Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 121 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) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * 回	Date Expires *

☐ 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

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

Section 806(e)(1) 回	Section 806(e)(2) 回	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 *).

A proposal to amend two features relating to Complex Orders.

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 * Edith	Last Name * Hallahan

Title * Principal Associate General Counsel

E-mail * edith.hallahan@nasdaqomx.com

Telephone * (215) 496-5179   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 12/09/2013

By Edward S. Knight

Executive Vice President and General Counsel

(Name *)

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.

Persona Not Validated - 1383935917270,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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

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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

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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

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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

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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 ("Exchange" or "Phlx"), pursuant to Section

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

filing with the Securities and Exchange Commission ("Commission") a proposal to

amend two features of the Exchange's Complex Orders functionality, as described below.

        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 attached 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 (the "Board")

on July 17, 2013. Exchange staff will advise the Board of any action taken pursuant to

delegated authority. No other action is necessary for the filing of the rule change.

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

Hallahan, Principal Associate General Counsel, The NASDAQ OMX Group, Inc., at 215-

496-5179.

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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 proposal is to enhance the Exchange's complex order

functionality by enhancing two of the protections offered to complex order executions, as

well as to correct Exchange rules in two areas to reflect the operation of the Exchange's

system.

First, the Exchange proposes to amend the Phlx XL Strategy Price Protection

("SPP") in Rule 1080.08(g). SPP is a feature of Phlx XL that prevents certain Complex

Order Strategies from trading at prices outside of pre-set standard limits. SPP applies

only to Vertical Spreads[3] and Time Spreads.[4] Currently, Rule 1080.08(g)(iii) provides

that if the execution of a Vertical Spread or a Time Spread would violate the SPP limits,

the System would place the order on the CBOOK.

Today, the System cancels a Vertical Spread or a Time Spread rather than placing

it on the CBOOK where a sell (buy) order would execute at a price outside of the SPP

limit on the sell (buy) side. The Exchange proposes to correct this language in the rule

text. The Exchange believes that it is appropriate to cancel the order rather than place it

on the CBOOK, because the order is priced such that it will never be executable. This is

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[3]   A Vertical Spread is a Complex Order Strategy consisting of the purchase of one
        call (put) option and the sale of another call (put) option overlying the same
        security that have the same expiration but different strike prices. See Rule
        1080.08(g)(i).

[4]   A Time Spread is a Complex Order Strategy consisting of the purchase of one call
        (put) option and the sale of another call (put) option overlying the same security
        that have different expirations but the same strike price. See Rule 1080.08(g)(ii).

because, regardless of changes in the market for the components of the Complex Order,

the SPP will always result in the same calculation and thereby prevent an execution.

In addition, the Exchange proposes to add rule text to provide that the order will

be cancelled even if it violates the SPP limit *on the other side of the market* from the

order. Today, the System cancels a sell order that would execute at a price outside of the

SPP limit on the offer side, and similarly cancels a buy order that would execute at a

price outside of the SPP limit on the bid side. Under this proposal, the System would

cancel a sell (buy) order from execution at a price outside of the SPP limit on the bid

(offer) side as well. The purpose of this change is to offer additional protection to certain

Complex Orders due to a price far away from existing markets on both sides of the

market.

For example, where there is a Complex Order to sell (A-B),[5] the following would

occur:

    PBBO
    A Dec 50 $12.20 - $14.90
    B Dec 55 $ 9.00 - $12.50

    cPBBO is $.30 credit - $ 5.90

    SPP calculates minimum possible value of 0 (always for a vertical spread)
    SPP calculates maximum possible value of $5.00 by subtracting the value of the
    lower strike from the value of the higher strike (55 – 50 = 5)
    SPP limit will be applied to: $0 - $5.00
    If the SPP limit is set at $.10, the acceptable range is $.10 credit[6] - $5.10.

    Today, if a Complex Order is received to sell at $5.50, the System cancels the
    order, because $5.50 is outside of the $5.10 SPP limit on the offer side and thus

---

[5]   Assume it is a vertical spread.

[6]   A $.10 credit bid means that the seller of the Complex Order would be paying
        $.10 to sell rather than receiving $.10, perhaps because the seller is seeking to
        close out the position for tax or margin reasons, regardless of the price.

could never be executed. If a Complex Order is received to buy for $5.50, because that price does not violate the $.10 credit SPP on the bid side, the order will be protected by SPP and placed on the CBOOK.

Under this proposal, if a Complex Order is received to buy for $5.50, the order will be protected by SPP and cancelled, because it is priced through the acceptable range on the offer side of $5.10.
Accordingly, the SPP would be applied consistently to all Complex Orders,

thereby affording more protection (in the form of cancellation) to aggressively priced

Complex Orders.

Second, the Exchange proposes to amend the Acceptable Complex Execution

("ACE") Parameter in Rule 1080.08(i). The ACE Parameter defines a price range outside

of which a Complex Order will not be executed. The ACE Parameter is either a

percentage or number defined by the Exchange.[7] The ACE Parameter price range is

based on the cNBBO[8] at the time an order would be executed. A Complex Order to sell

will not be executed at a price that is lower than the cNBBO bid by more than the ACE

Parameter. A Complex Order to buy will not be executed at a price that is higher than the

cNBBO offer by more than the ACE Parameter. A Complex Order or a portion of a

Complex Order that cannot be executed within the ACE Parameter pursuant to this rule

will be placed on the CBOOK. The Exchange issues an Options Trader Alert ("OTA") to

its membership indicating the ACE Parameter. The Exchange also lists the ACE

Parameter on its website.

The Exchange now proposes to be able to set the ACE Parameter at a different

percentage or number for Complex Orders where one of the components is the

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[7]   See Securities Exchange Act Release No. 69921 (July 2, 2013), 78 FR 41164 (July 9, 2013) (SR-Phlx-2013-72).

[8]   See Rule 1080.08(a)(vi).

underlying security. This type of Complex Order, a stock-option order, is an order to buy

or sell a stated number of units of an underlying security (stock or Exchange Traded Fund

Share ("ETF")) coupled with the purchase or sale of options contract(s).[9] As such, a

stock-option order is different than a Complex Order consisting of only option

components. For example, if the market for Option A is $3.00 - $3.50 and for the

underlying stock is $50.00 - $50.10 and a Complex Order to buy Option A and sell the

stock arrives, the cNBBO is $46.50 - $47.10; thus, the regular ACE Parameter of 5%

would result in an allowable execution range of $44.18 – $49.45. Setting the ACE

Parameter at 0.50% would result in a more narrow allowable execution range of $46.27 -

$47.34.

The ACE Parameter feature is designed to help maintain a fair and orderly market

by helping to mitigate the potential risk of executions at prices which are extreme and

potentially erroneous. The Exchange has determined that a different ACE Parameter

limit should apply to stock-option orders to offer a better degree of protection where

needed. In the previous example, the regular ACE Parameter would allow execution

prices of more than $2.30 away from the cNBBO. Allowing a different ACE Parameter

for stock-option orders provides the ability for the Exchange to use a lower ACE

Parameter, which in the example above, using 0.50% would have offered much more

protection by narrowing the execution range to within roughly $0.23 of the cNBBO.

The Exchange also proposes to correct the rule text to delete the reference to

establishing the ACE Parameter on an issue-by-issue (meaning option-by-option) basis,

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[9]   The underlying security must be the deliverable for the options component of that
        Complex Order and represent exactly 100 shares per option for regular way
        delivery.

because the Exchange cannot, at this time, do that. Today, the Exchange establishes the

single ACE Parameter for all options, and, under this proposal, as explained above, is

proposing to now establish a second ACE Parameter for stock-option orders respecting

all options.

   b.   Statutory Basis

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

Act[10] in general, and furthers the objectives of Section 6(b)(5) of the Act[11] in particular,

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

protect investors and the public interest, by enhancing the price protections available to

Complex Orders on the Exchange. Specifically, the change to the SPP feature corrects

the rule to indicate that an order will be cancelled, which is consistent with just and

equitable principles of trade. The Exchange believes that cancelling orders under this

proposal rather than placing them on the CBOOK is an improvement and results in

additional protection from executions at far away prices. Price protections like SPP

presume that an order was entered incorrectly or at an incorrect price if it is widely out of

range of current prices. Accordingly, cancelling orders is an enhancement that should

protect investors and the public interest and provide participants with consistent behavior

on such orders.

   The change to the ACE Parameter should protect investors and the public interest

by permitting a more specific and nuanced number to be set for Complex Orders that are

stock-option orders. The price of a Complex Order that is a stock-option order may

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[10]   15 U.S.C. 78f(b).

[11]   15 U.S.C. 78f(b)(5).

fluctuate differently and this proposal recognizes that they are different than option-only Complex Orders. This enhancement should also promote just and equitable principles of trade by better tailoring the ACE Parameter to these types of orders. With respect to the correction establishing an ACE Parameter for all options rather than option-by-option, the Exchange believes that this aspect of the proposal is consistent with just and equitable principles of trade and should protect investors and the public interest, because the Exchange believes that it can sufficiently protect Complex Orders by applying a single ACE Parameter to all options, along with a separate ACE Parameter for stock-option orders. The ACE Parameter has never been established option-by-option and market participants have not asked for that.

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. Specifically, various options exchanges offer complex order functionality along with a variety of price protections, such that the proposal will help the Exchange better compete with those options exchanges. With respect to intra-market competition, the proposal will be available to all eligible Complex Orders, regardless of participant type.

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

        Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[12] of the Act and Rule 19b-4(f)(6) thereunder[13] in that it 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 proposal does not significantly affect the protection of investors or the public interest, because it provides enhanced price protection, which has the potential to benefit investors, as explained above. The proposal does not impose any significant burden on competition, as explained further above.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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.

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[12]   15 U.S.C. 78s(b)(3)(A).

[13]   17 CFR 240.19b-4(f)(6).

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

      Other options exchanges have a variety of price protection features for their

respective complex orders, which are not identical.[14]

9.   Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

      Not applicable.

10.   Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and
      Settlement Supervision Act

      Not applicable.

11.   Exhibits

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

      5.   Text of the proposed rule change.

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[14]   See e.g., CBOE Rule 6.53C.08.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-Phlx-2013-121)

December __, 2013

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change to Amend Two Features Relating to
Complex Orders

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

Rule 19b-4 thereunder,[2] notice is hereby given that on December 9, 2013, 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 two features of the Exchange's Complex

Orders functionality, as described below.

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

at http://nasdaqomxphlx.cchwallstreet.com/, 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 proposal is to enhance the Exchange's complex order

functionality by enhancing two of the protections offered to complex order executions, as

well as to correct Exchange rules in two areas to reflect the operation of the Exchange's

system.

         First, the Exchange proposes to amend the Phlx XL Strategy Price Protection

("SPP") in Rule 1080.08(g). SPP is a feature of Phlx XL that prevents certain Complex

Order Strategies from trading at prices outside of pre-set standard limits. SPP applies

only to Vertical Spreads[3] and Time Spreads.[4] Currently, Rule 1080.08(g)(iii) provides

that if the execution of a Vertical Spread or a Time Spread would violate the SPP limits,

the System would place the order on the CBOOK.

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[3]   A Vertical Spread is a Complex Order Strategy consisting of the purchase of one
         call (put) option and the sale of another call (put) option overlying the same
         security that have the same expiration but different strike prices. See Rule
         1080.08(g)(i).

[4]   A Time Spread is a Complex Order Strategy consisting of the purchase of one call
         (put) option and the sale of another call (put) option overlying the same security
         that have different expirations but the same strike price. See Rule 1080.08(g)(ii).

Today, the System cancels a Vertical Spread or a Time Spread rather than placing it on the CBOOK where a sell (buy) order would execute at a price outside of the SPP limit on the sell (buy) side. The Exchange proposes to correct this language in the rule text. The Exchange believes that it is appropriate to cancel the order rather than place it on the CBOOK, because the order is priced such that it will never be executable. This is because, regardless of changes in the market for the components of the Complex Order, the SPP will always result in the same calculation and thereby prevent an execution.

In addition, the Exchange proposes to add rule text to provide that the order will be cancelled even if it violates the SPP limit *on the other side of the market* from the order. Today, the System cancels a sell order that would execute at a price outside of the SPP limit on the offer side, and similarly cancels a buy order that would execute at a price outside of the SPP limit on the bid side. Under this proposal, the System would cancel a sell (buy) order from execution at a price outside of the SPP limit on the bid (offer) side as well. The purpose of this change is to offer additional protection to certain Complex Orders due to a price far away from existing markets on both sides of the market.

For example, where there is a Complex Order to sell (A-B),[5] the following would occur:

    PBBO
    A Dec 50 $12.20 - $14.90
    B Dec 55 $ 9.00 - $12.50

    cPBBO is $.30 credit - $ 5.90

    SPP calculates minimum possible value of 0 (always for a vertical spread)

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[5]   Assume it is a vertical spread.

SPP calculates maximum possible value of $5.00 by subtracting the value of the lower strike from the value of the higher strike (55 – 50 = 5)
SPP limit will be applied to: $0 - $5.00
If the SPP limit is set at $.10, the acceptable range is $.10 credit[6] - $5.10.

Today, if a Complex Order is received to sell at $5.50, the System cancels the order, because $5.50 is outside of the $5.10 SPP limit on the offer side and thus could never be executed. If a Complex Order is received to buy for $5.50, because that price does not violate the $.10 credit SPP on the bid side, the order will be protected by SPP and placed on the CBOOK.

Under this proposal, if a Complex Order is received to buy for $5.50, the order will be protected by SPP and cancelled, because it is priced through the acceptable range on the offer side of $5.10.
Accordingly, the SPP would be applied consistently to all Complex Orders,

thereby affording more protection (in the form of cancellation) to aggressively priced

Complex Orders.

Second, the Exchange proposes to amend the Acceptable Complex Execution

("ACE") Parameter in Rule 1080.08(i). The ACE Parameter defines a price range outside

of which a Complex Order will not be executed. The ACE Parameter is either a

percentage or number defined by the Exchange.[7] The ACE Parameter price range is

based on the cNBBO[8] at the time an order would be executed. A Complex Order to sell

will not be executed at a price that is lower than the cNBBO bid by more than the ACE

Parameter. A Complex Order to buy will not be executed at a price that is higher than the

cNBBO offer by more than the ACE Parameter. A Complex Order or a portion of a

Complex Order that cannot be executed within the ACE Parameter pursuant to this rule

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[6]   A $.10 credit bid means that the seller of the Complex Order would be paying $.10 to sell rather than receiving $.10, perhaps because the seller is seeking to close out the position for tax or margin reasons, regardless of the price.

[7]   See Securities Exchange Act Release No. 69921 (July 2, 2013), 78 FR 41164 (July 9, 2013) (SR-Phlx-2013-72).

[8]   See Rule 1080.08(a)(vi).

will be placed on the CBOOK. The Exchange issues an Options Trader Alert ("OTA") to

its membership indicating the ACE Parameter. The Exchange also lists the ACE

Parameter on its website.

The Exchange now proposes to be able to set the ACE Parameter at a different

percentage or number for Complex Orders where one of the components is the

underlying security. This type of Complex Order, a stock-option order, is an order to buy

or sell a stated number of units of an underlying security (stock or Exchange Traded Fund

Share ("ETF")) coupled with the purchase or sale of options contract(s).[9] As such, a

stock-option order is different than a Complex Order consisting of only option

components. For example, if the market for Option A is $3.00 - $3.50 and for the

underlying stock is $50.00 - $50.10 and a Complex Order to buy Option A and sell the

stock arrives, the cNBBO is $46.50 - $47.10; thus, the regular ACE Parameter of 5%

would result in an allowable execution range of $44.18 – $49.45. Setting the ACE

Parameter at 0.50% would result in a more narrow allowable execution range of $46.27 -

$47.34.

The ACE Parameter feature is designed to help maintain a fair and orderly market

by helping to mitigate the potential risk of executions at prices which are extreme and

potentially erroneous. The Exchange has determined that a different ACE Parameter

limit should apply to stock-option orders to offer a better degree of protection where

needed. In the previous example, the regular ACE Parameter would allow execution

prices of more than $2.30 away from the cNBBO. Allowing a different ACE Parameter

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[9]   The underlying security must be the deliverable for the options component of that
        Complex Order and represent exactly 100 shares per option for regular way
        delivery.

for stock-option orders provides the ability for the Exchange to use a lower ACE

Parameter, which in the example above, using 0.50% would have offered much more

protection by narrowing the execution range to within roughly $0.23 of the cNBBO.

The Exchange also proposes to correct the rule text to delete the reference to

establishing the ACE Parameter on an issue-by-issue (meaning option-by-option) basis,

because the Exchange cannot, at this time, do that. Today, the Exchange establishes the

single ACE Parameter for all options, and, under this proposal, as explained above, is

proposing to now establish a second ACE Parameter for stock-option orders respecting

all options.

2.   Statutory Basis

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

Act[10] in general, and furthers the objectives of Section 6(b)(5) of the Act[11] in particular,

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

protect investors and the public interest, by enhancing the price protections available to

Complex Orders on the Exchange. Specifically, the change to the SPP feature corrects

the rule to indicate that an order will be cancelled, which is consistent with just and

equitable principles of trade. The Exchange believes that cancelling orders under this

proposal rather than placing them on the CBOOK is an improvement and results in

additional protection from executions at far away prices. Price protections like SPP

presume that an order was entered incorrectly or at an incorrect price if it is widely out of

range of current prices. Accordingly, cancelling orders is an enhancement that should

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[10]   15 U.S.C. 78f(b).

[11]   15 U.S.C. 78f(b)(5).

protect investors and the public interest and provide participants with consistent behavior on such orders.

The change to the ACE Parameter should protect investors and the public interest by permitting a more specific and nuanced number to be set for Complex Orders that are stock-option orders. The price of a Complex Order that is a stock-option order may fluctuate differently and this proposal recognizes that they are different than option-only Complex Orders. This enhancement should also promote just and equitable principles of trade by better tailoring the ACE Parameter to these types of orders. With respect to the correction establishing an ACE Parameter for all options rather than option-by-option, the Exchange believes that this aspect of the proposal is consistent with just and equitable principles of trade and should protect investors and the public interest, because the Exchange believes that it can sufficiently protect Complex Orders by applying a single ACE Parameter to all options, along with a separate ACE Parameter for stock-option orders. The ACE Parameter has never been established option-by-option and market participants have not asked for that.

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. Specifically, various options exchanges offer complex order functionality along with a variety of price protections, such that the proposal will help the Exchange better compete with those options exchanges. With respect to intra-market competition, the proposal will be available to all eligible Complex Orders, regardless of participant type.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[12] and subparagraph (f)(6) of Rule 19b-4 thereunder.[13]

The proposal does not significantly affect the protection of investors or the public interest, because it provides enhanced price protection, which has the potential to benefit investors, as explained above. The proposal does not impose any significant burden on competition, as explained further above.

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

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[12]   15 U.S.C. 78s(b)(3)(a)(ii).

[13]   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.

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-2013-121 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-2013-121. 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 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-2013-121 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.[14]

Kevin M O'Neill
Deputy Secretary

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[14]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX Rules

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Options Rules

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Rule 1080. Phlx XL and Phlx XLII

(a) – (p)   No change.

…Commentary .01 - **07**   No change.

.08 Complex Orders on Phlx XL

(a) – (f)

(g) Phlx XL Strategy Price Protection ("SPP"). SPP is a feature of Phlx XL that prevents certain Complex Order Strategies from trading at prices outside of pre-set standard limits. SPP will apply only to Vertical Spreads (defined below) and Time Spreads (defined below).

(i) Vertical Spread. A Vertical Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.

(A) The SPP will calculate the maximum possible value of a Vertical Spread by subtracting the value of the lower strike price from the value of the higher strike price as between the two components. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum value of $5.00. The minimum possible value of a Vertical Spread is always zero.

(B) The SPP will ensure that a Vertical Spread will not trade at a net price of less than the minimum possible value (minus a pre-set value setting an acceptable range) or greater than the maximum possible value (plus a pre-set value setting an acceptable range).

(C) The pre-set value and acceptable range will be uniform for all options traded on the Exchange as determined by the Exchange and communicated to membership on the Exchange's website.

(ii) Time Spread. A Time Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.

(A) The maximum possible value of a Time Spread is unlimited. The minimum possible value of a Time Spread is zero.

(B) The SPP will ensure that a Time Spread will not trade at a price of less than zero (minus a pre-set value setting an acceptable range).

(iii) Protection. If the limits (on either side of the market) set forth in sub-paragraphs (i)(B) and (ii)(B) above would be violated by an execution, the system will [place the Complex Order on the CBOOK] cancel the order.

(h) No change.

(i) Acceptable Complex Execution ("ACE") Parameter. The ACE Parameter defines a price range outside of which a Complex Order will not be executed. The ACE Parameter is either a percentage or number defined by the Exchange [on an issue-by-issue basis] and may be set at a different percentage or number for Complex Orders where one of the components is the underlying security. The ACE Parameter price range is based on the cNBBO at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to this rule will be placed on the CBOOK. The Exchange will issue an Options Trader Alert ("OTA") to membership indicating the issue-by-issue ACE Parameters. The Exchange will also maintain a list of ACE Parameters on its website.

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