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Page 1 of * 28

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

File No.* SR - 2012 - * 92

Amendment No. (req. for Amendments *)

Proposed Rule Change 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) *			
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Pilot	Extension of Time Period for Commission Action *	Date Expires *	19b-4(f)(1)	19b-4(f)(2)	19b-4(f)(3)	19b-4(f)(4)	19b-4(f)(5)	19b-4(f)(6)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

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

A Proposal to Amend Exchange Rules 1014, 1051, and OFPA F-2.

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 proposed rule change.

First Name *	Jeffrey	Last Name *	Davis
Title *	Vice President and Deputy General Counsel		
E-mail *	jeffrey.davis@nasdaqomx.com		
Telephone *	(301) 978-8484	Fax	(301) 978-8472

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 officer.

Date 07/06/2012

By Edward S. Knight

(Name *)

Executive Vice President and General Counsel

(Title *)

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 EDDS website.

Form 19b-4 Information (required)

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 (required)

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 2 - Notices, Written Comments, Transcripts, Other Communications

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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

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 Exchange Rules 1014, Obligations and Restrictions Applicable to Specialists and Registered Options Traders, and 1051, General Comparison And Clearance Rule, and Options Floor Procedure Advice (“OFPA”) F-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to delete obsolete and unnecessary provisions in the Rules and OFPA concerning ticket matching and trade reporting requirements for options trades executed in open outcry.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is set forth below. Brackets indicate deletions; underlining indicates new text.

Obligations and Restrictions Applicable to Specialists and Registered Options Traders

Rule 1014. (a) – (f) No change.

(g) (i) -(v) No change.

(vi) In order to facilitate timely tape reporting of [executed] trades, it is the duty of the persons identified below to allocate, match and time stamp trades [manually] executed in open outcry [trades as well as] and to submit the matched trade tickets to [the appropriate person at the respective specialist post] an Exchange Data Entry Technician (“DET”) located on the trading floor immediately upon execution. Trades executed electronically via the XL System are automatically trade reported without further action required by executing parties:

(a) – (d) No change.

(vii) – (viii) No change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Commentary: No change.

General Comparison And Clearance Rule

Rule 1051. (a) A member or member organization initiating an options transaction, whether acting as principal or agent, must report or ensure that the transaction is reported within 90 seconds of the execution to the tape[, except that, when an order represented by a Floor Broker is executed against a limit order on the book, the specialist must report or ensure that the portion of the transaction represented by such specialist is reported to the tape]. Transactions not reported within 90 seconds after execution shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade.

(b) All Exchange options transactions shall be reported at the time of execution to the Exchange for comparison of trade information [at the specialist's post] and all compared transactions shall be cleared through the Options Clearing Corporation and shall be subject to the rules of the Options Clearing Corporation.

F-2 Allocation, Time Stamping, Matching and Access to Matched Trades

(a) In order to facilitate timely tape reporting of [executed] trades, it is the duty of the persons identified below to allocate, match and time stamp trades [manually] executed in open outcry [trades as well as] and to submit the matched trade tickets to [the appropriate person at the respective Specialist post] an Exchange Data Entry Technician ("DET") located on the trading floor immediately upon execution. Trades executed electronically via the XL System are automatically trade reported without further action required by executing parties:

(i) – (iv) No change.

(b) A member or member organization initiating an options transaction, whether acting as principal or agent, must report or ensure that the transaction is reported within 90 seconds of the execution to the tape [, except that, when an order represented by a Floor Broker is executed against a limit order on the book, the Specialist must report or ensure that the portion of the transaction represented by such Specialist is reported to the tape]. Transactions not reported within 90 seconds after execution shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade.

(c) No change.

(d) Once a trade has been matched and submitted to a DET located on the trading floor for reporting [at the post], the respective [Specialist Unit] parties to the trade must preserve the matched tickets, or copies thereof, for a period of not less than three years.

(e) No change.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on July 28, 2011. 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 Jeffrey S. Davis, Deputy General Counsel, at (301) 978-8484.

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 modify unnecessary or obsolete provisions currently contained in Exchange Rules 1014(g)(vi), 1051, and OFPA F-2 that set forth ticket matching and trade reporting requirements for members executing transactions on the Exchange. The proposed rule change is intended to adopt rules that reflect the current process for matching and reporting options trades executed in open outcry on the floor of the Exchange.

The matching and trade reporting requirements in the current rules apply to trades that are executed in open outcry, which may require the participants to submit written paper trade tickets for reporting. Portions of the Rules and OFPA apply to electronically

executed trades, which are matched and reported to the consolidated tape automatically by the Exchange's automated options trading system, PHLX XL^{®3}. The vast majority of options trades that are executed on the Exchange are reported to the consolidated tape and to the participants in the trade automatically. In certain instances, however, trades are executed in open outcry in the trading crowd without the use of electronic connectivity to PHLX XL (such as a verbal trade between market makers). The Exchange proposes to modify the Rules and OFPA to reflect the current procedures for reporting such trades.

Current Rules

Rule 1051(b) currently requires that all Exchange options transactions be reported at the time of execution to the Exchange for comparison of trade information at the specialist's post. Currently, not "all" options trades are executed in open outcry. In fact, the majority of option trades executed on the Exchange are executed electronically via PHLX XL. Upon the electronic execution of an options trade, PHLX XL sends an immediate report of the trade to the Options Price Reporting Authority ("OPRA"), the Options Clearing Corporation ("OCC"), and to the participants in the trade. Therefore, trades executed electronically via PHLX XL require no trade reporting action by participants.

³ PHLX XL, formerly known as "AUTOM," is the Exchange's electronic order delivery and reporting system, which provides for the automatic entry and routing of Exchange-listed equity options, index options and U.S. dollar-settled foreign currency options orders to the Exchange trading floor. See Exchange Rule 1080(a). This proposal refers to "PHLX XL" as the Exchange's automated options trading and reporting 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 "AUTOM" and "Phlx XL II" to "PHLX XL" for branding purposes.

Some trades still occur verbally in the trading crowd, such as when market makers trade with one another, or in very rare instances where there is a malfunction of the Exchange's system or the Options Floor Broker Management System ("FBMS," described below). In such instances, participants in the verbal trade are required to produce written trade tickets. Current Rule 1014(g)(vi) and OFPA F-2 require participants to allocate, match and time stamp executed trades as well as to submit the matched trade to the appropriate person at the respective specialist post. Once a trade has been matched and submitted for reporting at the post, current OFPA F-2(d) states that the respective Specialist Unit must preserve the matched tickets for a period of not less than three years.

Current Rule 1051(a) and OFPA F-2(b) require a member or member organization initiating an options transaction, whether acting as principal or agent, to report or ensure that the transaction is reported within 90 seconds of the execution to the tape, except that, when an order represented by a Floor Broker is executed against a limit order on the book, the Specialist must report or ensure that the portion of the transaction represented by such Specialist is reported to the tape.

The Proposal

The Exchange proposes to: (i) amend Rule 1014(g)(vi) to require matched tickets in manually executed trades to be submitted to an Exchange Data Entry Technician ("DET") located on the options trading floor immediately upon execution; (ii) to delete from Rules 1014(g)(vi) and 1051(b), the provision that currently states that all Exchange options transactions shall be reported at the time of execution to the Exchange for

comparison of trade information at the specialist's post;⁴ (iii) delete from Rule 1051(a) and OFPA-2(b) the provision stating that when an order represented by a Floor Broker is executed against a limit order on the book, the Specialist must report or ensure that the portion of the transaction represented by such Specialist is reported to the tape (the Floor Broker now has the capability of electronically executing limit orders on the limit order book using the FBMS);⁵ and (iv) delete from OFPA-2(d) the provision requiring specialists to keep matched tickets for a minimum of three years, and replace that provision with rule text requiring the respective parties to the manually executed trade to preserve the matched tickets for a three-year period. If the specialist is a party to such a trade, the specialist would be included as a party required to preserve the matched tickets. The specialist would not be required to keep matched trade tickets from a manually executed trade to which the specialist is not a party.

The vast majority of trades on the Exchange are now executed and reported electronically via PHLX XL. The advent of electronic trading has in most cases obviated the need for trade tickets, except in the few instances where trades are executed in open

⁴ Manually executed trades are currently reported to DETs located on the Exchange floor; electronically executed trades are submitted to the Exchange through PHLX XL.

⁵ The Options Floor Broker Management System is a component of the Exchange's system designed to enable Floor Brokers and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. The Options Floor Broker Management System also is designed to establish an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange, such that the audit trial provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. See Exchange Rule 1080, Commentary .06.

outcry.⁶ As a result, Exchange DETs are no longer positioned behind the specialist's post. Instead, Exchange DETs are located at a specific location on the Exchange's Options Floor, and not behind any particular specialist's trading post. The Exchange therefore proposes to amend Rule 1014(g)(vi) and OFPA F-2(a) by requiring the responsible person to submit the matched trade tickets to an Exchange DET located on the trading floor immediately upon execution. Additionally, because reporting of trades executed in open outcry to the Exchange is not currently done at the specialist's post, the Exchange proposes to delete this requirement from Rule 1051(b).

The Exchange also proposes to delete the provision from Rule 1051(a) and OFPA F-2(b) stating that when an order represented by a Floor Broker is executed against a limit order on the book, the specialist must report or ensure that the portion of the transaction represented by such specialist is reported to the tape. Floor Brokers have the capability and the requirement to enter orders to trade against limit orders on the limit order book using the FBMS.⁷

At the time of the initial deployment of the FBMS, when a floor broker initiated a transaction and executed all or a portion of the transaction against a contra-side limit order on the limit order book, the specialist executed the booked limit order on the system by matching the booked limit order against the order represented by the floor broker. The rule requires that when an order represented by a floor broker is executed against a limit order on the book, the specialist must report or ensure that the portion of the

⁶ For example, an Exchange market maker trading directly with another market maker in open outcry would still require paper tickets, and trade tickets would be used in the event of a system malfunction.

⁷ See Exchange Rules 1063(e) and (f).

transaction represented by such specialist is reported to the tape. The purpose of this provision was to address the situation in which an order represented by a floor broker executes a booked limit order was executed by the specialist. The floor broker in this situation was not required to report that portion of the transaction on the system, despite the fact that the floor broker involved may have in fact “initiated” the transaction.

Subsequently, the Exchange made changes to the PHLX XL system and created PHLX XL II, which was rolled out over a 12-week period (the “rollout”).⁸ Upon completion of the rollout, specialists could no longer match orders in the trading crowd, including those submitted via FBMS, with orders on the book. The PHLX XL system now matches and reports all trades submitted electronically against limit orders on the book.⁹ The instant proposed rule change is intended to reflect that the specialist no

⁸ See supra note 3.

⁹ The Exchange is a member of OPRA under the Limited Liability Company Agreement of Options Price Reporting Authority, LLC (“the OPRA Plan”). Section 5.2 of the OPRA Plan, entitled “Collection and Dissemination of Options Last Sale Reports and Quotation Information,” requires each of the Members to collect and promptly transmit to the OPRA System by means of its own facilities all Last Sale Reports relating to its respective market. For this purpose, each of the Members is required to use its best efforts to transmit such reports to the OPRA System, properly sequenced, within two minutes of the time of execution. Such reports shall be sequenced and transmitted in the appropriate format conforming to the specifications prescribed by OPRA (which may be reflected in contractual agreements between OPRA and persons providing data processing services to OPRA). Except as otherwise provided by OPRA, such reports shall identify:

- i) The options series;
- (ii) The number of contracts in each transaction;
- (iii) The price at which the contracts were sold;
- (iv) The market of execution; and

longer has the capability to match or report such trades. If the specialist is a party to such a trade, the portion of the transaction represented by such specialist is reported to the tape automatically. Therefore, the Exchange is proposing to delete this requirement from Rule 1051 and OFPA F-2 because it is obsolete.

Rule 1014(g)(vi) and OFPA F-2(a) currently require persons identified in the Rule and OFPA to allocate, match and time stamp manually executed trades as well as to submit the matched trade tickets to the appropriate person at the respective specialist post immediately upon execution.¹⁰ At the time of the adoption of this requirement, most trades on the Exchange were executed in open outcry and reported by the “appropriate person at the respective specialist post,” an Exchange DET, who was located behind the specialist post. The responsible person would submit the matched trade tickets to the DET through a chute that would dispense the tickets at the DET’s terminal. The DET would then enter the trade ticket and clearing information onto the Exchange’s system and report the trade to the consolidated tape. The matched trade tickets were kept by the DET and given to the specialist at the end of the trading session. The Exchange proposes to delete this requirement because the DET is no longer located at the specialist’s post.

(v) Through appropriate codes and messages, late or out of sequence trades, cancels,

spread transactions, opening ranges, trading halts and suspensions, and similar matters.

PHLX XL performs these functions for automatically executed transactions. PHLX XL also provides Exchange members who participate in electronic trades with immediate electronic reports. Manually executed trades are transmitted by DETs.

¹⁰ See Securities Exchange Act Release No. 33512 (January 24, 1994), 59 FR 4739 (February 1, 1994) (SR-Phlx-93-08).

Currently, OFPA F-2(d) currently requires specialists to keep all matched trade tickets in their possession for a period of three years, whether or not the specialist participated or acted as agent in any such trade. At the time this requirement was adopted, the Exchange relied primarily on matched trade tickets in carrying out its important surveillance and operations functions and stated, at the time,

“[O]nce a trade has been processed for trade dissemination and clearing, it is then left in the possession of the attendant specialist. Accordingly, the Phlx is proposing to not only limit access to these tickets, but also to require specialists to keep all matched trade tickets in their possession for a period of three years, whether or not the specialist participated or acted as agent in any such trade.”¹¹

Because the matched trade tickets are no longer left in the possession of the attendant specialist, the Exchange proposes to delete the requirement that specialists keep matched tickets for a minimum of three years, and replace that provision with text requiring the respective parties to the trade to preserve the matched tickets, or copies thereof, for that period.

The Exchange represents that the instant proposed rule change will not require any changes in, or modifications to, its current system of surveillance for the submission of trade tickets, or for trade reporting in general.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Section 6(b)(5) of the Act¹³ in particular,

¹¹ Id.

¹² 15 U.S.C. 78f(b).

in that it is designed to promote just and equitable principles of trade, 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.

Specifically, the proposal modernizes the Exchange's rules to reflect current practices and systems on the Exchange and in the marketplace as a whole. The requirement that specialists retain trade tickets for trades that are executed manually in the specialist's crowd in situations where the specialist is not a participant in the trade is obviated due to the fact that the specialist does not match tickets for, or report, such trades. The Exchange believes the deletion of this requirement serves to remove impediments to and perfect the mechanism of a free and open market and a national market system, updating on-floor practices to reflect new technologies and procedures on the Exchange's options trading floor.

Additionally, the proposed rule change takes into account the fact that there are no DETs located at the specialist's post; the mechanism by which manually executed trades are reported is more perfected by requiring in the rules that participants in manually executed trades submit matched tickets to a DET located on the options trading floor immediately upon execution. The proposed rule change clarifies and streamlines the current procedures in the rules respecting the submission of matched trade tickets, which the Exchange believes results in more efficient reporting of manually executed trades, to the benefit of investors and the public interest.

¹³ 15 U.S.C. 78f(b)(5).

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.

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 Act¹⁴ and Rule 19b-4(f)(6)¹⁵ 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 the proposed rule change is “non-controversial” because the proposed rule change simply updates obsolete provisions to reflect procedures with which members are already familiar.¹⁶

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ See supra notes 3, 7 and 10.

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 Act¹⁷ normally does not become operative for 30 days after the date of its filing.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

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

¹⁷

17 CFR. 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2012-92)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC to Amend Exchange Rules 1014, 1051, and OFPA F-2

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 July 6, 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 is filing with the Commission a proposal to amend Exchange Rules 1014, Obligations and Restrictions Applicable to Specialists and Registered Options Traders, and 1051, General Comparison And Clearance Rule, and Options Floor Procedure Advice ("OFPA") F-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to delete obsolete and unnecessary provisions in the Rules and OFPA concerning ticket matching and trade reporting requirements for options trades executed in open outcry.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaqomxphlx.cchwallstreet.com/NASDAQOMXPHLX/Filings/>, 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 purpose of the proposed rule change is to modify unnecessary or obsolete provisions currently contained in Exchange Rules 1014(g)(vi), 1051, and OFPA F-2 that set forth ticket matching and trade reporting requirements for members executing transactions on the Exchange. The proposed rule change is intended to adopt rules that reflect the current process for matching and reporting options trades executed in open outcry on the floor of the Exchange.

The matching and trade reporting requirements in the current rules apply to trades that are executed in open outcry, which may require the participants to submit written paper trade tickets for reporting. Portions of the Rules and OFPA apply to electronically executed trades, which are matched and reported to the consolidated tape automatically

by the Exchange's automated options trading system, PHLX XL^{®3}. The vast majority of options trades that are executed on the Exchange are reported to the consolidated tape and to the participants in the trade automatically. In certain instances, however, trades are executed in open outcry in the trading crowd without the use of electronic connectivity to PHLX XL (such as a verbal trade between market makers). The Exchange proposes to modify the Rules and OFPA to reflect the current procedures for reporting such trades.

Current Rules

Rule 1051(b) currently requires that all Exchange options transactions be reported at the time of execution to the Exchange for comparison of trade information at the specialist's post. Currently, not "all" options trades are executed in open outcry. In fact, the majority of option trades executed on the Exchange are executed electronically via PHLX XL. Upon the electronic execution of an options trade, PHLX XL sends an immediate report of the trade to the Options Price Reporting Authority ("OPRA"), the Options Clearing Corporation ("OCC"), and to the participants in the trade. Therefore, trades executed electronically via PHLX XL require no trade reporting action by participants.

³

PHLX XL, formerly known as "AUTOM," is the Exchange's electronic order delivery and reporting system, which provides for the automatic entry and routing of Exchange-listed equity options, index options and U.S. dollar-settled foreign currency options orders to the Exchange trading floor. See Exchange Rule 1080(a). This proposal refers to "PHLX XL" as the Exchange's automated options trading and reporting 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 "AUTOM" and "Phlx XL II" to "PHLX XL" for branding purposes.

Some trades still occur verbally in the trading crowd, such as when market makers trade with one another, or in very rare instances where there is a malfunction of the Exchange's system or the Options Floor Broker Management System ("FBMS," described below). In such instances, participants in the verbal trade are required to produce written trade tickets. Current Rule 1014(g)(vi) and OFPA F-2 require participants to allocate, match and time stamp executed trades as well as to submit the matched trade to the appropriate person at the respective specialist post. Once a trade has been matched and submitted for reporting at the post, current OFPA F-2(d) states that the respective Specialist Unit must preserve the matched tickets for a period of not less than three years.

Current Rule 1051(a) and OFPA F-2(b) require a member or member organization initiating an options transaction, whether acting as principal or agent, to report or ensure that the transaction is reported within 90 seconds of the execution to the tape, except that, when an order represented by a Floor Broker is executed against a limit order on the book, the Specialist must report or ensure that the portion of the transaction represented by such Specialist is reported to the tape.

The Proposal

The Exchange proposes to: (i) amend Rule 1014(g)(vi) to require matched tickets in manually executed trades to be submitted to an Exchange Data Entry Technician ("DET") located on the options trading floor immediately upon execution; (ii) to delete from Rules 1014(g)(vi) and 1051(b), the provision that currently states that all Exchange options transactions shall be reported at the time of execution to the Exchange for

comparison of trade information at the specialist's post;⁴ (iii) delete from Rule 1051(a) and OFPA-2(b) the provision stating that when an order represented by a Floor Broker is executed against a limit order on the book, the Specialist must report or ensure that the portion of the transaction represented by such Specialist is reported to the tape (the Floor Broker now has the capability of electronically executing limit orders on the limit order book using the FBMS;⁵ and (iv) delete from OFPA-2(d) the provision requiring specialists to keep matched tickets for a minimum of three years, and replace that provision with rule text requiring the respective parties to the manually executed trade to preserve the matched tickets for a three-year period. If the specialist is a party to such a trade, the specialist would be included as a party required to preserve the matched tickets. The specialist would not be required to keep matched trade tickets from a manually executed trade to which the specialist is not a party.

The vast majority of trades on the Exchange are now executed and reported electronically via PHLX XL. The advent of electronic trading has in most cases obviated the need for trade tickets, except in the few instances where trades are executed in open

⁴ Manually executed trades are currently reported to DETs located on the Exchange floor; electronically executed trades are submitted to the Exchange through PHLX XL.

⁵ The Options Floor Broker Management System is a component of the Exchange's system designed to enable Floor Brokers and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. The Options Floor Broker Management System also is designed to establish an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange, such that the audit trial provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. See Exchange Rule 1080, Commentary .06.

outcry.⁶ As a result, Exchange DETs are no longer positioned behind the specialist's post. Instead, Exchange DETs are located at a specific location on the Exchange's Options Floor, and not behind any particular specialist's trading post. The Exchange therefore proposes to amend Rule 1014(a)(vi) and OFPA F-2(a) by requiring the responsible person to submit the matched trade tickets to an Exchange DET located on the trading floor immediately upon execution. Additionally, because reporting of trades executed in open outcry to the Exchange is not currently done at the specialist's post, the Exchange proposes to delete this requirement from Rule 1051(b).

The Exchange also proposes to delete the provision from Rule 1051(a) and OFPA F-2(b) stating that when an order represented by a Floor Broker is executed against a limit order on the book, the specialist must report or ensure that the portion of the transaction represented by such specialist is reported to the tape. Floor Brokers have the capability and the requirement to enter orders to trade against limit orders on the limit order book using the FBMS.⁷

At the time of the initial deployment of the FBMS, when a floor broker initiated a transaction and executed all or a portion of the transaction against a contra-side limit order on the limit order book, the specialist executed the booked limit order on the system by matching the booked limit order against the order represented by the floor broker. The rule requires that when an order represented by a floor broker is executed against a limit order on the book, the specialist must report or ensure that the portion of the

⁶ For example, an Exchange market maker trading directly with another market maker in open outcry would still require paper tickets, and trade tickets would be used in the event of a system malfunction.

⁷ See Exchange Rules 1063(e) and (f).

transaction represented by such specialist is reported to the tape. The purpose of this provision was to address the situation in which an order represented by a floor broker executes a booked limit order was executed by the specialist. The floor broker in this situation was not required to report that portion of the transaction on the system, despite the fact that the floor broker involved may have in fact “initiated” the transaction.

Subsequently, the Exchange made changes to the PHLX XL system and created PHLX XL II, which was rolled out over a 12-week period (the “rollout”).⁸ Upon completion of the rollout, specialists could no longer match orders in the trading crowd, including those submitted via FBMS, with orders on the book. The PHLX XL system now matches and reports all trades submitted electronically against limit orders on the book.⁹ The instant proposed rule change is intended to reflect that the specialist no

⁸ See supra note 3.

⁹ The Exchange is a member of OPRA under the Limited Liability Company Agreement of Options Price Reporting Authority, LLC (“the OPRA Plan”). Section 5.2 of the OPRA Plan, entitled “Collection and Dissemination of Options Last Sale Reports and Quotation Information,” requires each of the Members to collect and promptly transmit to the OPRA System by means of its own facilities all Last Sale Reports relating to its respective market. For this purpose, each of the Members is required to use its best efforts to transmit such reports to the OPRA System, properly sequenced, within two minutes of the time of execution. Such reports shall be sequenced and transmitted in the appropriate format conforming to the specifications prescribed by OPRA (which may be reflected in contractual agreements between OPRA and persons providing data processing services to OPRA). Except as otherwise provided by OPRA, such reports shall identify:

- i) The options series;
- (ii) The number of contracts in each transaction;
- (iii) The price at which the contracts were sold;
- (iv) The market of execution; and

longer has the capability to match or report such trades. If the specialist is a party to such a trade, the portion of the transaction represented by such specialist is reported to the tape automatically. Therefore, the Exchange is proposing to delete this requirement from Rule 1051 and OFPA F-2 because it is obsolete.

Rule 1014(g)(vi) and OFPA F-2(a) currently require persons identified in the Rule and OFPA to allocate, match and time stamp manually executed trades as well as to submit the matched trade tickets to the appropriate person at the respective specialist post immediately upon execution.¹⁰ At the time of the adoption of this requirement, most trades on the Exchange were executed in open outcry and reported by the “appropriate person at the respective specialist post,” an Exchange DET, who was located behind the specialist post. The responsible person would submit the matched trade tickets to the DET through a chute that would dispense the tickets at the DET’s terminal. The DET would then enter the trade ticket and clearing information onto the Exchange’s system and report the trade to the consolidated tape. The matched trade tickets were kept by the DET and given to the specialist at the end of the trading session. The Exchange proposes to delete this requirement because the DET is no longer located at the specialist’s post.

(v) Through appropriate codes and messages, late or out of sequence trades, cancels,

spread transactions, opening ranges, trading halts and suspensions, and similar matters.

PHLX XL performs these functions for automatically executed transactions. PHLX XL also provides Exchange members who participate in electronic trades with immediate electronic reports. Manually executed trades are transmitted by DETs.

¹⁰ See Securities Exchange Act Release No. 33512 (January 24, 1994), 59 FR 4739 (February 1, 1994) (SR-Phlx-93-08).

Currently, OFPA F-2(d) currently requires specialists to keep all matched trade tickets in their possession for a period of three years, whether or not the specialist participated or acted as agent in any such trade. At the time this requirement was adopted, the Exchange relied primarily on matched trade tickets in carrying out its important surveillance and operations functions and stated, at the time,

“[O]nce a trade has been processed for trade dissemination and clearing, it is then left in the possession of the attendant specialist. Accordingly, the Phlx is proposing to not only limit access to these tickets, but also to require specialists to keep all matched trade tickets in their possession for a period of three years, whether or not the specialist participated or acted as agent in any such trade.”¹¹

Because the matched trade tickets are no longer left in the possession of the attendant specialist, the Exchange proposes to delete the requirement that specialists keep matched tickets for a minimum of three years, and replace that provision with text requiring the respective parties to the trade to preserve the matched tickets, or copies thereof, for that period.

The Exchange represents that the instant proposed rule change will not require any changes in, or modifications to, its current system of surveillance for the submission of trade tickets, or for trade reporting in general.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Section 6(b)(5) of the Act¹³ in particular,

¹¹ Id.

¹² 15 U.S.C. 78f(b).

in that it is designed to promote just and equitable principles of trade, 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.

Specifically, the proposal modernizes the Exchange's rules to reflect current practices and systems on the Exchange and in the marketplace as a whole. The requirement that specialists retain trade tickets for trades that are executed manually in the specialist's crowd in situations where the specialist is not a participant in the trade is obviated due to the fact that the specialist does not match tickets for, or report, such trades. The Exchange believes the deletion of this requirement serves to remove impediments to and perfect the mechanism of a free and open market and a national market system, updating on-floor practices to reflect new technologies and procedures on the Exchange's options trading floor.

Additionally, the proposed rule change takes into account the fact that there are no DETs located at the specialist's post; the mechanism by which manually executed trades are reported is more perfected by requiring in the rules that participants in manually executed trades submit matched tickets to a DET located on the options trading floor immediately upon execution. The proposed rule change clarifies and streamlines the current procedures in the rules respecting the submission of matched trade tickets, which the Exchange believes results in more efficient reporting of manually executed trades, to the benefit of investors and the public interest.

¹³ 15 U.S.C. 78f(b)(5).

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)¹⁴ of the Act and Rule 19b-4(f)(6)(iii) thereunder¹⁵ 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.

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.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6)(iii). 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..

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-2012-92 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-2012-92. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet 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 inspection and copying in the Commission's Public Reference Room. 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-2012-92 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.¹⁶

Kevin M. O'Neill
Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).