would continue to guarantee that orders will receive an

execution that is at a price at least as good as the price disseminated by the best away

market at the time the order was received.

In addition, the Exchange believes that because all Phlx XL II participants and

other market participants have the ability to subscribe to a data feed to provide them with

the notifications exposing the orders, that all market participants may avail themselves of

the same information. While Market Makers may receive the SQF data at no cost,

Market Makers have burdensome quoting obligations[24] which do not apply to other

market participants. In addition, Market Makers incur other costs at the Exchange which

are specific to their market making obligations, as compared to other market

participants.[25] The Exchange believes that because the notification message would be

broadcast to all Phlx XL II and other market participants that subscribe to a data feed that

it is a fair and equitable way to notify the marketplace of the opportunity to trade with

these orders. Also, it is important to note that the exposure of the orders will not impact

the manner in which the orders will be executed or routed today, rather the notification

message is an addition to the current functionality that is in place today at the Exchange.

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[24] See Rule 1014 titled "Obligations and Restrictions Applicable to Specialists and
Registered Options Traders."

[25] Market Makers incur costs related to assignments and costs related to subscribing to
various data feeds. See Phlx's Pricing Schedule at Section VI, B and C.

4.   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, but rather this proposal should facilitate the ability of the Exchange to bring together

participants and encourage more robust competition.

5.   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.

6.   Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for

Commission action.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated
        Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A) of the Act[26] and Rule 19b-4(f)(6)[27] thereunder,

the Exchange has designated this proposal as one that effects a change that: (i) does not

significantly affect the protection of investors or the public interest; (ii) does not impose

any significant burden on competition; and (iii) by its terms, does not become operative

for 30 days after the date of the filing, or such shorter time as the Commission may

designate if consistent with the protection of investors and the public interest. The

Exchange believes that this filing is non-controversial because the Exchange is proposing

the addition of a broadcast message to certain data feeds. The Exchange is not proposing

to amend its order handling rules.

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[26] 15 U.S.C. 78s(b)(3)(A).

[27] 17 CFR 240.19b-4(f)(6).

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[28] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)[29] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay and designate the proposed rule change to become operative upon filing. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will ensure fair competition among exchanges by allowing the Exchange to broadcast orders similar to CBOE and ISE. The Exchange believes that the 30-day operative delay should be waived because it would ensure fair competition among exchanges by allowing the Exchange to similarly broadcast orders through its feeds as is being done today at CBOE and ISE. The Exchange believes that exposing certain orders has the potential to result in more efficient executions for customers as responses to exposed orders could result in quicker executions. In addition, broadcasting the message to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions and consequentially, facilitate the ability of the Exchange to bring together participants and

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[28] 17 CFR 240.19b-4(f)(6).

[29] 17 CFR 240.19b-4(f)(6).

encourage more robust competition for these orders. The Exchange proposes an operative date of January 2, 2012.

The Exchange's proposal does not significantly affect the protection of investors or the public interest or impose any significant burden on competition because it is similar to CBOE Rule 6.14A. First, the Exchange's proposal would provide for the exposure of certain eligible orders that are not automatically executed by Phlx XL II for a time period not to exceed one second for all options classes. CBOE's rule provides that its exposure period in the Hybrid System is for a period of time determined by the Exchange on a class-by-class basis. The fact that the Exchange's timer is fixed for all classes is a minor distinction that neither significantly impacts the protection of investors nor imposes a significant burden on competition.

Second, both exchanges permit responses which are equal to or better than the exchange's best bid/offer. CBOE's rule permits Market-Makers with an appointment in the relevant option class and Trading Permit Holders acting as agent for orders resting at the top of CBOE's book, in the relevant option series opposite the order submitted to HAL, to respond to exposure messages during the exposure period, unless CBOE determines, on a class-by-class basis, to allow all Trading Permit Holders to submit responses to the exposure message. The Exchange today permits all Phlx XL II and other market participants to send responses during the Route Timer, this would not change.

Third, CBOE permits responses to be cancelled and/or replaced any time during the exposure period. The Exchange will permit cancellation today provided no execution has occurred. If interest is submitted opposite an exposed order at a price that is at or better than the ABBO and marketable against an order on the Route Timer, the Exchange

will immediately execute that order. CBOE's rule provides that responses shall

immediately trade against the order on a first come, first served basis, this is the case with

the Exchange as well today.

Fourth, both exchanges provide that the auction/Route Timer shall terminate early

when the entire order is executed against new interest on the opposite side of the market

to the exposed order. CBOE, unlike the Exchange, also provides for early termination of

the exposure period in other circumstances.

Fifth, while CBOE only exposes routable orders within its auction and the

Exchange proposes to expose Do Not Route orders ("DNR"), this difference does not

significantly impact investor protection or impose a significant burden on competition.

CBOE and as previously mentioned herein, ISE,[30] both have rules in place which expose

orders to its market participants for the purpose of initiating interest from members to

transact orders. The Exchange proposes to also expose orders similar to CBOE and ISE,

except that the orders exposed are applicable for all orders on the Exchange as compared

to only those orders in an auction. The Exchange similarly is seeking to initiate interest

from its market participants to transact orders. The Exchange believes that exposing

DNR as well as FIND and SRCH messages does not impose any significant burden on

competition, but rather treats these order types in an equal fashion by informing market

participants that the orders are present and initiating potential interest from market

participants so that responses may be submitted to those orders, to the benefit of

investors. The broadcast message should promote a greater awareness of the orders and

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[30] See ISE Rules 716 and 723.

provide increased opportunities for responses to these orders, and subsequent executions, similar to FIND and SRCH orders.

Sixth, the Exchange today publishes orders on the Phlx book, as part of the Exchange best bid and offer quote, to the Options Price Reporting Authority ("OPRA").[31] This proposal would not amend the manner in which the Exchange publishes to OPRA. The Exchange's proposal would broadcast a message through the TOPO Plus Order feed, the Phlx Depth Data feed and SQF at the NBBO, in addition to the publication on OPRA. CBOE and ISE broadcast certain eligible orders, but do not also publish those orders to OPRA. The Exchange's proposal, which solely seeks to add a broadcast message, is similar to broadcast messages at CBOE and ISE. The Exchange believes that broadcasting the FIND, SRCH and DNR orders at the NBBO in addition to publishing orders on the Phlx book at one MPV from the ABBO to OPRA does not impose any significant burden on competition because the Exchange is providing market participants with additional information about orders on the book. If a market participant subscribed to the TOPO Plus, Phlx Depth Data feed or SQF in addition to receiving the OPRA information, the Exchange does not believe that receiving this data would create confusion. The data feeds provide similar information except when there is an order on the book locking the ABBO, in which case the Exchange would publish the order's price to OPRA at one MPV away from the opposite side ABBO. In addition, the Exchange would publish the proposed notification at the opposite side NBBO (i.e. at the locking price, as is the case on CBOE and ISE). A market participant subscribing to both the

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[31] Pursuant to Rule 1080, the Exchange publishes FIND, SRCH and DNR orders, which are on the Phlx XL II book, to OPRA at either at its limit price or at a price that is one Minimum Price Variation ("MPV") from the ABBO price if it would otherwise lock or cross the ABBO.

OPRA feed and one of the PHLX feeds or SQF would be able to determine that the order

is posted at a price that locks the NBBO because orders that are on the book at a price

that locks the ABBO are published to OPRA at the price that is one MPV from the

ABBO, which is not changing with this proposal. The Exchange believes that the new

notification message does not add confusion but instead provides more clarity.

The Exchange believes that the proposal does not significantly affect the

protection of investors or the public interest because as described above, the proposal is

similar to a proposal by CBOE. To the extent CBOE or another exchange were to choose

in the future to copy the Exchange's proposed rule, the Exchange believes that too would

be consistent with the Act and with Rule 19b-4(f)(6).

8.   Proposed Rule Change Based on Rules of Another Self-Regulatory Organization
        or of the Commission

        The proposed rule change is based on CBOE Rule 6.14A.[32]

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[32] See CBOE Rule 6.14A. Similar to the CBOE Rule, the Exchange's proposal will
provide for the exposure of certain eligible orders that are not automatically executed by
Phlx XL II or in CBOE's case, the Hybrid System, for a time period not to exceed one
second. CBOE's rule provides that its exposure period is for a period of time determined
by the Exchange on a class-by-class basis. The Exchange does not differentiate the
Route Timer by class today and this would not change. CBOE's rule permits Market-
Makers with an appointment in the relevant option class and Trading Permit Holders
acting as agent for orders resting at the top of CBOE's book, in the relevant option series
opposite the order submitted to HAL, to respond to exposure messages during the
exposure period, unless CBOE determines, on a class-by-class basis, to allow all Trading
Permit Holders to submit responses to the exposure message. The Exchange today
permits all Phlx XL II and other market participants to send responses during the Route
Timer, this would not change. Both exchanges permit responses which are equal to or
better than the exchange's best bid/offer. CBOE permits responses to be cancelled and/or
replaced any time during the exposure period. The Exchange will permit cancellation
today provided no execution has occurred. If interest is submitted opposite an exposed
order at a price that is at or better than the ABBO and marketable against an order on the
Route Timer, the Exchange will immediately execute that order. CBOE's rule provides
that responses shall immediately trade against the order on a first come, first served basis,

9.   Exhibits

        1. Notice of proposed rule for publication in the Federal Register.

        5. Proposed Rule Text.

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this is the case with the Exchange as well today. Both exchanges provide that the auction/Route Timer shall terminate early when the entire order is executed against new interest on the opposite side of the market to the exposed order. CBOE, unlike the Exchange, also provides for early termination of the exposure period in other circumstances. Finally, CBOE does not publish orders on OPRA and also expose them. The Exchange would both publish orders on OPRA and expose those orders as described herein. The only change being made by the Exchange is the addition of the broadcast message, which is similar to broadcast messages on CBOE and ISE.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-Phlx-2012-136)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of
Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to the Distribution of
Auction Messages

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and

Rule 19b-4[2] thereunder, notice is hereby given that on December 11, 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 Rule 1080(m) to provide for the distribution of

auction messages for certain orders.

The Exchange proposes this amendment become operative on January 2, 2013.

The text of the proposed rule change is available on the Exchange's Website at

http://www.nasdaqtrader.com/micro.aspx?id=PHLXRulefilings, at the principal office of

the Exchange, and at the Commission's Public Reference Room.

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to amend Rule 1080 titled "Phlx XL and Phlx XL II," which describes the Exchange's fully automated options trading system.[3] Specifically, the Exchange seeks to amend an aspect of the order handling rules related to routing orders to away markets in Rule 1080(m).

Currently, when the Exchange's disseminated bid or offer ("PBBO") is inferior to the away best bid or offer ("ABBO") the Phlx XL II system will route FIND[4] and SRCH[5]

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[3] This proposal refers to "PHLX XL®" as the Exchange's automated options trading system. In May 2009 the Exchange enhanced the system and adopted corresponding rules referring to the system as "Phlx XL II." See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). The Exchange intends to submit a separate technical proposed rule change that would change all references to the system from "Phlx XL II" to "PHLX XL" for branding purposes.

[4] A FIND order is an order that is routable upon receipt during open trading. Only a customer FIND order on the Phlx XL II book, whether it is received prior to the opening or it is a GTC FIND order from a prior day, may be routed as part of the Opening Process. Non-customer FIND orders are not eligible for routing during the Opening Process. Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation ("MPV") from the ABBO price if it would otherwise lock or

Orders with no other contingencies as specified in Rule 1080(m) and will place contracts designated as not available for routing ("DNR")[6] on the Phlx book.

With respect to routable FIND and SRCH orders, today the Phlx XL II system has a Route Timer which provides for a system pause for a period not to exceed one second.[7] When the Route Timer is initiated, Phlx XL II participants and other market participants are provided an opportunity to interact with the FIND or SRCH order. During the Route Timer, the FIND or SRCH order is included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND or SRCH order that is equal to or better than the ABBO price, the FIND or SRCH order will trade against such new interest at the ABBO price.[8]

At this time, the Exchange is proposing to expose orders by broadcasting a notification to all Phlx XL II participants and other market participants who have elected

cross the ABBO. Such FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process. See Rule 1080 (m)(iv)(B).

[5] A SRCH order is a customer order that is routable at any time. A SRCH order on the Phlx XL II book during the Opening Process (including a re-opening following a trading halt), whether it is received prior to the opening or it is a GTC SRCH order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market. See Rule 1080 (m)(C).

[6] A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. See Rule 1080(m)(iv)(A). In addition, responses may not trade through the away market. See Rule 1084.

[7] See Rule 1080(m)(iv)(B) and (C).

[8] Id.

to receive such notifications[9] at the time that a FIND or SRCH order is received by Phlx

XL II for a time period not to exceed the Route Timer.[10] In the instance that the ABBO

changes during the Route Timer, the Exchange would broadcast an updated notification

with the new price. Once the Route Timer commences, as is the case today, Phlx XL II

market participants and other market participants would be able to submit new interest

opposite the FIND or SRCH order that is equal to or better than the ABBO price, the

FIND or SRCH order will trade against such new interest at the ABBO price. Today, if,

at the end of the Route Timer, the ABBO is still the best price, the FIND or SRCH order,

will route to the away market(s) whose disseminated price is better than the PBBO, up to

a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of

the SRCH order, as is the case today.[11] This would not change with this proposal.

The Exchange's proposal to expose the order by way of a broadcasting a

notification to Phlx XL II participants and other market participants is an amendment to

the Exchange's current rules. The Exchange is not proposing to amend any other

functionality in Rule 1080(m) related to FIND or SRCH orders. Today, the Exchange

executes any responses at a price at or better than the ABBO on a first come, first served

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[9] The Exchange will broadcast the notifications as specified below in the filing. Only
subscribers to certain data feeds will receive the notifications. The notification will
identify the size and the side of the market in addition to the exposed price.

[10] Pursuant to Rule 1080(m)(iv), the Route Timer will not exceed one second.

[11] If the FIND or SRCH order still has remaining size after such routing, it may (1) trade
at the next PBBO price (or prices) if the order price is locking or crossing that price (or
prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit
price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will
route and execute contracts contemporaneously at the end of the Route Timer. Once on
the book, the SRCH order is eligible for routing if it is locked or crossed by an away
market.

basis prior to routing the order to an away market in accordance with the rules currently

in effect in Rule 1080(m). If a response trades against new interest, the Route Timer

would terminate early if the order is fully executed. This amendment is similar to rules at

other options exchanges.[12]

By way of an example, today assuming that Phlx's best offer is 1.22 for 200

contracts and the NBO is 1.19 for 10 contracts with one other market disseminating a

1.20 offer for 20 contracts. An order to buy 100 contracts at 1.22 is received. The order

would be broadcast through a notification message at 1.19. A market participant submits

a response to trade 10 contracts at 1.19. As a result 10 contracts trade against market

participant A at 1.19 (leaving 90 contracts on the order). During the remaining time on

the Route Timer market participant B submits a response to trade 20 contracts at 1.21.

As soon as the Route Timer concludes (assuming away market prices have not changed),

the Exchange will simultaneously: route an ISO to buy 10 contracts at 1.19 to the NBBO

market, route an ISO to buy 20 contracts at 1.20 to the market displaying the 1.20 offer,

execute 20 contracts at 1.21 market participant B, and execute the remaining 40 contracts

against the Exchange's 1.22 offer.

With respect to non-routable DNR orders, today a DNR order may execute at a

price equal to or better than, but not inferior to, the best away market price but, if that

best away market remains, the DNR order will remain in the Phlx book and be displayed

at a price one minimum price variation inferior to that away best bid/offer.[13] An

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[12] Currently the Chicago Board Options Exchange, Incorporated ("CBOE") and the
International Securities Exchange LLC ("ISE") expose orders during an auction period
not to exceed one second.

[13] See Rule 1080(m)(iv)(A).

incoming order interacting with such a resting DNR order receives the best away market price.[14] The Exchange is not proposing to change this functionality.

Similar to routable orders, the Exchange is proposing to expose the DNR order, upon receipt, to Phlx XL II participants and other market participants in a manner similar to FIND and SRCH orders. The Exchange proposes to expose the order by broadcasting a notification to Phlx XL II participants and other market participants. In the instance that the best away market changes to an inferior price, the DNR order automatically re-prices again. If, and only if, after repricing, the DNR order is still not displayed at its original limit price the Exchange will expose the order again to Phlx XL II participants and other market participants. The DNR order would remain on the book until executed or cancelled, and not route to an away market, pursuant to current Exchange rules. Any responses received to the exposed order would be executed in accordance with the current text of Rule 1080(m)(iv)(A).[15]

By way of an example, today assuming that the PBBO is 1.00 bid/ 2.00 offer and the NBBO is 1.00 bid/1.20 offer and a DNR order to buy 100 contracts for 1.50 is received. The order would be broadcast through a notification message at 1.20 and the PBBO would be updated to 1.19 bid/2.00 offer. If the NBBO moved to 1.00 bid/1.50 offer, and the DNR order was not completely filled, the Exchange would reprice the DNR order and update the PBBO to 1.49 bid/2.00 offer and broadcast another notification

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[14] Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price. Also, once priced at its original limit price, it will remain at that price until executed or cancelled.

[15] See also Rule 1080(c)(ii).

message at 1.50. The Exchange would expose the order in this instance because the re-

priced DNR order locked the market. The Exchange would also expose the repriced

DNR order in the instance that the order crossed the market. For example, assuming that

the PBBO is 1.00 bid/ 2.00 offer and the NBBO is 1.00 bid/1.20 offer and a DNR order to

buy 100 contracts for 1.50 is received. The order would be broadcast through a

notification message at 1.20. If the NBBO moved to 1.00 bid/1.40 offer, and the order

was not completely filled, the Exchange would reprice the DNR order and update the

PBBO to 1.39 bid/2.00 offer and rebroadcast the message at 1.40.   If the NBBO moved

to 1.00 bid/1.53 offer, and the order was not completely filled, the Exchange would

reprice the DNR order to its limit of 1.50 and update the PBBO to 1.50 bid/2.00 offer.

The DNR order, since posted at its limit, will not be rebroadcast and will remain on the

book until it is either executed or cancelled. As previously stated, the Exchange is not

proposing to add any additional functionality to the Phlx XL II system.

This proposal only seeks to expose certain orders by broadcasting a notification

message to all Phlx XL II participants and market participants that subscribe to certain

data feeds. The Exchange would send the notification message which exposes the order

through both the TOPO Plus Order feed[16] and the Phlx Depth Data feed.[17] In addition,

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[16] TOPO Plus Orders provides disseminated Exchange simple and complex PHLX order
as well as top of file quotation information and PHLX last sale data. See Securities
Exchange Act Release No. 60877 (October 26, 2009), 74 FR 56255 (October 30, 2009)
(SR-Phlx-2009-92).

[17] PHLX Depth of Market is a data product that provides: (i) order and quotation
information for individual quotes and orders on the PHLX book; (ii) last sale information
for trades executed on PHLX; and (iii) an Imbalance Message. See Securities Exchange
Act Release No. 66967 (May 11, 2012), 77 FR 29440 (May 17, 2012) (SR-Phlx-2012-
60). Both of these feeds require subscribers to pay certain fees in order to obtain these
feeds. The pricing associated with these data feeds are located in the Exchange's Pricing
Schedule at Section IX, titled "Proprietary Date Feed Fees."

Market Makers would also receive the notification through the specialized quote feed

("SQF") which is an interface that allows Specialists,[18] Streaming Quote Traders[19] and

Remote Streaming Quote Traders[20] to connect and send quotes into Phlx XL II.[21]

The Exchange also proposes to rename Rule 1080(m) from "Order Routing" to

"Away Markets and Order Routing" to better reflect the various order types in that

section.

The Exchange proposes this amendment become operative on January 2, 2013.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[22] in general, and furthers the objectives of Section 6(b)(5) of the Act[23] 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, to remove impediments to and

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[18] A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

[19] An SQT is defined in Exchange Rule 1014(b)(ii)(A) as an 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.

[20] A Remote Streaming Quote Trader ("RSQT") is defined 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.

[21] See Securities Exchange Act Release No. 63034 (October 4, 2010), 75 FR 62441 (October 8, 2010) (SR-Phlx-2010-124).

[22] 15 U.S.C. 78f(b).

[23] 15 U.S.C. 78f(b)(5).

perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that exposing certain orders has the potential to result in more efficient executions for customers as responses to exposed orders could result in quicker executions. The Exchange's proposal to expose the orders to all Phlx XL II market participants as well as other market participants is consistent with the protection of investors and the public interest. Broadcasting the message to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions and consequentially, facilitate the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the time the order was received.

In addition, the Exchange believes that because all Phlx XL II participants and other market participants have the ability to subscribe to a data feed to provide them with the notifications exposing the orders, that all market participants may avail themselves of the same information. While Market Makers may receive the SQF data at no cost, Market Makers have burdensome quoting obligations[24] which do not apply to other market participants. In addition, Market Makers incur other costs at the Exchange which are specific to their market making obligations, as compared to other market

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[24] See Rule 1014 titled "Obligations and Restrictions Applicable to Specialists and Registered Options Traders."

participants.[25] The Exchange believes that because the notification message would be

broadcast to all Phlx XL II and other market participants that subscribe to a data feed that

it is a fair and equitable way to notify the marketplace of the opportunity to trade with

these orders. Also, it is important to note that the exposure of the orders will not impact

the manner in which the orders will be executed or routed today, rather the notification

message is an addition to the current functionality that is in place today at the Exchange.

      B.   <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

      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, but rather this proposal should facilitate the ability of the Exchange to bring together

participants and encourage more robust competition.

      C.   <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

      No written comments were either solicited or received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

      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 after the date of the filing, or such

shorter time as the Commission may designate, it has become effective pursuant to

19(b)(3)(A) of the Act[26] and Rule 19b-4(f)(6)[27] thereunder.

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[25] Market Makers incur costs related to assignments and costs related to subscribing to various data feeds. <u>See</u> Phlx's Pricing Schedule at Section VI, B and C.

[26] 15 U.S.C. 78s(b)(3)(A).

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. Please include File Number SR-

  Phlx-2012-136 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 Number SR-Phlx-2012-136. This file

number should be included on the subject line if e-mail is used. To help the Commission

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[27] 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory
organization to give the Commission written notice of its intent to file the proposed rule
change at least five business days prior to the date of filing of the proposed rule change,
or such shorter time as designated by the Commission. The Exchange has satisfied this
requirement.

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 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-2012-136 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.[28]

                          Kevin M. O'Neill
                          Deputy Secretary

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[28] 17 CFR 200.30-3(a)(12).

Exhibit 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX RULES

* * * * *

Rule 1080. Phlx XL and Phlx XL II

(a) – (l) No Change

(m) **Away Markets and Order Routing**[—]

The Phlx XL II system will route FIND and SRCH Orders (as defined below) with no other contingencies. IOC Orders will be cancelled immediately if not executed, and will not be routed. Eligible orders can be designated as either available for routing or not available for routing. Routable FIND and SRCH Orders (as defined in Rule 1080(m)(iv) below) designated as available for routing will first be checked by the Phlx XL II system for available contracts for potential execution. After checking the Phlx XL II system for available contracts, orders are sent to other available market centers for potential execution. When checking the book, the Phlx XL II system will seek to execute at the price at which it would send the order to a destination market center. In situations where the Exchange's disseminated bid or offer is inferior to the NBBO price, the Phlx XL II system will contemporaneously route an order marked as an ISO to each away market disseminating prices better than the Exchange's price, for the lesser of: (a) the disseminated size of such away markets, or (b) the order size and, if order size remains after such routing, trade at the Exchange's disseminated bid or offer up to its disseminated size. If contracts still remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will not route the order to the locking or crossing market center, except as specified below.

(i) Priority of Routed Orders. Orders sent to other markets do not retain time priority with respect to other orders in the Phlx XL II system and the Phlx XL II system shall continue to execute other orders while routed orders are away at another market center. Once routed by the Phlx XL II system, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the Phlx XL II system.

(ii) Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.

(iii) (A) The Exchange shall route orders in options via Nasdaq Options Services LLC ("NOS"), a broker-dealer that is a member of an unaffiliated SRO which is the designated examining authority for the broker-dealer. NOS serves as the Routing Facility

of the Exchange (the "Routing Facility"). The sole use of the Routing Facility by the Phlx XL II system will be to route orders in options listed and open for trading on the Phlx XL II system to away markets pursuant to Exchange rules on behalf of the Exchange and, in addition, where one component of a Complex Order is the underlying security, to execute and report such component otherwise than on the Exchange, pursuant to Rule 1080.08(h). The Routing Facility is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Securities Exchange Act of 1934, as amended.

(B) Use of NOS to route orders to other market centers is optional. Parties that do not desire to use NOS must designate orders as not available for routing (a Do Not Route Order, as described in sub-paragraph (iv)(A) below).

(C) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility.

(D) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(E) *Market Access.* In addition to the Exchange Rules regarding routing to away trading centers, NASDAQ Options Services, as defined above, has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NASDAQ Options Services to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3-5, the order will be rejected prior to routing and/or NOS will seek to cancel any orders that have been routed.

(iv) The following order types are available:

(A) *DNR Order.* A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Phlx book and be displayed at a price one minimum price variation inferior to that away best bid/offer. The Exchange shall immediately upon receipt of the DNR order expose the order at the NBBO to Phlx XL II participants and other market participants. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation

inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price.

(B) *FIND Order*. A FIND order is an order that is routable upon receipt during open trading. Only a customer FIND order on the Phlx XL II book, whether it is received prior to the opening or it is a GTC FIND order from a prior day, may be routed as part of the Opening Process. Non-customer FIND orders are not eligible for routing during the Opening Process. Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation ("MPV") from the ABBO price if it would otherwise lock or cross the ABBO. Such FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XL II book at its limit price. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the FIND order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV away from the ABBO if locking or crossing the ABBO. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the FIND order has size remaining after exhausting the PBBO, it will initiate a Route Timer, not to exceed one second, and expose the FIND order at the NBBO [in order] to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against the new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer expires depends on the ABBO price at that time. If, at the end of

the Route Timer, the ABBO is still at the same or a better price, the FIND order will route to the away market up to a size equal to the lesser of either (a) the away market's size or (b) the remaining size of the FIND order. If the FIND order still has remaining size after routing, it will be entered into the Phlx XL II book and posted at the same price at which it was routed. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the FIND order at the NBBO [in order] to allow Phlx XL II participants and other market participants an opportunity to interact with the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a FIND order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the FIND order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the FIND order. If the FIND order still has remaining size after such routing, it will (i) trade at the next PBBO price, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Phlx XL II book and posted at its limit price. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND Order that is routed to an away market will be marked as an ISO.

(C) *SRCH Order.* A SRCH order is a customer order that is routable at any time. A SRCH order on the Phlx XL II book during the Opening Process (including a re-opening following a trading halt), whether it is received prior to the opening or it is a GTC SRCH order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market (see below).

A SRCH order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XLII book. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the SRCH order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to away markets if all Phlx interest at better or equal prices has been exhausted ,and/or (3) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the SRCH order has size remaining after exhausting the PBBO, it will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO [in order] to allow Phlx XL II participants and other market participants an opportunity to interact with the SRCH order. During the timer, the SRCH order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against the new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO [in order] to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the PBBO at a price one MPV inferior to the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than

the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order on the Phlx XL II book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the PBBO which includes a SRCH order, the Phlx XL II system will initiate a Route Timer not to exceed one second in order to allow Phlx users an opportunity to interact with the SRCH order. During the Route Timer, the SRCH order remains in the PBBO at its posted price. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size, that size will remain on the book.

A SRCH Order that is routed to an away market will be marked as an ISO.

(n) – (o) No Change

••• *Commentary:* -------------------

      .01 - .08 No Change

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