Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 87	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 46 Amendment No. (req. for Amendments *)

Filing by   NASDAQ OMX PHLX LLC.

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

Initial * ☑	Amendment * ☐	Withdrawal ☐	Section 19(b)(2) * ☑	Section 19(b)(3)(A) * ☐	Section 19(b)(3)(B) * ☐

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

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) ▣	Section 806(e)(2) ▣	Section 3C(b)(2) ▣

Exhibit 2 Sent As Paper Document ▣	Exhibit 3 Sent As Paper Document ▣

Description

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

A Proposed Rule Change Regarding Complex Order PIXL.

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 * Jurij	Last Name * Trypupenko

Title * Associate General Counsel

E-mail * jurij.trypupenko@nasdaqomx.com

Telephone * (301) 978-8132   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.

(Title *)

Date 04/30/2013

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.

Edward S Knight,

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 *

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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 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
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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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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

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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)   Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange

Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] NASDAQ OMX PHLX LLC ("Phlx"

or "Exchange") is filing with the Securities and Exchange Commission ("Commission")

a proposal to amend Rule 1080 (Phlx XL and Phlx XL II) to accommodate Complex

Orders in PIXL.[3]

        The Exchange requests that the Commission approve the proposed rule change on

an accelerated basis.

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

attached hereto as Exhibit 1 and the text of the proposed rule change is attached

as Exhibit 5.

        (b) Not applicable.

        (c) Not applicable.

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

[2]   17 CFR 240.19b-4.

[3]   The Exchange adopted PIXL in October 2010 as a price-improvement mechanism
        that is a component of the Exchange's fully automated options trading system,
        Phlx XL, now known as XL II. See Securities Exchange Act Release No. 63027
        (October 1, 2010), 75 FR 62160 (October 7, 2010)(SR-Phlx-2010-108)(order
        granting approval of price improvement system, XL).

        Six-legged Complex Orders trade on the Exchange. See Securities Exchange Act
        Release No. 63777 (January 26, 2011), 76 FR 5630 (February 1, 2011)(SR-Phlx-
        2010-157)(approval order allowing six-legged Complex Orders); and
        Commentary .08 to Rule 1080. This proposal would enable Complex Orders to
        trade on PIXL.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the

Exchange on December 11, 2012. 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 Jurij

Trypupenko, Associate General Counsel, NASDAQ OMX Group, Inc., at (301) 978-

8132.

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

        a.   Purpose

The purpose of this proposed rule change is to amend Rule 1080 to accommodate

Complex Orders in PIXL. This proposal would allow Complex Orders in the Exchange's

price-improving electronic auction, PIXL, similarly to other options exchanges that

currently allow complex orders in their price-improving electronic auctions.[4]

        Background

                Current PIXL

The PIXL mechanism is a process whereby members electronically submit orders

they represent as agent against principal interest or other interest that they represent as

agent. The submitted orders are stopped at a price and are subsequently entered into an

---

[4]   See Securities Exchange Act Release No. 64805 (July 5, 2011), 76 FR 40758
        (July 11, 2011)(SR-ISE-2011-30)(order granting approval of a proposed rule
        change relating to Complex Orders in ISE's Price Improvement Mechanism,
        PIM). See also Securities Exchange Act Release No. 66235 (January 25, 2012),
        77 FR 4844 (January 31, 2012)(SR-CBOE-2011-114)(order granting approval of
        a proposed rule change relating to Complex Order processing in CBOE's Hybrid
        3.0 classes).

auction seeking price improvement. Currently, the PIXL mechanism accepts only simple orders.

An Exchange member may initiate a PIXL Auction ("Initiating Member") by submitting a PIXL Order in one of three ways:[5]

1)   the Initiating Member could submit a PIXL Order specifying a single price at which it seeks to execute the PIXL Order (a "stop price");

2)   an Initiating Member could submit a PIXL Order specifying that it is willing to automatically match as principal or as agent on behalf of an Initiating Order, the price and size of all trading interest, and responses to the PIXL Auction Notification ("PAN") (known as "auto-match"), in which case the PIXL Order will be stopped at the National Best Bid/Offer ("NBBO") on the Initiating Order side of the market (if 50 contracts or greater) or, if less than 50 contracts, the better of: (i) The Phlx Best Bid/Offer ("PBBO") price on the opposite side of the market from the PIXL Order improved by at least one

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[5]   Three components of the PIXL system were approved by the Commission on a pilot basis: (1) Paragraphs (n)(i)(A)(2) and (n)(i)(B)(2) of Rule 1080, relating to stopping the entire PIXL Order where the order is for a size less than 50 contracts; (2) paragraphs (n)(ii)(B)(4) and (n)(ii)(D) of Rule 1080, relating to the early conclusion of the PIXL Auction; and (3) paragraph (n)(vii) of Rule 1080, stating that there shall be no minimum size requirement of orders entered into PIXL (collectively, the "pilots"). See supra note 3. The pilots were extended for a pilot period expiring July 18, 2013. All of the pilots are applicable to Complex PIXL. The paragraph (n)(i)(A)(2) and (n)(i)(B)(2) pilot is, for Complex Orders of less than 50 contracts in size, in new (n)(i)(C). Paragraph (n)(ii)(B)(4) is re-numbered as (n)(ii)(B)(5) and, along with paragraph (n)(ii)(D), the early conclusion of the PIXL Auction pilot is applicable to Complex PIXL Orders. Proposed (n)(ii)(D) states, regarding Complex PIXL Auctions, that an unrelated market or marketable limit Complex Order on the opposite side of the market from the Complex PIXL Order, as well as orders for the individual components of the Complex Order received during the Auction, will not cause the Auction to end early and will execute against interest outside of the Auction. If contracts remain from such unrelated order at the time the Auction ends, they will be considered for participation in the order allocation process described in sub-paragraph (E) below.

minimum price improvement increment, or (ii) the PIXL Order's limit price (if the order

is a limit order), provided in either case that certain circumstances are met and that such

price is at least one increment better than the limit of an order on the book on the same

side as the PIXL Order; or

3)   an Initiating Member could submit a PIXL Order specifying that it is willing to

either: (i) stop the entire order at a single stop price and auto-match PAN responses, as

described below, together with trading interest, at a price or prices that improve the stop

price to a specified price above or below which the Initiating Member will not trade (a

"Not Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and

auto-match all PAN responses and trading interest at or better than the stop price; or (iii)

stop the entire order at the NBBO on the Initiating Order side (if 50 contracts or greater)

or the better of: (A) the PBBO price on the opposite side of the market from the PIXL

Order improved by one minimum price improvement increment, or (B) the PIXL Order's

limit price (if the order is a limit order) on the Initiating Order side (if for less than 50

contracts), and auto-match PAN responses and trading interest at a price or prices that

improve the stop price up to the NWT price.[6] In all cases, if the PBBO on the same side

of the market as the PIXL Order represents a limit order on the book, the stop price must

be at least one minimum price improvement increment better than the booked limit

order's limit price.

        After the PIXL Order is entered, a PAN is broadcast and a one-second blind

Auction ensues. Anyone may respond to the PAN notification. At the conclusion of the

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[6]   The PIXL 50 contract distinction is applicable to Complex Orders entered into
        PIXL.

Auction, the PIXL Order will be allocated at the best price(s) among quotes, orders, and

PAN responses.

Once the Initiating Member has submitted a PIXL Order for processing, such

PIXL Order may not be modified or cancelled, and a member submitting the order has no

ability to control the timing of the execution. The execution is carried out by the

Exchange's Phlx XL automated options trading system and pricing is determined solely

by the other orders and quotes that are present in the Phlx XL system at the time the

Auction ends.

Current Complex Orders

A Complex Order is any order involving the simultaneous purchase and/or sale of

two or more different options series in the same underlying security, priced at a net debit

or credit based on the relative prices of the individual components, for the same account,

for the purpose of executing a particular investment strategy. A Complex Order may also

be a stock-option order, which is an order to buy or sell a stated number of units of an

underlying stock or exchange-traded fund ("ETF") coupled with the purchase or sale of

options contract(s). Complex Orders on Phlx are discussed in Commentary .08 to Rule

1080.[7] In particular, Commentary .08 governs the trading of Complex Orders on the

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[7]   For the full definition of Complex Order, see Commentary .08(a)(i) to Rule 1080.
        See also Securities Exchange Act Release No. 63777 (January 26, 2011), 76 FR
        5630 (February 1, 2011)(SR-Phlx-2010-157)(order granting approval of a
        proposed rule change relating to Complex Orders in Phlx Commentary .08 to
        Rule 1080 and establishing, among other things, six-legged Complex Orders)(the
        "Complex Order filing"). Prior to the Complex Order filing, a Complex Order
        could be composed of two option legs and could not have a stock component.

        Six other options exchanges have rules that provide for the trading of complex
        orders. See C2 Rule 6.13; CBOE Rules 6.42, 6.45, 6.53C; ISE Rule 722; NYSE
        Arca Rules 6.62(e), 6.91; NYSE MKT Rules 900.3NY(e), 963NY, 980NY.

Phlx's electronic options trading platform, Phlx XL II, to, among other things: (i) permit

Complex Orders with up to six components, including the underlying stock or ETF; (ii)

establish a Do Not Auction ("DNA") designation for Complex Orders; (iii) add a

definition of conforming ratio;[8] (iv) provide priority rules for Complex Orders traded on

Phlx XL II; and (v) provide for the communication of the stock or ETF component of a

Complex Order by the Exchange to NASDAQ Options Services LLC ("NOS"), the

Phlx's affiliated broker-dealer, for execution.

Currently, PIXL does not accommodate auctions for Complex Orders as is

allowed on other options exchanges that have price-improving electronic auctions like

PIXL.[9] However, Complex Orders are becoming an increasingly important segment of

options trading. This proposal allows Complex Orders of up to six legs, as defined in

Commentary .08 of Rule 1080, to be entered into the Exchange's PIXL Auction, and

proposes changes to Rule 1080 to facilitate this process without making any

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[8]   The Exchange proposes to add language to Rule 1080(n)(i)(C) to codify the
         principle that Complex Orders consisting of a ratio other than a conforming ratio
         will not be accepted. See footnote 20 in Securities Exchange Act Release No.
         63509 (December 9, 2010), 75 FR 78320 (December 15, 2010)(SR-Phlx-2010-
         157)(notice of Complex Order filing).

[9]   See Securities Exchange Act Release No. 64805 (July 5, 2011), 76 FR 40758
         (July 11, 2011)(SR-ISE-2011-30)(order granting approval of a proposed rule
         change relating to Complex Orders in ISE's Price Improvement Mechanism,
         PIM). See also Securities Exchange Act Release No. 66235 (January 25, 2012),
         77 FR 4844 (January 31, 2012)(SR-CBOE-2011-114)(order granting approval of
         a proposed rule change relating to Complex Order processing in CBOE's Hybrid
         3.0 classes).

modifications to the PIXL process in place today for orders which are not Complex

Orders, or to the Complex Order rules.[10]

The Proposal

Changes to Rule 1080(n) - PIXL

The Exchange proposes to enhance PIXL so that Complex Orders may be entered

into PIXL and may have the benefit of price improvement functionality (known as

"Complex PIXL").

The Exchange intends to change PIXL, which is codified in Rule 1080(n), only to

the extent needed to accommodate Complex PIXL Orders. The Exchange does so by

exempting Complex PIXL Orders from those sections of PIXL which are not wholly

applicable to Complex Orders. Specifically, Complex Orders are exempted from the

following portions of subsection (n) of Rule 1080: (i) the current PIXL auction eligibility

requirements for the account of a public customer and not a public customer that

differentiate whether a PIXL Order is for a size of less than 50 contracts or 50 contracts

or more;[11] (ii) the current procedure for initiating a PAN Auction, how an Initiating

Member must mark the PIXL Order and what the member must specify;[12] (iii) the current

minimum price increment for PAN responses and for an Initiating Member's stop price

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[10]   The Exchange notes that, as in many filings, it proposes technical housecleaning
         changes that are described below.

[11]   Rule 1080(n)(i)(A) and (B). The analogous provision for Complex PILX Orders
         is in (n)(i)(C), as described below.

[12]   Rule 1080(n)(ii)(A). Regarding initiation of a PIXL Auction, the Exchange is
         adding (n)(ii)(A)(2).

and/or NWT price;[13] (iv) the current rejection of PAN responses that are not equal to or

better than the NBBO at the time of receipt of the PAN response;[14] (v) the current

allocation process whereby after public customer interest at a particular price level has

been satisfied, remaining contracts will be allocated among all Exchange quotes, orders

and PAN responses;[15] (vi) the current process whereby if there are PAN responses that

cross the then-existing NBBO (provided such NBBO is not crossed) at the time of the

conclusion of the Auction, such PAN responses will be executed, if possible, at their limit

price(s);[16] (vii) the current process whereby if the PIXL Auction price is the same as that

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[13]   Rule 1080(n)(ii)(A)(6) (re-numbered as (n)(ii)(A)(7)). Regarding the minimum
         price increment for PAN responses and for an Initiating Member's stop price
         and/or for an NWT price in the case of a Complex Order ($0.01), the Exchange is
         adding(n)(ii)(A)(7)(b).

[14]   Rule 1080(n)(ii)(A)(9). The Exchange proposes new language in subsection (9)
         stating that a Complex Order PAN response must be equal to or better than the
         cPBBO, as defined in Commentary .08(a) of this Rule 1080 at the time of receipt
         of the PAN response. PAN responses may be modified or cancelled during the
         Auction. A PAN response (except if it is a Complex Order) submitted with a
         price that is outside the NBBO will be rejected. A Complex Order PAN response
         submitted with a price that is outside the cPBBO will be rejected. A PAN or
         Complex Order PAN response which is inferior to the stop price of the PIXL
         order will be rejected.

         Commentary .08(a)(iv) defines the term cPBBO as the best net debit or credit
         price for a Complex Order Strategy based on the PBBO for the individual options
         components of such Complex Order Strategy, and, where the underlying security
         is a component of the Complex Order, the National Best Bid and/or Offer for the
         underlying security.

[15]   Rule 1080(n)(ii)(E)(2)(a), (b), and (c). Regarding the PIXL Order allocation
         process, the Exchange is adding or modifying (n)(ii)(E)(2)(d), (e), (f), and (g).

[16]   Rule 1080(n)(ii)(F). The Exchange proposes new language adding the alternative
         that if there are Complex Order PAN responses that cross the then-existing
         cPBBO at the time of the conclusion of the Auction, such PAN responses will be
         executed, if possible, at their limit price(s). The Exchange believes that this
         behavior is, at best, highly unlikely as participants will cancel PAN responses

of an order on the limit order book on the same side of the market as the PIXL Order, the

PIXL Order may only be executed at a price that is at least one minimum price

improvement increment better than the resting order's limit price or, if such resting

order's limit price crosses the stop price, then the entire PIXL Order will trade at the stop

price with all better priced interest being considered for execution at the stop price;[17] and

(viii) that currently the execution price for a PIXL Order for the account of a public

customer paired with an order for the account of a public customer must be expressed in

the quoting increment applicable to the affected series, and that such an execution may

not trade through the NBBO or at the same price as any resting customer order.[18]

 The Exchange is proposing several rule provisions in respect of Complex Orders

so that they can participate in PIXL Auctions. First, the Exchange proposes new Rule

1080(n)(i)(C) regarding stopping the entire Complex Order when submitting such order

into PIXL. Specifically, new sub-paragraph (C) states that if the PIXL Order is a

Complex Order and of a conforming ratio, as defined in Commentary.08(a)(i) and (a)(ix)

to Rule 1080, the Initiating Member must stop the entire PIXL order at a price that is

better than the best net price (debit or credit) (i) available on the Complex Order book

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   when better priced interest that they could trade against is present in the
   marketplace.

[17] Rule 1080(n)(ii)(G). Regarding an Auction price on the limit order book on the
   same side of the market as the Complex PIXL Order, the Exchange is adding
   1080(n)(ii)(H).

[18] Proposed Rule 1080(n)(vi). The Exchange clarifies that the subsection applies to
   the execution price for a PIXL Order and proposes new language stating that the
   execution price for a Complex Order PIXL may be in $0.01 increments and may
   not trade at a price equal to or through the cPBBO or at the same price as a resting
   customer Complex Order.

regardless of the Complex Order book size; and (ii) achievable from the best Phlx bids

and offers for the individual options (an "improved net price"), provided in either case

that such price is equal to or better than the PIXL Order's limit price.[19] Complex Orders

consisting of a ratio other than a conforming ratio will not be accepted. New sub-

paragraph (C) shall apply to all Complex Orders submitted into PIXL and, where applied

to Complex Orders where the smallest leg is less than 50 contracts in size, shall be

effective for a pilot period scheduled to expire July 18, 2013. New sub-paragraph (C)

maintains the core complex order spread priority principal which stipulates that a

Complex Order may be executed at a total credit or debit price with priority over

individual bids or offers established in the marketplace (including customers) that are not

better than the bids or offers comprising such total credit or debit, provided that at least

one option leg is executed at a better price than the established bid or offer for that option

contracts and no option leg is executed at a price outside of the established bid or offer

for that option contract.[20] New sub-paragraph (C) does so by requiring a Complex Order

submitted into PIXL to be stopped at a net debit/credit price which improves upon the

stated markets present for the individual components of the Complex Order. By

definition, requiring a Complex Order to be stopped at a net debit/credit price which

improves upon the stated markets present for the individual components of the Complex

Order ensures that at least one option leg will be executed at a better price than the

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[19]   Subsection (n)(i)(D) (re-numbered from current subsection (C)) indicates under
         what circumstances PIXL Orders are not eligible to initiate an Auction and will be
         rejected. Reference to proposed new subsection (C) is added to subsection (D) as
         re-numbered.

[20]   The complex order spread priority principal in respect of Complex Orders is set
         forth in Rule 1080, Commentary .08(c)(iii).

established bid or offer for such leg. For example, a Complex Order that is of a

conforming ratio to buy one of option A with a PBBO market of $1.00 bid, offered at

$1.20, and sell one of option B with a PBBO market of $0.50 bid, offered at $0.60, would

need to be stopped by the Initiating Member at a net price better than the calculated

cPBBO market of $0.40 bid, offered at $0.70.[21] If in this same example there was also a

resting Complex Order to buy one of option A and sell one of option B on Phlx for a net

debit price of $0.50, the Initiating Member would need to stop the Complex Order

entered into PIXL at a net price better than $0.50 bid and the calculated net best offer

(cPBBO) of $0.70.

Second, the Exchange is adding proposed new Rule (n)(ii)(A)(2) to explain the

process for initiating a PIXL Complex Auction, which is similar to initiating a PIXL

Auction today. Specifically, proposed new subsection (2) language states that to initiate

the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for

Auction processing, and specify either: (a) a single price at which it seeks to execute the

PIXL Order (a "stop price"); or (b) that it is willing to either: (i) stop the entire order at a

single stop price and auto-match PAN responses and trading interest at a price or prices

that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or

(ii) stop the entire order at a single stop price and auto-match all PAN responses and

trading interest at or better than the stop price. Once the Initiating Member has submitted

a Complex Order into PIXL for processing pursuant to this subparagraph, such order may

not be modified or cancelled. Under any of the circumstances described in sub-

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[21] $0.40 bid = $1.00 bid of A less $0.60 offer of B; and $0.70 offer = $1.20 offer of
         A less $0.50 bid of B.

paragraphs (a)-(b) of subsection (2), the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled.

The procedure set forth in new Rule 1080(n)(ii)(A)(2) for Complex Orders is similar to the procedure set forth in Rule 1080(n)(ii)(A)(1) for initiating a PIXL Auction for orders which are not complex. However, new Rule 1080(n)(ii)(A)(2) does not allow for Initiating Members to enter Complex Orders into PIXL and specify, without stipulating a specific stop price, that they are willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest. Initiating Members entering orders into PIXL which are not Complex Orders may indicate that they are willing to stop the PIXL Order at the NBBO on the Initiating Order side (if 50 contracts or more) or the PBBO on the opposite side of the market from the PIXL Order improved by one minimum price improvement increment (if the PIXL Order is for less than 50 contracts), provided such price is no worse than the NBBO, by submitting the order with a market price and a NWT market price.

When submitted in this manner, the trading system stops the PIXL order at a price based on the disseminated markets in that series at the time of order receipt, in accordance with PIXL rules stated above. The Exchange is not offering this particular functionality for Complex Orders in order to avoid stopping an order at a net debit/credit price which may be unexpected by the Initiating Member due to the fact that there are multiple legs in Complex Orders and prices may change rapidly. Requiring the Initiating Member to use an exact limit price as the stop price, yet allow the use of a NWT market price, will ensure that the stop price will meet the Initiating Member's expectations and still allow the Initiating Member to automatically match other interest if desired.

Third, the Exchange is proposing new language in Rule 1080(n)(ii)(B)(3) to add a

Complex Order PIXL alternative for concluding a Complex Order PIXL Auction.

Specifically, new subsection (3) states that a Complex Order PIXL Auction will conclude

any time the cPBBO or the Complex Order book crosses the PIXL Order stop price on

the same side of the market as the PIXL Order (defined for these purposes as a "Complex

PIXL Order" or, as the context requires, a "PIXL Order").[22] This language introduces

proposed new Rule 1080(n)(ii)(B)(2) for Complex Order PIXL Auctions that is similar to

what is available for PIXL Auctions today. Today, PIXL Auctions end at the earlier of

(i) the end of the Auction period, (ii) any time there is a trading halt on the Exchange in

the affected series, or (iii) any time the PBBO crosses the PIXL order stop price on the

same side as the PIXL Order. The PBBO includes both orders and quotes on the

Exchange. Complex PIXL Auctions will also conclude (i) at the end of the Auction

period or (ii) any time there is a trading halt on the Exchange in the affected series as

stipulated in the rule today. In addition, the language of proposed new Rule

1080(n)(ii)(B)(3) is being added to explicitly state that the end of a Complex PIXL

Auction can also occur either when the cPBBO or the Complex Order book crosses the

PIXL Order stop price on the same side of the market as the PIXL Order.

Fourth, the Exchange is proposing new language in Rule 1080(n)(ii)(C) to add a

Complex Order PIXL alternative for execution when a Complex PIXL Auction ended

due to the cPBBO or the Complex Order book crossing the Complex Order PIXL stop

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[22]   The Exchange also clarifies the end of the Auction alternative in Rule
         1080(n)(ii)(B)(2) to state that, for a PIXL Auction (except if it is a Complex
         Order), any time the PBBO crosses the PIXL Order stop price on the same side of
         the market as the PIXL Order.

price on the same side as the Complex PIXL Order. Specifically, new language in

subsection (C)(2) states that at the conclusion of the PIXL Auction, in the case of the

cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the

same side as the Complex PIXL Order, the entire Complex PIXL Order will be executed

at the stop price against executable PAN responses and executable Complex Order

interest. For example, if a Complex PIXL Auction is in progress where the Complex

PIXL Order is a buy order stopped at $0.60, if either the cPBBO (calculated Phlx Best

Bid) moves to be $0.61 bid or better, or if a Complex Order is entered onto the Phlx book

with a bid price of $0.61 or more, the Complex PIXL Auction will be terminated as set

forth in proposed Rule 1080(n)(ii)(B)(3). In such case, any complex sell interest, both

Complex Orders and PAN responses, at a price of $0.60 or lower will be considered for

trade against the Complex PIXL Order at $0.60.

        The execution process described above for Complex PIXL Orders is simpler than

the process in place for PIXL Auctions terminated due to the PBBO crossing the PIXL

Order stop price on the same side of the market as the PIXL Order. Currently, when a

PIXL Auction is terminated due to the PBBO crossing the PIXL Order stop price on the

same side of the market as the PIXL Order, the PIXL Order is executed at best response

prices or, if the stop price is the best price in the Auction, the PIXL Order is executed at

the stop price, unless the best response price is equal to the price of a limit order resting

on the Phlx book on the same side of the market as the PIXL Order, in which case the

PIXL Order will be executed against that response (but at a price that is at least one

minimum price improvement increment better than the price of such limit order).[23] For

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[23]   Rule 1080(n)(ii)(B).

example, assume a PIXL Order to buy 20 contracts is stopped at a price of $0.60 when

the market is $0.40 bid, offered at $0.70. Additionally, assume a PAN response is

received to sell 10 contracts at $0.55 and an order is submitted and entered onto the Phlx

book to sell 10 contracts at $0.60. If a buy order (or quote) with a limit of $0.65 is

entered into the Phlx XL system, the buy order (or quote) will trade immediately against

the 10 contract order offered at $0.60. The buy order (or quote) will not trade against the

PAN response offered at $0.55 since it is an Auction response and is only eligible to trade

as part of the Auction. Any residual interest of the buy order (or quote) is reflected in the

PBBO causing the market to move to $0.65 bid, offered at $0.70, the PIXL Auction is

terminated. Provided, in the unlikely event that the PAN response to sell at $0.55 had not

been cancelled, the PAN response will trade 10 contracts against the PIXL Order at $0.55

and any residual PIXL Order contracts will trade at $0.60 against the Initiating Order.

The Exchange is proposing that when a Complex PIXL Auction is terminated due to

either the cPBBO or the Complex Order book crossing the Complex Order PIXL stop

price on the same side as the Complex PIXL Order, such order is only executed through

the cPBBO and/or the Complex Order book at one price, the stop price.[24] Consider a

scenario similar to the stopped PIXL Order example set forth above. Assume that a

Complex PIXL Order to buy is stopped at a price of $0.60. The Complex PIXL Order is

to buy option A and sell option B, where option A is $0.90 bid, offered at $1.00 and

option B is $0.30 bid, offered at $0.40. The individual option markets imply a cPBBO

market of $0.50 bid, offered at $0.70. As before, assume a PAN response is received to

sell the strategy at $0.55. If the market for option A becomes $1.05 bid, offered at $1.15,

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[24]   Proposed Rule 1080(n)(ii)(B)(3).

the implied (calculated) cPBBO market becomes $0.65 bid, offered at $0.85 causing the

Complex PIXL Auction to terminate. As proposed, the PAN response at $0.55 will trade

against the Complex PIXL Order at the stop price of $0.60. To trade at $.60, at least one

of the option components of the Complex Order will need to be executed at a price which

is outside of the current market where cPBBO is $0.65 bid. Since this event may have up

to six components, the Exchange believes that limiting the prices trading through the

cPBBO and/or the Complex Order book to only the stop price is important. Furthermore,

combined with the improbability that responses will still be available which are crossing

the cPBBO or the Complex Order book, the Exchange believes the price continuity of

this approach is also more rational and fair to all participants. When executing at the stop

price, the Initiating Order as well as all better priced PAN responses and Complex Order

interest will be considered for trade against the Complex PIXL Order.

Fifth, the Exchange is proposing new language in Rule 1080(n)(ii)(E)(2)(d)

regarding allocation of Complex Order PIXL. Specifically, new subsection (2)(d) states

that in the case of a Complex Order PIXL, if the Initiating Member selected the single

stop price option of the PIXL Auction, PIXL executions will occur at prices that improve

the stop price, and then at the stop price with up to 40% of the remaining contracts after

public customer complex interest is satisfied being allocated to the Initiating Member at

the stop price. If only one other participant matches the stop price, then the Initiating

Member may be allocated up to 50% of the contracts remaining after public customer

complex interest is satisfied at such price. Complex Orders on the PHLX Complex Order

Book, PAN responses, and quotes and orders which comprise the cPBBO at the end of

the Auction will be considered for allocation against the Complex PIXL order. Such

interest will be allocated in the following order: (i) to public customer Complex Orders and PAN responses in time priority; (ii) to SQT, RSQT, and non-SQT ROT Complex Orders and PAN responses on a size pro-rata basis; (iii) to non-market maker off-floor broker-dealer Complex Orders and PAN responses on a size pro-rata basis, and (iv) to quotes and orders which comprise the cPBBO at the end of the Auction with public customer interest being satisfied first in time priority, then to SQT, RSQT, and non-SQT ROT interest satisfied on a size pro-rata basis, and lastly to non-market maker off-floor broker-dealers on a size pro-rata basis. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member, after public customer Complex Orders and PAN responses have been satisfied.

For example, a Complex Order to buy one of option A and sell one of option B, 100 times, with a cPBBO of $0.40 bid, $0.70 offer, may be submitted into PIXL by the Initiating Member with a single stop price of $0.60. Assume that during the Auction, Phlx receives the following responses and order interest:

- MM1 responds to sell the strategy 10 times at a price of $0.55

- MM1 responds to sell the strategy 10 times at a price of $0.60

- BD responds to sell the strategy 5 times at a price of $0.60

- Customer Complex Order to sell the strategy 30 times at a price of $0.60

- MM2 responds to sell the strategy 20 times at $0.60.

After all of the aforementioned responses and orders are received, option A of the simple market moves causing the cPBBO to become offered 20 times at $0.55. Option A is quoted in the simple market as $1.00 bid, $1.05 offer, with the $1.05 offer representing a Customer offer. Option B is quoted in the simple market as $0.50 bid, $0.60 offer.

At the end of the Auction, the Complex PIXL Order will be executed 30 times at a price of $0.55. Of those 30 strategies, MM1 will trade 10 and an additional 20 contracts will be traded by legging into the interest that represents the cPBBO, including the Customer offered at $1.05 in Option A. The Complex PIXL Order will then be traded against interest at $0.60. First, the Customer offering the strategy 30 times will be satisfied. Next, the Initiating member will be allocated 40% of the remaining 40 strategy contracts, i.e. 16 strategy contracts at his stop price of $0.60. The residual 24 strategy contracts will trade against the two market maker responses in a pro-rata fashion with MM1 executing 8 strategy contracts and MM2 executing 16 strategy contracts. The broker dealer offering 5 strategies at $0.60 would not receive any allocation and the response is cancelled back to the participant.

An additional example illustrating the execution algorithm proposed for Complex Order PIXL is as follows. Assume a Complex Order to buy one of option A and sell one of option B, 100 times, with a cPBBO of $0.40 bid, $0.70 offer, may be submitted into PIXL by the Initiating Member with a single stop price of $0.60. Assume that during the Auction, Phlx receives the following responses and order interest:

- MM1 responds to sell the strategy 10 times at a price of $0.55

- MM1 responds to sell the strategy 10 times at a price of $0.60

- BD responds to sell the strategy 5 times at a price of $0.60

- Customer Complex Order to sell the strategy 30 times at a price of $0.60

- MM2 responds to sell the strategy 20 times at $0.60.

After all of the aforementioned responses and orders are received, option A of the simple market moves causing the cPBBO to become offered 20 times at $0.60. Option A is

quoted in the simple market as $1.00 bid, $1.10 offer, with the $1.10 offer representing a Customer offer. Option B is quoted in the simple market as $0.50 bid, $0.60 offer.

At the end of the Auction, the Complex PIXL Order will be executed 10 times at a price of $0.55 against MM1. The Complex PIXL Order will then be traded against interest at $0.60. First, the Customer offering the strategy 30 times will be satisfied. Next, the Initiating member will be allocated 40% of the remaining 60 strategy contracts, i.e. 24 strategy contracts at his stop price of $0.60. The residual 36 strategy contracts will trade against the two market maker responses with MM1 executing 10 strategy contracts and MM2 executing 20 strategy contracts. The broker dealer offering 5 strategies at $0.60 would then be executed. The last 1 contract would be traded against the cPBBO interest with the Customer offering Option A at $1.10 receiving priority over any other interest offered at that price.

Similarly to PIXL, all interest in the Phlx system at the end of a Complex PIXL auction will be considered for execution against the Complex PIXL Order. Interest will be traded first based on the prices available at the end of the Auction. At all prices, other than the final price point, all interest, including Complex Orders, PAN response, and interest comprising the cPBBO will be fully satisfied. At the final price point, the Initiating Member will be allocated up to 40% (50% if matching only one other participant) of the Complex PIXL Order after public customer complex interest has been satisfied. After public customer complex interest and the Initiating Member have been allocated contracts, other complex interest will be considered for allocation with SQT, RSQT, and non-SQT ROT interest being allocated in a size pro-rata fashion followed by non-market maker off-floor broker dealer complex interest in a size pro-rata fashion.

Once all complex interest, including both Complex Orders and PAN responses, has been satisfied, interest comprising the cPBBO will be considered for allocation. Public customer interest comprising the cPBBO will be afforded priority over non-public customer interest comprising the cPBBO and will be allocated in a price time manner. After public customer interest comprising the cPBBO has been satisfied, SQT, RSQT, and non-SQT ROT interest comprising the cPBBO will be allocated in a size pro-rata fashion followed by non-market maker off-floor broker dealer complex interest in a size pro-rata fashion.

Complex Orders today which are executed as part of a Complex Order Live Auction (COLA) trade first based on the best prices available at the end of the COLA timer. If markets for the individual components of the Complex Order independently improve during the COLA Timer and match the best price of COLA Sweeps(s) and/or responsive Complex Order interest, the responses will be executed before executing the individual components of the Complex Order. Since a Complex PIXL Order must be stopped at a price which improves upon all interest in the Phlx XL system at time of receipt, the proposed Complex PIXL execution algorithm ensures and maintains the priority of established interest. In the event that the individual components of the Complex PIXL Order independently improve during the Auction and new interest is received during the auction, Complex Orders and PAN responses will be afforded priority over individual component interest comprising the cPBBO at a given price point just as auction responses and Complex Orders are afforded priority over individual components of a Complex Order that independently improve during a COLA. It is important to note, however, that public customer complex interest will maintain priority

over non-public customer complex interest and public customer interest comprising the
cPBBO will be afforded priority over non-public customer interest comprising the
cPBBO. The Complex PIXL Auction allows for all participant types, including public
customers, to respond to the auction notification.[25] Public customers responding to the
auction or submitting complex order interest during the auction will be afforded priority
over non-customer interest. Public customer interest comprising the cPBBO will be
afforded priority over non-customer interest comprising the cPBBO but not over complex
order or PAN response interest. Such public customer interest was provided the
opportunity to respond to the auction and/or submit complex interest during the auction.
Since public customer interest comprising the cPBBO chose not to avail themselves of
the opportunity to respond to the auction, the public customer interest representing
individual components of the cPBBO will not be afforded priority over participants
offering contra-side interest to the Complex PIXL for all components of the Complex
PIXL Order at the same price point.

Sixth, the Exchange is proposing new language in Rule 1080(n)(ii)(E)(2)(e)
regarding allocation of Complex Order PIXL where an Initiating Member selected "stop
and NWT" in respect to the stop price of a PIXL Order submission. Specifically, new
subsection (2)(e) states that in the case of a Complex Order PIXL, if the Initiating
Member selected the "stop and NWT" option for the Complex PIXL Order submission,
contracts shall be allocated as follows: (i) first to Complex Orders and PAN responses at
prices better than the NWT price, as well as to quotes and orders which comprise the

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[25]   Rule 1080(n)(ii)(A)(5) (re-numbered from subsection (A)(4)) provides that any
         person or entity may submit responses to the PAN, provided such response is
         properly marked specifying price, size and side of the market.

cPBBO if such cPBBO is better than the NWT price, pursuant to the algorithm set forth

above in (n)(ii)(E)(2)(d)(i) through (iv) of Rule 1080 and (ii) next, to Complex Orders

and PAN responses, as well as to quotes and orders which comprise the cPBBO at the

end of the Auction, at the Initiating Member's NWT price and at prices better than or

equal to the Initiating Member's stop price, beginning with the NWT price. The Initiating

Member shall be allocated an equal number of contracts as the aggregate size of all other

interest at each price point, except that the Initiating Member shall be entitled to receive

up to 40% (or 50% if matching only one other participant) of the contracts remaining at

the final price point (including situations where the final price is the stop price), after

public customer Complex Orders and PAN responses have been satisfied. In the case of

an Initiating Order with a NWT price at the market, the Initiating Member shall be

allocated an equal number of contracts as the aggregate size of all other interest at all

price points, except that the Initiating Member shall be entitled to receive up to 40% (or

50% if matching only one other participant) of the contracts remaining at the final price

point (including situations where the final price is the stop price), after public customer

Complex Orders and PAN responses have been satisfied. If there is other interest at the

final price point the contracts will be allocated to such interest pursuant to the algorithm

set forth in (n)(ii)(E)(2)(d)(i) through (iv) of this rule. Any remaining contracts shall be

allocated to the Initiating Member.[26]

For example, a Complex Order to buy one of option A and sell one of option B,

100 times, with a cPBBO of $0.40 bid, $0.70 offer, could be submitted into PIXL by the

Initiating Member with a single stop price of $0.60 and a NWT price of $0.55. Assume

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[26]   Proposed new subsection (n)(ii)(E)(2)(f) states that a single quote, order or PAN
        response shall not be allocated a number of contracts that is greater than its size.

that during the Auction, a market maker (MM1) responds to the auction notification and

offers to sell the same Complex Order strategy 10 times at a price of $0.55 as well as

offers to sell the strategy 25 times at a price of $0.60. In addition, assume that a public

customer Complex Order to sell the strategy 10 times at $0.60 is received and another

market maker (MM2) responds to sell the strategy 25 times at $0.60. At the end of the

Auction, the Complex PIXL Order will be executed 10 times at a price of $0.55 against

MM1 and an additional 10 times at a price of $0.55 against the Initiating Member since

he indicated he was willing to match all interest down to $0.55 by using the NWT

functionality. The Complex PIXL Order will then execute 10 times at a price of $0.60

against the public customer offer. Then, the Initiating Member will be allocated 40% of

the remaining 70 strategy contracts, i.e. 28 strategy contracts, of the Complex PIXL

Order at the stop price of $0.60. The two market maker responders will execute the

remaining 42 contracts in a pro-rata fashion with both MM1 and MM2 trading 21

strategy contracts each.

Seventh, the Exchange is proposing new language in Rule 1080(n)(ii)(E)(2)(g) to

stipulate that Complex PIXL Orders which include a stock/ETF component will only

execute against Complex Orders or PAN responses that also include the stock/ETF

component. Such orders will not "leg" to the simple market and will therefore not trade

against interest comprising the cPBBO at the end of the Auction.[27] This behavior is

consistent with the handling of Complex Orders that include a stock/ETF component and

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[27]   Complex Orders that include a stock/ETF component and are submitted to the
        Phlx Complex Order book or entered into a Complex Order Live Auction
        (COLA) also have a similar restriction. Rule 1080, Commentary .08(a)(i).

are entered into the Phlx system.[28] Legging of a stock/ETF component would introduce

the risk of a participant not receiving an execution on all components of the Complex

Order and is therefore not considered as a means of executing a Complex Order which

includes a stock/ETR component. The Exchange believes that introducing the risk of not

having the ability to fully execute a complex strategy is counter-productive to, and

inconsistent with, the effort to allow Complex Orders in PIXL. If there are Complex

Orders and PAN responses which satisfy all components of the Complex Order in PIXL,

including the stock component, the stock will be executed in the same manner as it is

done today for Complex Orders.[29]

Eighth, the Exchange is proposing new language in Rule 1080(n)(ii)(H) regarding

a Complex Order PIXL Auction price matching a Complex Order Book price on the same

side of the market as the PIXL Order. Specifically, new subsection (H) states that if the

Complex Order PIXL Auction price is the same as that of a Complex Order on the

Complex Order Book on the same side of the market as the Complex PIXL Order, the

PIXL Order may only be executed at a price that is at least one minimum price

improvement increment better than the resting order's limit price; or if such resting

order's limit price is equal to or crosses the stop price, then the entire PIXL Order will

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[28]   Commentary.08 (a)(i) to Rule 1080 states, for example, that stock-option orders
         can only be executed against other stock-option orders and cannot be executed by
         the System against orders for the individual components.

[29]   The Exchange electronically communicates the underlying security component of
         the order to NOS for immediate execution as per Exchange Rule 1080
         Commentary .08(h). In addition, only those participants with the appropriate
         documentation (e.g. a Qualified Special Representative ("QSR") arrangement
         with NOS), as required by Exchange Rule 1080 Commentary .08(a)(i), will be
         allowed to submit Complex Orders which include a stock component into PIXL.

trade at the stop price with all better priced interest being considered for execution at the stop price. This is similar to how PIXL executions are handled today when an order on the same side as the PIXL Order is on the book.[30] Rule 1080(n)(ii)(H) is being proposed in order to provide for the same behavior when a Complex Order on the same side of the market as the Complex PIXL Order is resting on the book. For example, assume a Complex PIXL Order to buy 20 strategy contracts is stopped at a price of $0.60 when the cPBBO market is $0.40 bid, offered at $0.70. Additionally, assume a PAN response is received to sell 10 strategy contracts at $0.58. In addition, assume a Complex Order is received during the Auction to buy 10 strategy contracts for $0.58. The Complex Order received during the Auction will rest on the order book since it is not marketable against the cPBBO or against other resting Complex Order interest. At the end of the Auction, 10 strategy contracts of the Complex PIXL Order will be executed at $0.59, one price improvement increment better than the resting Complex Order bid of $0.58, against the PAN response and 10 strategy contracts of the Complex PIXL Order will be executed at $0.60 against the Initiating Order of the Complex PIXL. Considering a similar scenario where the Complex Order received during the Auction is to buy 10 strategy contracts for $0.60, at the end of the Auction, the entire Complex PIXL Order will be executed at $0.60 with the Initiating Order and the PAN response each executing 10 strategy contracts. This is similar to how PIXL executions are handled today.

The Exchange is also proposing to add language to existing Rule 1080(n)(ii)(G) to state that if there is an order on the limit order book, on the same side of the market as the PIXL Order, which is "equal to or crosses" the stop price, then the entire PIXL Order will

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30   Rule 1080(n)(ii)(G).

trade at the stop price with all better priced interest being considered for execution at the stop price. Currently, the rule does not address the case where the order on the limit order book is "equal to" the stop price. This change does not impact behavior since the order on the limit order book has been considered by the Phlx system to "cross" the stop price when its limit was equal to the stop price. Not adding the consideration when the limit order "crossed" the stop price would have resulted in PIXL Orders not being able to execute since they would be forced to improve the limit of the resting order which was also the PIXL Order stop price.

Ninth, the Exchange is proposing new language in Rule 1080(n)(ii)(J) regarding Complex Order PIXL Orders with stock components. Specifically, subsection (J)(1) states that a member organizations may only submit Complex PIXL Orders, Initiating Orders, Complex Orders, and/or PAN responses with a stock/ETF component if such orders/responses comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS pursuant to the Act. Member organizations submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market ("NASDAQ") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Options Services LLC in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative ("QSR") arrangement with Nasdaq Options Services LLC ("NOS") in order to trade orders containing a stock/ETF component.

New subsection (J)(2) states that where one component of a Complex PIXL

Order, Initiating Order, Complex Order, or PAN response is the underlying security, the

Exchange shall electronically communicate the underlying security component of a

Complex PIXL Order (together with the Initiating Order, Complex Order, or PAN

response, as applicable) to NOS, its designated broker-dealer, for immediate execution.

Such execution and reporting will occur otherwise than on the Exchange and will be

handled by NOS pursuant to applicable rules regarding equity trading.

And, new subsection (J)(3) states that when the short sale price test in Rule 201 of

Regulation SHO[31] is triggered for a covered security, NOS will not execute a short sale

order in the underlying covered security component of a Complex PIXL Order, Initiating

Order, Complex Order, or PAN response if the price is equal to or below the current

national best bid.[32] However, NOS will execute a short sale order in the underlying

covered security component of a Complex PIXL Order, Complex Order, or PAN

response if such order is marked "short exempt," regardless of whether it is at a price that

is equal to or below the current national bid. [33] If short sale restrictions of Rule 201 are in

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[31]   17 CFR 242.201. See Securities Exchange Act Release No. 61595 (February 26,
         2010), 75 FR 11232 (March 10, 2010). See also Division of Trading and
         Markets: Responses to Frequently Asked Questions Concerning Rule 201 of
         Regulation SHO, January 20, 2011 ("SHO FAQs") at
         http://www.sec.gov/divisions/marketreg/mrfaqregsho1204.htm.

[32]   The term "national best bid" is defined in Rule 201(a)(4). 17 CFR 242.201(a)(4).

[33]   The Exchange notes that a broker or dealer may mark a sell order "short exempt"
         only if the provisions of Rule 201(c) or (d) are met. 17 CFR 242.200(g)(2).
         Since NOS and the Exchange do not display the stock or ETF portion of a
         complex order, however, a broker-dealer should not be in a position to mark the
         short sale order "short exempt" under Rule 201(c). See SHO FAQs Question and
         Answer Nos. 4.2, 5.4, and 5.5. See also Securities Exchange Act Release No.

effect at the end of the Auction and either the Complex PIXL Order or the Initiating

Order consists of a stock/ETF component which is a short sale, NOS will execute the

short sale order in the underlying covered security component if such order is able to be

executed at a price which is above than the national best bid at the time of execution. If

NOS cannot execute the underlying covered security component of a Complex PIXL

Order or Initiating Order in accordance with Rule 201 of Regulation SHO, the Exchange

will cancel back the Complex PIXL Order and Initiating Order to the entering member

organization. Similarly, if short sale restrictions of Rule 201 are in effect at the end of

the Auction and there exist Complex Orders or PAN responses which consist of a

stock/ETF component which is a short sale, NOS will execute the short sale order in the

underlying covered security component if such order is able to be executed at a price

which is above the national best bid at the time of execution. If NOS cannot execute the

underlying covered security component of a Complex Order or PAN response in

accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the

Complex Order and/or PAN response to the entering member organization. For purposes

of this paragraph, the term "covered security" shall have the same meaning as in Rule

201(a)(1) of Regulation SHO.

The Exchange is also proposing two additional minor changes to the Phlx rules in

order to accommodate Complex Order submission into the PIXL mechanism, and one

clarifying change to the current PIXL rule. The first of these rule changes is to current

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63967 (February 25, 2011), 76 FR 12206 (March 4, 2011)(SR-Phlx-2011-27)(discussing, among other things, Complex Orders marked "short exempt").

Rule 1080(n)(i)(E),[34] which states that PIXL Orders submitted during the final second of

the trading session in the affected series are not eligible to initiate an Auction and will be

rejected. The Exchange is proposing to alter the language to state that orders submitted

during the final "two seconds" of the trading session will not be eligible to initiate an

Auction and will be rejected. The Exchange is increasing this duration from one to two

seconds in order to accommodate the execution of multiple components of a Complex

Order. Since this time allowance is set for PIXL as a whole, and not only for PIXL

versus Complex PIXL, no orders submitted into the PIXL mechanism will be accepted

when there remains less than two seconds in the trading session for the components of the

order. Second, the Exchange is proposing to add language to Commentary

.08(e)(i)(B)(2) of Rule 1080 to stipulate that a Complex Order that would otherwise be a

COLA-eligible order that is received in a strategy where there is currently a Complex

Order PIXL Auction in progress shall not be COLA-eligible. The Phlx XL system allows

for only one Auction to be ongoing in a given series or strategy at a time. This rule will

be changed slightly to include "strategy" as well as "series". With the allowance of

Complex Orders into PIXL, the Complex Order rules will also be changed to stipulate

that only one Auction, including both COLA and PIXL, may be conducted at a time in a

given strategy.[35]

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[34]   Sub-section (n)(i)(E) of Rule 1080 is re-numbered to (n)(i)(F); and for conformity
         the re-numbering is reflected in the opening paragraph of subsection (n). In a
         similar vein, other subsections are re-numbered as needed (e.g. sub- section
         (n)(i)(C) is re-numbered to sub-section (n)(i)(D), (n)(i)(D) is re-numbered to
         (n)(i)(E), and (n)(i)(F) is re-numbered to (n)(i)(G)).

[35]   Proposed Rule 1080(n)(ii).

Lastly, the Exchange is submitting a clarifying change to current Rule

1080(n)(ii)(E)(2)(a). The rule currently states that if the Initiating Member is matched by

only one specialist, SQT or RSQT at the stop price, then the Initiating Member is entitled

to 50% of the contracts executed at such price. The rule is being clarified to state that if

the Initiating Member is matched by only one other "participant," which includes a

specialist, SQT or RSQT, as well as any other exchange member, then the Initiating

Member is entitled to 50% of the contracts executed at such price.

b.   Statutory Basis

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

Act[36] in general, and furthers the objectives of Section 6(b)(5) of the Act[37] in particular,

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. This will be

effectuated by rule changes that allow Complex Orders to be submitted into the Phlx

price improvement (PIXL) mechanism.

PIXL is the Exchange's electronic order, trade, and execution system that allows a

member of the Exchange known as an Initiating Member to electronically submit for

execution an order it represents as agent on behalf of a public customer, broker-dealer, or

any other entity against principal interest or against any other order it represents as agent

provided it submits the PIXL Order for electronic execution into the PIXL Auction

pursuant to the Rule. During the one-second blind PIXL Auction (PAN), the Initiating

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[36]   15 U.S.C. 78f(b).

[37]   15 U.S.C. 78f(b)(5).

Member's stop price or NWT price may be improved to the benefit of the PIXL Order

during the Auction, but may not be cancelled. Anyone may respond to the PAN by

sending orders or quotes. At the conclusion of the Auction, the PIXL Order will be

allocated at the best price(s). PIXL has proven to be, since its institution several years

ago, an effective electronic price improvement and trading tool on the Exchange that,

until this proposal, was not able to accept Complex Orders.

Complex Orders allow the simultaneous purchase and/or sale of two or more

different options series in the same underlying security and for the same account. These

orders are priced at a net debit or credit based on the relative prices of no more than six

individual components for the purpose of executing a particular investment strategy.

Complex Orders may also be stock-option orders, which enable buying or selling a stated

number of units of an underlying stock or ETF coupled with the purchase or sale of

options contract(s). Complex Orders allow the execution of spread and other

multifaceted trading and hedging strategies that could not be done effectively, if at all,

with multiple simple orders.

Currently, PIXL does not accommodate Complex Orders as is allowed on other

options exchanges, such as ISE and the Chicago Board Options Exchange, Incorporated

("CBOE"), which have price-improving electronic auctions like PIXL. Clearly, Complex

Orders are and will continue to become an increasingly important hedging and trading

segment of the options industry. This proposal simply allows Complex Orders to be

entered into the Exchange's PIXL Auction mechanism just as is allowed on ISE and

CBOE.

The Exchange is proposing several rule changes to establish how Complex Orders will be accommodated in PIXL, including the following. First, new Rule 1080(n)(i)(C) regarding stopping the entire Complex Order of a conforming ratio when submitting such order into PIXL. Second, new Rule (n)(ii)(A)(2) to explain the process for initiating a PIXL Complex Auction. Third, new language in Rule 1080(n)(ii)(B)(3) to add a Complex Order PIXL alternative for concluding a Complex Order PIXL Auction. Fourth, new language in Rule 1080(n)(ii)(C) to add a Complex Order PIXL alternative for execution when a Complex PIXL Auction ended due to the cPBBO or the Complex Order book crossing the Complex Order PIXL stop price on the same side as the Complex PIXL Order. Fifth, new language in Rule 1080(n)(ii)(E)(2)(d) regarding allocation of Complex Order PIXL. Sixth, new language in Rule 1080(n)(ii)(E)(2)(e) regarding allocation of Complex Order PIXL where an Initiating Member selected "stop and NWT" in respect to the stop price of a PIXL Order submission. Seventh, new language in Rule 1080(n)(ii)(E)(g) to stipulate that Complex PIXL Orders which include a stock/ETF component will only execute against Complex Orders or PAN responses that also include the stock/ETF component. Eighth, new language in Rule 1080(n)(ii)(H) regarding a Complex Order PIXL Auction price matching a Complex Order Book price on the same side of the market as the PIXL Order. Ninth, new language in Rule 1080(n)(ii)(J) regarding Complex Order PIXL Orders with stock components. In addition, the three pilots applicable to Complex Orders (stopping the entire PIXL Order where the order is for a size less than 50 contracts, early conclusion of the PIXL Auction, and no minimum size requirement of orders entered into PIXL) are applicable to Complex Orders in PIXL.

The Exchange believes this proposal reflects reasonable and proper amendments to accommodate Complex Orders in PIXL, the Exchange's price-improvement mechanism that is a component of the fully automated options trading system Phlx XL. This ensures a dynamic, real-time trading mechanism that maximizes the opportunity for trade executions for Complex Orders.

The proposed changes are consistent with Section 6(b)(5) of the Act in that they are 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 to protect investors and the public interest. In particular, the Exchange believes the proposed changes will result in more efficient trading and reduce the risk that Complex Orders fail to execute for investors by providing additional opportunities to accommodate Complex Orders in PIXL. The interaction of orders, including complex strategies and the Complex Book, will benefit investors by increasing the opportunity for Complex Orders to receive execution, while also enhancing execution quality for orders on the Complex Book. The Exchange believes that increased interaction, where possible, on a continuous and real-time basis of the bids and offers regarding a complex strategy, and the potential for price improvement through PIXL, will benefit market participants, investors, and traders.

The proposal would be of significant benefit to investors and traders as well as the public, which will gain the opportunity to submit additional orders types seeking price improvement through the PIXL mechanism. This may lead to an increase in Exchange volume. As such, the proposal is decidedly pro-competitive. In addition to increasing

volume, the proposal would allow the Exchange to better compete against other markets that already offer accommodation of complex orders in their electronic auctions.

For all of the foregoing reasons and as discussed in the proposal, the Exchange believes the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to the Exchange.

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. To the contrary, the Exchange believes the proposal is pro-competitive. First, the proposal would enable the Exchange to provide market participants with an expanded opportunity to realize price improvement of Complex Orders through PIXL. And second, the proposal would diminish the potential for foregone market opportunities on the Exchange by allowing Complex Orders in PIXL to be entered by all Phlx members, similarly to electronic price improvement functionality for complex orders that is allowed on other options exchanges.

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 Exchange requests that the Commission approve the proposed rule change on

an accelerated basis pursuant to Section 19(b)(2)[38] of the Act so that, from a competitive

perspective, the Exchange has rules similar to those of other Exchanges that allow

complex orders to enter into a price-improving electronic auction. This would enable

Complex PIXL Orders to be entered into the Exchange's electronic auction, PIXL, and

provide the ability to achieve price improvement of such multi-legged complex order

strategies, and thereby enhance the ability of investors, traders, and market participants in

general to execute their trading and hedging decisions.

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

       ISE received approval to allow Complex Orders into their PIM, which is an

electronic auction process, the same as PIXL.[39] ISE allows both simple and Complex

Orders to be entered into their price improvement mechanism and initiate an Auction,

which until recently, had a duration of one second. The PIM Order is stopped at a price

by an ISE member submitting the order and upon receipt of a PIM Order, ISE broadcasts

an Auction notification soliciting interest from participants wishing to trade against the

PIM Order. PHLX also offers a one second price improvement Auction mechanism,

PIXL, but currently only allows simple orders to be entered. PIXL is similar to PIM in

that it runs an auction for one second after broadcasting an Auction notification to

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[38]   15 U.S.C. 78f(b)(2).

[39]   See Securities Exchange Act Release No. 64805 (July 5, 2011), 76 FR 40758
         (July 11, 2011)(SR-ISE-2011-30).

participants. However, PIM has slightly different order acceptance rules for simple orders than PIXL. In order to initiate a PIM Auction, a simple order must be stopped at a price which improves the ISE BBO and is no worse than the NBBO. PIXL requires that simple orders of less than 50 contracts in size improve the PBBO and orders of 50 contracts or more may be stopped at a price equal to the PBBO, provided in either case the order is stopped at a price no worse than the NBBO. The proposed changes that are explained through examples herein enable Phlx to have functionality that is similar to what is already approved for and offered by ISE: complex orders in an electronic auction process. Thus, PIXL will require that Complex Orders submitted into the mechanism are entered at a price that is better than the best net price (i) available on the complex order book; and (ii) achievable from the best Phlx bids and offers for the individual legs (an improved net price) just as the ISE requires.

In addition, CBOE received approval to allow Complex Orders to be submitted into their AIM.[40] CBOE's AIM process for non-complex orders is similar to PIXL in that orders are submitted into the AIM mechanism with a stop price or marked as "auto-match", in which case the orders are stopped at the NBBO or if less than 50 contracts at one minimum price improvement increment better than the NBBO. Both AIM and PIXL run an auction process that has a duration of one second. In addition, both AIM and PIXL generate an auction notification and responses are submitted by participants into the Auction to trade against the AIM or PIXL order. Unlike PIXL, CBOE's AIM offers participants the ability to submit an order into AIM which first clears better priced

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40   See Securities Exchange Act Release No. 66235 (January 25, 2012), 77 FR 4844 (January 31, 2012)(SR-CBOE-2011-114).

interest prior to initiating an auction. Orders entered into PIXL must adhere to the acceptance rules upon receipt; if better priced interest is present, the PIXL Order is immediately rejected. Complex Orders may be entered into AIM provided they meet the same eligibility requirements as non-complex orders and the Agency Order is eligible based on its complex order type, order origin, class, and marketability. Unlike CBOE's AIM, however, PIXL will have slightly different acceptance requirements for Complex Orders versus non-complex orders. Phlx will require that all Complex Orders be submitted into PIXL with a stop price which improves both the cPBBO and the Complex Order book regardless of the PIXL order size. In addition, PIXL will not allow a Complex Order to be submitted as an "auto-match" unless the order is also submitted with a specific stop price. CBOE continues to offer this as an option when submitting Complex Orders into AIM.

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-Phlx-2013-46)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of
Proposed Rule Change Regarding Complex Order PIXL

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

Rule 19b-4[2] thereunder, notice is hereby given that on April 30, 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 is filing with the Commission a proposal to amend Rule 1080

(Phlx XL and Phlx XL II) to accommodate Complex Orders in PIXL.[3] The Exchange

requests that the Commission approve the proposed rule change on an accelerated basis.

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

[2]   17 CFR 240.19b-4.

[3]   The Exchange adopted PIXL in October 2010 as a price-improvement mechanism
        that is a component of the Exchange's fully automated options trading system,
        Phlx XL, now known as XL II. See Securities Exchange Act Release No. 63027
        (October 1, 2010), 75 FR 62160 (October 7, 2010)(SR-Phlx-2010-108)(order
        granting approval of price improvement system, XL).

        Six-legged Complex Orders trade on the Exchange. See Securities Exchange Act
        Release No. 63777 (January 26, 2011), 76 FR 5630 (February 1, 2011)(SR-Phlx-
        2010-157)(approval order allowing six-legged Complex Orders); and
        Commentary .08 to Rule 1080. This proposal would enable Complex Orders to
        trade on PIXL.

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 this proposed rule change is to amend Rule 1080 to accommodate

Complex Orders in PIXL. This proposal would allow Complex Orders in the Exchange's

price-improving electronic auction, PIXL, similarly to other options exchanges that

currently allow complex orders in their price-improving electronic auctions.[4]

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[4]   See Securities Exchange Act Release No. 64805 (July 5, 2011), 76 FR 40758 (July 11, 2011)(SR-ISE-2011-30)(order granting approval of a proposed rule change relating to Complex Orders in ISE's Price Improvement Mechanism, PIM). See also Securities Exchange Act Release No. 66235 (January 25, 2012), 77 FR 4844 (January 31, 2012)(SR-CBOE-2011-114)(order granting approval of a proposed rule change relating to Complex Order processing in CBOE's Hybrid 3.0 classes).

Background

Current PIXL

The PIXL mechanism is a process whereby members electronically submit orders

they represent as agent against principal interest or other interest that they represent as

agent. The submitted orders are stopped at a price and are subsequently entered into an

auction seeking price improvement. Currently, the PIXL mechanism accepts only simple

orders.

An Exchange member may initiate a PIXL Auction ("Initiating Member") by

submitting a PIXL Order in one of three ways:[5]

1)   the Initiating Member could submit a PIXL Order specifying a single price at

which it seeks to execute the PIXL Order (a "stop price");

2)   an Initiating Member could submit a PIXL Order specifying that it is willing to

automatically match as principal or as agent on behalf of an Initiating Order, the price

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[5]   Three components of the PIXL system were approved by the Commission on a
         pilot basis: (1) Paragraphs (n)(i)(A)(2) and (n)(i)(B)(2) of Rule 1080, relating to
         stopping the entire PIXL Order where the order is for a size less than 50 contracts;
         (2) paragraphs (n)(ii)(B)(4) and (n)(ii)(D) of Rule 1080, relating to the early
         conclusion of the PIXL Auction; and (3) paragraph (n)(vii) of Rule 1080, stating
         that there shall be no minimum size requirement of orders entered into PIXL
         (collectively, the "pilots"). See supra note 3. The pilots were extended for a pilot
         period expiring July 18, 2013. All of the pilots are applicable to Complex PIXL.
         The paragraph (n)(i)(A)(2) and (n)(i)(B)(2) pilot is, for Complex Orders of less
         than 50 contracts in size, in new (n)(i)(C). Paragraph (n)(ii)(B)(4) is re-numbered
         as (n)(ii)(B)(5) and, along with paragraph (n)(ii)(D), the early conclusion of the
         PIXL Auction pilot is applicable to Complex PIXL Orders. Proposed (n)(ii)(D)
         states, regarding Complex PIXL Auctions, that an unrelated market or marketable
         limit Complex Order on the opposite side of the market from the Complex PIXL
         Order, as well as orders for the individual components of the Complex Order
         received during the Auction, will not cause the Auction to end early and will
         execute against interest outside of the Auction. If contracts remain from such
         unrelated order at the time the Auction ends, they will be considered for
         participation in the order allocation process described in sub-paragraph (E) below.

and size of all trading interest, and responses to the PIXL Auction Notification ("PAN")

(known as "auto-match"), in which case the PIXL Order will be stopped at the National

Best Bid/Offer ("NBBO") on the Initiating Order side of the market (if 50 contracts or

greater) or, if less than 50 contracts, the better of: (i) The Phlx Best Bid/Offer ("PBBO")

price on the opposite side of the market from the PIXL Order improved by at least one

minimum price improvement increment, or (ii) the PIXL Order's limit price (if the order

is a limit order), provided in either case that certain circumstances are met and that such

price is at least one increment better than the limit of an order on the book on the same

side as the PIXL Order; or

3)   an Initiating Member could submit a PIXL Order specifying that it is willing to

either: (i) stop the entire order at a single stop price and auto-match PAN responses, as

described below, together with trading interest, at a price or prices that improve the stop

price to a specified price above or below which the Initiating Member will not trade (a

"Not Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and

auto-match all PAN responses and trading interest at or better than the stop price; or (iii)

stop the entire order at the NBBO on the Initiating Order side (if 50 contracts or greater)

or the better of: (A) the PBBO price on the opposite side of the market from the PIXL

Order improved by one minimum price improvement increment, or (B) the PIXL Order's

limit price (if the order is a limit order) on the Initiating Order side (if for less than 50

contracts), and auto-match PAN responses and trading interest at a price or prices that

improve the stop price up to the NWT price.[6] In all cases, if the PBBO on the same side

of the market as the PIXL Order represents a limit order on the book, the stop price must

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[6]   The PIXL 50 contract distinction is applicable to Complex Orders entered into
          PIXL.

be at least one minimum price improvement increment better than the booked limit

order's limit price.

After the PIXL Order is entered, a PAN is broadcast and a one-second blind

Auction ensues. Anyone may respond to the PAN notification. At the conclusion of the

Auction, the PIXL Order will be allocated at the best price(s) among quotes, orders, and

PAN responses.

Once the Initiating Member has submitted a PIXL Order for processing, such

PIXL Order may not be modified or cancelled, and a member submitting the order has no

ability to control the timing of the execution. The execution is carried out by the

Exchange's Phlx XL automated options trading system and pricing is determined solely

by the other orders and quotes that are present in the Phlx XL system at the time the

Auction ends.

Current Complex Orders

A Complex Order is any order involving the simultaneous purchase and/or sale of

two or more different options series in the same underlying security, priced at a net debit

or credit based on the relative prices of the individual components, for the same account,

for the purpose of executing a particular investment strategy. A Complex Order may also

be a stock-option order, which is an order to buy or sell a stated number of units of an

underlying stock or exchange-traded fund ("ETF") coupled with the purchase or sale of

options contract(s). Complex Orders on Phlx are discussed in Commentary .08 to Rule

1080.[7] In particular, Commentary .08 governs the trading of Complex Orders on the

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[7]   For the full definition of Complex Order, see Commentary .08(a)(i) to Rule 1080.
        See also Securities Exchange Act Release No. 63777 (January 26, 2011), 76 FR
        5630 (February 1, 2011)(SR-Phlx-2010-157)(order granting approval of a

Phlx's electronic options trading platform, Phlx XL II, to, among other things: (i) permit

Complex Orders with up to six components, including the underlying stock or ETF; (ii)

establish a Do Not Auction ("DNA") designation for Complex Orders; (iii) add a

definition of conforming ratio;[8] (iv) provide priority rules for Complex Orders traded on

Phlx XL II; and (v) provide for the communication of the stock or ETF component of a

Complex Order by the Exchange to NASDAQ Options Services LLC ("NOS"), the

Phlx's affiliated broker-dealer, for execution.

Currently, PIXL does not accommodate auctions for Complex Orders as is

allowed on other options exchanges that have price-improving electronic auctions like

PIXL.[9]   However, Complex Orders are becoming an increasingly important segment of

options trading. This proposal allows Complex Orders of up to six legs, as defined in

Commentary .08 of Rule 1080, to be entered into the Exchange's PIXL Auction, and

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proposed rule change relating to Complex Orders in Phlx Commentary .08 to
Rule 1080 and establishing, among other things, six-legged Complex Orders)(the
"Complex Order filing"). Prior to the Complex Order filing, a Complex Order
could be composed of two option legs and could not have a stock component.

Six other options exchanges have rules that provide for the trading of complex
orders. See C2 Rule 6.13; CBOE Rules 6.42, 6.45, 6.53C; ISE Rule 722; NYSE
Arca Rules 6.62(e), 6.91; NYSE MKT Rules 900.3NY(e), 963NY, 980NY.

[8]   The Exchange proposes to add language to Rule 1080(n)(i)(C) to codify the
principle that Complex Orders consisting of a ratio other than a conforming ratio
will not be accepted. See footnote 20 in Securities Exchange Act Release No.
63509 (December 9, 2010), 75 FR 78320 (December 15, 2010)(SR-Phlx-2010-
157)(notice of Complex Order filing).

[9]   See Securities Exchange Act Release No. 64805 (July 5, 2011), 76 FR 40758
(July 11, 2011)(SR-ISE-2011-30)(order granting approval of a proposed rule
change relating to Complex Orders in ISE's Price Improvement Mechanism,
PIM). See also Securities Exchange Act Release No. 66235 (January 25, 2012),
77 FR 4844 (January 31, 2012)(SR-CBOE-2011-114)(order granting approval of
a proposed rule change relating to Complex Order processing in CBOE's Hybrid
3.0 classes).

proposes changes to Rule 1080 to facilitate this process without making any

modifications to the PIXL process in place today for orders which are not Complex

Orders, or to the Complex Order rules.[10]

The Proposal

Changes to Rule 1080(n) - PIXL

The Exchange proposes to enhance PIXL so that Complex Orders may be entered

into PIXL and may have the benefit of price improvement functionality (known as

"Complex PIXL").

The Exchange intends to change PIXL, which is codified in Rule 1080(n), only to

the extent needed to accommodate Complex PIXL Orders. The Exchange does so by

exempting Complex PIXL Orders from those sections of PIXL which are not wholly

applicable to Complex Orders. Specifically, Complex Orders are exempted from the

following portions of subsection (n) of Rule 1080: (i) the current PIXL auction eligibility

requirements for the account of a public customer and not a public customer that

differentiate whether a PIXL Order is for a size of less than 50 contracts or 50 contracts

or more;[11] (ii) the current procedure for initiating a PAN Auction, how an Initiating

Member must mark the PIXL Order and what the member must specify;[12] (iii) the current

minimum price increment for PAN responses and for an Initiating Member's stop price

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[10]   The Exchange notes that, as in many filings, it proposes technical housecleaning
       changes that are described below.

[11]   Rule 1080(n)(i)(A) and (B). The analogous provision for Complex PILX Orders
       is in (n)(i)(C), as described below.

[12]   Rule 1080(n)(ii)(A). Regarding initiation of a PIXL Auction, the Exchange is
       adding (n)(ii)(A)(2).

and/or NWT price;[13] (iv) the current rejection of PAN responses that are not equal to or

better than the NBBO at the time of receipt of the PAN response;[14] (v) the current

allocation process whereby after public customer interest at a particular price level has

been satisfied, remaining contracts will be allocated among all Exchange quotes, orders

and PAN responses;[15] (vi) the current process whereby if there are PAN responses that

cross the then-existing NBBO (provided such NBBO is not crossed) at the time of the

conclusion of the Auction, such PAN responses will be executed, if possible, at their limit

price(s);[16] (vii) the current process whereby if the PIXL Auction price is the same as that

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[13]   Rule 1080(n)(ii)(A)(6) (re-numbered as (n)(ii)(A)(7)). Regarding the minimum
         price increment for PAN responses and for an Initiating Member's stop price
         and/or for an NWT price in the case of a Complex Order ($0.01), the Exchange is
         adding(n)(ii)(A)(7)(b).

[14]   Rule 1080(n)(ii)(A)(9). The Exchange proposes new language in subsection (9)
         stating that a Complex Order PAN response must be equal to or better than the
         cPBBO, as defined in Commentary .08(a) of this Rule 1080 at the time of receipt
         of the PAN response. PAN responses may be modified or cancelled during the
         Auction. A PAN response (except if it is a Complex Order) submitted with a
         price that is outside the NBBO will be rejected. A Complex Order PAN response
         submitted with a price that is outside the cPBBO will be rejected. A PAN or
         Complex Order PAN response which is inferior to the stop price of the PIXL
         order will be rejected.

         Commentary .08(a)(iv) defines the term cPBBO as the best net debit or credit
         price for a Complex Order Strategy based on the PBBO for the individual options
         components of such Complex Order Strategy, and, where the underlying security
         is a component of the Complex Order, the National Best Bid and/or Offer for the
         underlying security.

[15]   Rule 1080(n)(ii)(E)(2)(a), (b), and (c). Regarding the PIXL Order allocation
         process, the Exchange is adding or modifying (n)(ii)(E)(2)(d), (e), (f), and (g).

[16]   Rule 1080(n)(ii)(F). The Exchange proposes new language adding the alternative
         that if there are Complex Order PAN responses that cross the then-existing
         cPBBO at the time of the conclusion of the Auction, such PAN responses will be
         executed, if possible, at their limit price(s). The Exchange believes that this
         behavior is, at best, highly unlikely as participants will cancel PAN responses

of an order on the limit order book on the same side of the market as the PIXL Order, the

PIXL Order may only be executed at a price that is at least one minimum price

improvement increment better than the resting order's limit price or, if such resting

order's limit price crosses the stop price, then the entire PIXL Order will trade at the stop

price with all better priced interest being considered for execution at the stop price;[17] and

(viii) that currently the execution price for a PIXL Order for the account of a public

customer paired with an order for the account of a public customer must be expressed in

the quoting increment applicable to the affected series, and that such an execution may

not trade through the NBBO or at the same price as any resting customer order.[18]

The Exchange is proposing several rule provisions in respect of Complex Orders

so that they can participate in PIXL Auctions. First, the Exchange proposes new Rule

1080(n)(i)(C) regarding stopping the entire Complex Order when submitting such order

into PIXL. Specifically, new sub-paragraph (C) states that if the PIXL Order is a

Complex Order and of a conforming ratio, as defined in Commentary.08(a)(i) and (a)(ix)

to Rule 1080, the Initiating Member must stop the entire PIXL order at a price that is

better than the best net price (debit or credit) (i) available on the Complex Order book

regardless of the Complex Order book size; and (ii) achievable from the best Phlx bids

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when better priced interest that they could trade against is present in the
marketplace.

[17]   Rule 1080(n)(ii)(G). Regarding an Auction price on the limit order book on the
same side of the market as the Complex PIXL Order, the Exchange is adding
1080(n)(ii)(H).

[18]   Proposed Rule 1080(n)(vi). The Exchange clarifies that the subsection applies to
the execution price for a PIXL Order and proposes new language stating that the
execution price for a Complex Order PIXL may be in $0.01 increments and may
not trade at a price equal to or through the cPBBO or at the same price as a resting
customer Complex Order.

and offers for the individual options (an "improved net price"), provided in either case

that such price is equal to or better than the PIXL Order's limit price.[19] Complex Orders

consisting of a ratio other than a conforming ratio will not be accepted. New sub-

paragraph (C) shall apply to all Complex Orders submitted into PIXL and, where applied

to Complex Orders where the smallest leg is less than 50 contracts in size, shall be

effective for a pilot period scheduled to expire July 18, 2013. New sub-paragraph (C)

maintains the core complex order spread priority principal which stipulates that a

Complex Order may be executed at a total credit or debit price with priority over

individual bids or offers established in the marketplace (including customers) that are not

better than the bids or offers comprising such total credit or debit, provided that at least

one option leg is executed at a better price than the established bid or offer for that option

contracts and no option leg is executed at a price outside of the established bid or offer

for that option contract.[20] New sub-paragraph (C) does so by requiring a Complex Order

submitted into PIXL to be stopped at a net debit/credit price which improves upon the

stated markets present for the individual components of the Complex Order. By

definition, requiring a Complex Order to be stopped at a net debit/credit price which

improves upon the stated markets present for the individual components of the Complex

Order ensures that at least one option leg will be executed at a better price than the

established bid or offer for such leg. For example, a Complex Order that is of a

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[19]   Subsection (n)(i)(D) (re-numbered from current subsection (C)) indicates under
         what circumstances PIXL Orders are not eligible to initiate an Auction and will be
         rejected. Reference to proposed new subsection (C) is added to subsection (D) as
         re-numbered.

[20]   The complex order spread priority principal in respect of Complex Orders is set
         forth in Rule 1080, Commentary .08(c)(iii).

conforming ratio to buy one of option A with a PBBO market of $1.00 bid, offered at

$1.20, and sell one of option B with a PBBO market of $0.50 bid, offered at $0.60, would

need to be stopped by the Initiating Member at a net price better than the calculated

cPBBO market of $0.40 bid, offered at $0.70.[21] If in this same example there was also a

resting Complex Order to buy one of option A and sell one of option B on Phlx for a net

debit price of $0.50, the Initiating Member would need to stop the Complex Order

entered into PIXL at a net price better than $0.50 bid and the calculated net best offer

(cPBBO) of $0.70.

Second, the Exchange is adding proposed new Rule (n)(ii)(A)(2) to explain the

process for initiating a PIXL Complex Auction, which is similar to initiating a PIXL

Auction today. Specifically, proposed new subsection (2) language states that to initiate

the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for

Auction processing, and specify either: (a) a single price at which it seeks to execute the

PIXL Order (a "stop price"); or (b) that it is willing to either: (i) stop the entire order at a

single stop price and auto-match PAN responses and trading interest at a price or prices

that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or

(ii) stop the entire order at a single stop price and auto-match all PAN responses and

trading interest at or better than the stop price. Once the Initiating Member has submitted

a Complex Order into PIXL for processing pursuant to this subparagraph, such order may

not be modified or cancelled. Under any of the circumstances described in sub-

paragraphs (a)-(b) of subsection (2), the stop price or NWT price may be improved to the

benefit of the PIXL Order during the Auction, but may not be cancelled.

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[21] $0.40 bid = $1.00 bid of A less $0.60 offer of B; and $0.70 offer = $1.20 offer of
        A less $0.50 bid of B.

The procedure set forth in new Rule 1080(n)(ii)(A)(2) for Complex Orders is similar to the procedure set forth in Rule 1080(n)(ii)(A)(1) for initiating a PIXL Auction for orders which are not complex. However, new Rule 1080(n)(ii)(A)(2) does not allow for Initiating Members to enter Complex Orders into PIXL and specify, without stipulating a specific stop price, that they are willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest. Initiating Members entering orders into PIXL which are not Complex Orders may indicate that they are willing to stop the PIXL Order at the NBBO on the Initiating Order side (if 50 contracts or more) or the PBBO on the opposite side of the market from the PIXL Order improved by one minimum price improvement increment (if the PIXL Order is for less than 50 contracts), provided such price is no worse than the NBBO, by submitting the order with a market price and a NWT market price.

When submitted in this manner, the trading system stops the PIXL order at a price based on the disseminated markets in that series at the time of order receipt, in accordance with PIXL rules stated above. The Exchange is not offering this particular functionality for Complex Orders in order to avoid stopping an order at a net debit/credit price which may be unexpected by the Initiating Member due to the fact that there are multiple legs in Complex Orders and prices may change rapidly. Requiring the Initiating Member to use an exact limit price as the stop price, yet allow the use of a NWT market price, will ensure that the stop price will meet the Initiating Member's expectations and still allow the Initiating Member to automatically match other interest if desired.

Third, the Exchange is proposing new language in Rule 1080(n)(ii)(B)(3) to add a Complex Order PIXL alternative for concluding a Complex Order PIXL Auction.

Specifically, new subsection (3) states that a Complex Order PIXL Auction will conclude

any time the cPBBO or the Complex Order book crosses the PIXL Order stop price on

the same side of the market as the PIXL Order (defined for these purposes as a "Complex

PIXL Order" or, as the context requires, a "PIXL Order").[22] This language introduces

proposed new Rule 1080(n)(ii)(B)(2) for Complex Order PIXL Auctions that is similar to

what is available for PIXL Auctions today. Today, PIXL Auctions end at the earlier of

(i) the end of the Auction period, (ii) any time there is a trading halt on the Exchange in

the affected series, or (iii) any time the PBBO crosses the PIXL order stop price on the

same side as the PIXL Order. The PBBO includes both orders and quotes on the

Exchange. Complex PIXL Auctions will also conclude (i) at the end of the Auction

period or (ii) any time there is a trading halt on the Exchange in the affected series as

stipulated in the rule today. In addition, the language of proposed new Rule

1080(n)(ii)(B)(3) is being added to explicitly state that the end of a Complex PIXL

Auction can also occur either when the cPBBO or the Complex Order book crosses the

PIXL Order stop price on the same side of the market as the PIXL Order.

        Fourth, the Exchange is proposing new language in Rule 1080(n)(ii)(C) to add a

Complex Order PIXL alternative for execution when a Complex PIXL Auction ended

due to the cPBBO or the Complex Order book crossing the Complex Order PIXL stop

price on the same side as the Complex PIXL Order. Specifically, new language in

subsection (C)(2) states that at the conclusion of the PIXL Auction, in the case of the

cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the

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[22]   The Exchange also clarifies the end of the Auction alternative in Rule
        1080(n)(ii)(B)(2) to state that, for a PIXL Auction (except if it is a Complex
        Order), any time the PBBO crosses the PIXL Order stop price on the same side of
        the market as the PIXL Order.

same side as the Complex PIXL Order, the entire Complex PIXL Order will be executed

at the stop price against executable PAN responses and executable Complex Order

interest. For example, if a Complex PIXL Auction is in progress where the Complex

PIXL Order is a buy order stopped at $0.60, if either the cPBBO (calculated Phlx Best

Bid) moves to be $0.61 bid or better, or if a Complex Order is entered onto the Phlx book

with a bid price of $0.61 or more, the Complex PIXL Auction will be terminated as set

forth in proposed Rule 1080(n)(ii)(B)(3). In such case, any complex sell interest, both

Complex Orders and PAN responses, at a price of $0.60 or lower will be considered for

trade against the Complex PIXL Order at $0.60.

The execution process described above for Complex PIXL Orders is simpler than

the process in place for PIXL Auctions terminated due to the PBBO crossing the PIXL

Order stop price on the same side of the market as the PIXL Order. Currently, when a

PIXL Auction is terminated due to the PBBO crossing the PIXL Order stop price on the

same side of the market as the PIXL Order, the PIXL Order is executed at best response

prices or, if the stop price is the best price in the Auction, the PIXL Order is executed at

the stop price, unless the best response price is equal to the price of a limit order resting

on the Phlx book on the same side of the market as the PIXL Order, in which case the

PIXL Order will be executed against that response (but at a price that is at least one

minimum price improvement increment better than the price of such limit order).[23] For

example, assume a PIXL Order to buy 20 contracts is stopped at a price of $0.60 when

the market is $0.40 bid, offered at $0.70. Additionally, assume a PAN response is

received to sell 10 contracts at $0.55 and an order is submitted and entered onto the Phlx

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[23]   Rule 1080(n)(ii)(B).

book to sell 10 contracts at $0.60. If a buy order (or quote) with a limit of $0.65 is

entered into the Phlx XL system, the buy order (or quote) will trade immediately against

the 10 contract order offered at $0.60. The buy order (or quote) will not trade against the

PAN response offered at $0.55 since it is an Auction response and is only eligible to trade

as part of the Auction. Any residual interest of the buy order (or quote) is reflected in the

PBBO causing the market to move to $0.65 bid, offered at $0.70, the PIXL Auction is

terminated. Provided, in the unlikely event that the PAN response to sell at $0.55 had not

been cancelled, the PAN response will trade 10 contracts against the PIXL Order at $0.55

and any residual PIXL Order contracts will trade at $0.60 against the Initiating Order.

The Exchange is proposing that when a Complex PIXL Auction is terminated due to

either the cPBBO or the Complex Order book crossing the Complex Order PIXL stop

price on the same side as the Complex PIXL Order, such order is only executed through

the cPBBO and/or the Complex Order book at one price, the stop price.[24] Consider a

scenario similar to the stopped PIXL Order example set forth above. Assume that a

Complex PIXL Order to buy is stopped at a price of $0.60. The Complex PIXL Order is

to buy option A and sell option B, where option A is $0.90 bid, offered at $1.00 and

option B is $0.30 bid, offered at $0.40. The individual option markets imply a cPBBO

market of $0.50 bid, offered at $0.70. As before, assume a PAN response is received to

sell the strategy at $0.55. If the market for option A becomes $1.05 bid, offered at $1.15,

the implied (calculated) cPBBO market becomes $0.65 bid, offered at $0.85 causing the

Complex PIXL Auction to terminate. As proposed, the PAN response at $0.55 will trade

against the Complex PIXL Order at the stop price of $0.60. To trade at $.60, at least one

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[24]   Proposed Rule 1080(n)(ii)(B)(3).

of the option components of the Complex Order will need to be executed at a price which is outside of the current market where cPBBO is $0.65 bid. Since this event may have up to six components, the Exchange believes that limiting the prices trading through the cPBBO and/or the Complex Order book to only the stop price is important. Furthermore, combined with the improbability that responses will still be available which are crossing the cPBBO or the Complex Order book, the Exchange believes the price continuity of this approach is also more rational and fair to all participants. When executing at the stop price, the Initiating Order as well as all better priced PAN responses and Complex Order interest will be considered for trade against the Complex PIXL Order.

Fifth, the Exchange is proposing new language in Rule 1080(n)(ii)(E)(2)(d) regarding allocation of Complex Order PIXL. Specifically, new subsection (2)(d) states that in the case of a Complex Order PIXL, if the Initiating Member selected the single stop price option of the PIXL Auction, PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer complex interest is satisfied being allocated to the Initiating Member at the stop price. If only one other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts remaining after public customer complex interest is satisfied at such price. Complex Orders on the PHLX Complex Order Book, PAN responses, and quotes and orders which comprise the cPBBO at the end of the Auction will be considered for allocation against the Complex PIXL order. Such interest will be allocated in the following order: (i) to public customer Complex Orders and PAN responses in time priority; (ii) to SQT, RSQT, and non-SQT ROT Complex Orders and PAN responses on a size pro-rata basis; (iii) to non-market maker off-floor

broker-dealer Complex Orders and PAN responses on a size pro-rata basis, and (iv) to

quotes and orders which comprise the cPBBO at the end of the Auction with public

customer interest being satisfied first in time priority, then to SQT, RSQT, and non-SQT

ROT interest satisfied on a size pro-rata basis, and lastly to non-market maker off-floor

broker-dealers on a size pro-rata basis. Thereafter, remaining contracts, if any, shall be

allocated to the Initiating Member, after public customer Complex Orders and PAN

responses have been satisfied.

        For example, a Complex Order to buy one of option A and sell one of option B,

100 times, with a cPBBO of $0.40 bid, $0.70 offer, may be submitted into PIXL by the

Initiating Member with a single stop price of $0.60. Assume that during the Auction,

Phlx receives the following responses and order interest:

- MM1 responds to sell the strategy 10 times at a price of $0.55

- MM1 responds to sell the strategy 10 times at a price of $0.60

- BD responds to sell the strategy 5 times at a price of $0.60

- Customer Complex Order to sell the strategy 30 times at a price of $0.60

- MM2 responds to sell the strategy 20 times at $0.60.

After all of the aforementioned responses and orders are received, option A of the simple

market moves causing the cPBBO to become offered 20 times at $0.55. Option A is

quoted in the simple market as $1.00 bid, $1.05 offer, with the $1.05 offer representing a

Customer offer. Option B is quoted in the simple market as $0.50 bid, $0.60 offer.

        At the end of the Auction, the Complex PIXL Order will be executed 30 times at

a price of $0.55. Of those 30 strategies, MM1 will trade 10 and an additional 20

contracts will be traded by legging into the interest that represents the cPBBO, including

the Customer offered at $1.05 in Option A. The Complex PIXL Order will then be traded

against interest at $0.60. First, the Customer offering the strategy 30 times will be

satisfied. Next, the Initiating member will be allocated 40% of the remaining 40 strategy

contracts, i.e. 16 strategy contracts at his stop price of $0.60. The residual 24 strategy

contracts will trade against the two market maker responses in a pro-rata fashion with

MM1 executing 8 strategy contracts and MM2 executing 16 strategy contracts. The

broker dealer offering 5 strategies at $0.60 would not receive any allocation and the

response is cancelled back to the participant.

An additional example illustrating the execution algorithm proposed for Complex

Order PIXL is as follows. Assume a Complex Order to buy one of option A and sell one

of option B, 100 times, with a cPBBO of $0.40 bid, $0.70 offer, may be submitted into

PIXL by the Initiating Member with a single stop price of $0.60.   Assume that during the

Auction, Phlx receives the following responses and order interest:

- MM1 responds to sell the strategy 10 times at a price of $0.55

- MM1 responds to sell the strategy 10 times at a price of $0.60

- BD responds to sell the strategy 5 times at a price of $0.60

- Customer Complex Order to sell the strategy 30 times at a price of $0.60

- MM2 responds to sell the strategy 20 times at $0.60.

After all of the aforementioned responses and orders are received, option A of the simple

market moves causing the cPBBO to become offered 20 times at $0.60. Option A is

quoted in the simple market as $1.00 bid, $1.10 offer, with the $1.10 offer representing a

Customer offer. Option B is quoted in the simple market as $0.50 bid, $0.60 offer.

At the end of the Auction, the Complex PIXL Order will be executed 10 times at a price of $0.55 against MM1. The Complex PIXL Order will then be traded against interest at $0.60. First, the Customer offering the strategy 30 times will be satisfied. Next, the Initiating member will be allocated 40% of the remaining 60 strategy contracts, i.e. 24 strategy contracts at his stop price of $0.60. The residual 36 strategy contracts will trade against the two market maker responses with MM1 executing 10 strategy contracts and MM2 executing 20 strategy contracts. The broker dealer offering 5 strategies at $0.60 would then be executed. The last 1 contract would be traded against the cPBBO interest with the Customer offering Option A at $1.10 receiving priority over any other interest offered at that price.

Similarly to PIXL, all interest in the Phlx system at the end of a Complex PIXL auction will be considered for execution against the Complex PIXL Order. Interest will be traded first based on the prices available at the end of the Auction. At all prices, other than the final price point, all interest, including Complex Orders, PAN response, and interest comprising the cPBBO will be fully satisfied. At the final price point, the Initiating Member will be allocated up to 40% (50% if matching only one other participant) of the Complex PIXL Order after public customer complex interest has been satisfied. After public customer complex interest and the Initiating Member have been allocated contracts, other complex interest will be considered for allocation with SQT, RSQT, and non-SQT ROT interest being allocated in a size pro-rata fashion followed by non-market maker off-floor broker dealer complex interest in a size pro-rata fashion. Once all complex interest, including both Complex Orders and PAN responses, has been satisfied, interest comprising the cPBBO will be considered for allocation. Public

customer interest comprising the cPBBO will be afforded priority over non-public customer interest comprising the cPBBO and will be allocated in a price time manner. After public customer interest comprising the cPBBO has been satisfied, SQT, RSQT, and non-SQT ROT interest comprising the cPBBO will be allocated in a size pro-rata fashion followed by non-market maker off-floor broker dealer complex interest in a size pro-rata fashion.

Complex Orders today which are executed as part of a Complex Order Live Auction (COLA) trade first based on the best prices available at the end of the COLA timer. If markets for the individual components of the Complex Order independently improve during the COLA Timer and match the best price of COLA Sweeps(s) and/or responsive Complex Order interest, the responses will be executed before executing the individual components of the Complex Order. Since a Complex PIXL Order must be stopped at a price which improves upon all interest in the Phlx XL system at time of receipt, the proposed Complex PIXL execution algorithm ensures and maintains the priority of established interest. In the event that the individual components of the Complex PIXL Order independently improve during the Auction and new interest is received during the auction, Complex Orders and PAN responses will be afforded priority over individual component interest comprising the cPBBO at a given price point just as auction responses and Complex Orders are afforded priority over individual components of a Complex Order that independently improve during a COLA. It is important to note, however, that public customer complex interest will maintain priority over non-public customer complex interest and public customer interest comprising the cPBBO will be afforded priority over non-public customer interest comprising the

cPBBO. The Complex PIXL Auction allows for all participant types, including public

customers, to respond to the auction notification.[25] Public customers responding to the

auction or submitting complex order interest during the auction will be afforded priority

over non-customer interest. Public customer interest comprising the cPBBO will be

afforded priority over non-customer interest comprising the cPBBO but not over complex

order or PAN response interest. Such public customer interest was provided the

opportunity to respond to the auction and/or submit complex interest during the auction.

Since public customer interest comprising the cPBBO chose not to avail themselves of

the opportunity to respond to the auction, the public customer interest representing

individual components of the cPBBO will not be afforded priority over participants

offering contra-side interest to the Complex PIXL for all components of the Complex

PIXL Order at the same price point.

Sixth, the Exchange is proposing new language in Rule 1080(n)(ii)(E)(2)(e)

regarding allocation of Complex Order PIXL where an Initiating Member selected "stop

and NWT" in respect to the stop price of a PIXL Order submission. Specifically, new

subsection (2)(e) states that in the case of a Complex Order PIXL, if the Initiating

Member selected the "stop and NWT" option for the Complex PIXL Order submission,

contracts shall be allocated as follows: (i) first to Complex Orders and PAN responses at

prices better than the NWT price, as well as to quotes and orders which comprise the

cPBBO if such cPBBO is better than the NWT price, pursuant to the algorithm set forth

above in (n)(ii)(E)(2)(d)(i) through (iv) of Rule 1080 and (ii) next, to Complex Orders

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[25]   Rule 1080(n)(ii)(A)(5) (re-numbered from subsection (A)(4)) provides that any
          person or entity may submit responses to the PAN, provided such response is
          properly marked specifying price, size and side of the market.

and PAN responses, as well as to quotes and orders which comprise the cPBBO at the

end of the Auction, at the Initiating Member's NWT price and at prices better than or

equal to the Initiating Member's stop price, beginning with the NWT price. The Initiating

Member shall be allocated an equal number of contracts as the aggregate size of all other

interest at each price point, except that the Initiating Member shall be entitled to receive

up to 40% (or 50% if matching only one other participant) of the contracts remaining at

the final price point (including situations where the final price is the stop price), after

public customer Complex Orders and PAN responses have been satisfied. In the case of

an Initiating Order with a NWT price at the market, the Initiating Member shall be

allocated an equal number of contracts as the aggregate size of all other interest at all

price points, except that the Initiating Member shall be entitled to receive up to 40% (or

50% if matching only one other participant) of the contracts remaining at the final price

point (including situations where the final price is the stop price), after public customer

Complex Orders and PAN responses have been satisfied. If there is other interest at the

final price point the contracts will be allocated to such interest pursuant to the algorithm

set forth in (n)(ii)(E)(2)(d)(i) through (iv) of this rule. Any remaining contracts shall be

allocated to the Initiating Member.[26]

　　　　For example, a Complex Order to buy one of option A and sell one of option B,

100 times, with a cPBBO of $0.40 bid, $0.70 offer, could be submitted into PIXL by the

Initiating Member with a single stop price of $0.60 and a NWT price of $0.55. Assume

that during the Auction, a market maker (MM1) responds to the auction notification and

offers to sell the same Complex Order strategy 10 times at a price of $0.55 as well as

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[26]　　Proposed new subsection (n)(ii)(E)(2)(f) states that a single quote, order or PAN
　　　　response shall not be allocated a number of contracts that is greater than its size.

offers to sell the strategy 25 times at a price of $0.60. In addition, assume that a public

customer Complex Order to sell the strategy 10 times at $0.60 is received and another

market maker (MM2) responds to sell the strategy 25 times at $0.60. At the end of the

Auction, the Complex PIXL Order will be executed 10 times at a price of $0.55 against

MM1 and an additional 10 times at a price of $0.55 against the Initiating Member since

he indicated he was willing to match all interest down to $0.55 by using the NWT

functionality. The Complex PIXL Order will then execute 10 times at a price of $0.60

against the public customer offer. Then, the Initiating Member will be allocated 40% of

the remaining 70 strategy contracts, i.e. 28 strategy contracts, of the Complex PIXL

Order at the stop price of $0.60. The two market maker responders will execute the

remaining 42 contracts in a pro-rata fashion with both MM1 and MM2 trading 21

strategy contracts each.

Seventh, the Exchange is proposing new language in Rule 1080(n)(ii)(E)(2)(g) to

stipulate that Complex PIXL Orders which include a stock/ETF component will only

execute against Complex Orders or PAN responses that also include the stock/ETF

component. Such orders will not "leg" to the simple market and will therefore not trade

against interest comprising the cPBBO at the end of the Auction.[27] This behavior is

consistent with the handling of Complex Orders that include a stock/ETF component and

are entered into the Phlx system.[28] Legging of a stock/ETF component would introduce

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[27]   Complex Orders that include a stock/ETF component and are submitted to the
         Phlx Complex Order book or entered into a Complex Order Live Auction
         (COLA) also have a similar restriction. Rule 1080, Commentary .08(a)(i).

[28]   Commentary.08 (a)(i) to Rule 1080 states, for example, that stock-option orders
         can only be executed against other stock-option orders and cannot be executed by
         the System against orders for the individual components.

the risk of a participant not receiving an execution on all components of the Complex

Order and is therefore not considered as a means of executing a Complex Order which

includes a stock/ETR component. The Exchange believes that introducing the risk of not

having the ability to fully execute a complex strategy is counter-productive to, and

inconsistent with, the effort to allow Complex Orders in PIXL. If there are Complex

Orders and PAN responses which satisfy all components of the Complex Order in PIXL,

including the stock component, the stock will be executed in the same manner as it is

done today for Complex Orders.[29]

Eighth, the Exchange is proposing new language in Rule 1080(n)(ii)(H) regarding

a Complex Order PIXL Auction price matching a Complex Order Book price on the same

side of the market as the PIXL Order. Specifically, new subsection (H) states that if the

Complex Order PIXL Auction price is the same as that of a Complex Order on the

Complex Order Book on the same side of the market as the Complex PIXL Order, the

PIXL Order may only be executed at a price that is at least one minimum price

improvement increment better than the resting order's limit price; or if such resting

order's limit price is equal to or crosses the stop price, then the entire PIXL Order will

trade at the stop price with all better priced interest being considered for execution at the

stop price. This is similar to how PIXL executions are handled today when an order on

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[29]   The Exchange electronically communicates the underlying security component of
         the order to NOS for immediate execution as per Exchange Rule 1080
         Commentary .08(h). In addition, only those participants with the appropriate
         documentation (e.g. a Qualified Special Representative ("QSR") arrangement
         with NOS), as required by Exchange Rule 1080 Commentary .08(a)(i), will be
         allowed to submit Complex Orders which include a stock component into PIXL.

the same side as the PIXL Order is on the book.[30] Rule 1080(n)(ii)(H) is being proposed

in order to provide for the same behavior when a Complex Order on the same side of the

market as the Complex PIXL Order is resting on the book. For example, assume a

Complex PIXL Order to buy 20 strategy contracts is stopped at a price of $0.60 when the

cPBBO market is $0.40 bid, offered at $0.70. Additionally, assume a PAN response is

received to sell 10 strategy contracts at $0.58. In addition, assume a Complex Order is

received during the Auction to buy 10 strategy contracts for $0.58. The Complex Order

received during the Auction will rest on the order book since it is not marketable against

the cPBBO or against other resting Complex Order interest. At the end of the Auction,

10 strategy contracts of the Complex PIXL Order will be executed at $0.59, one price

improvement increment better than the resting Complex Order bid of $0.58, against the

PAN response and 10 strategy contracts of the Complex PIXL Order will be executed at

$0.60 against the Initiating Order of the Complex PIXL. Considering a similar scenario

where the Complex Order received during the Auction is to buy 10 strategy contracts for

$0.60, at the end of the Auction, the entire Complex PIXL Order will be executed at

$0.60 with the Initiating Order and the PAN response each executing 10 strategy

contracts. This is similar to how PIXL executions are handled today.

The Exchange is also proposing to add language to existing Rule 1080(n)(ii)(G) to

state that if there is an order on the limit order book, on the same side of the market as the

PIXL Order, which is "equal to or crosses" the stop price, then the entire PIXL Order will

trade at the stop price with all better priced interest being considered for execution at the

stop price. Currently, the rule does not address the case where the order on the limit

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[30]   Rule 1080(n)(ii)(G).

order book is "equal to" the stop price. This change does not impact behavior since the order on the limit order book has been considered by the Phlx system to "cross" the stop price when its limit was equal to the stop price. Not adding the consideration when the limit order "crossed" the stop price would have resulted in PIXL Orders not being able to execute since they would be forced to improve the limit of the resting order which was also the PIXL Order stop price.

Ninth, the Exchange is proposing new language in Rule 1080(n)(ii)(J) regarding Complex Order PIXL Orders with stock components. Specifically, subsection (J)(1) states that a member organizations may only submit Complex PIXL Orders, Initiating Orders, Complex Orders, and/or PAN responses with a stock/ETF component if such orders/responses comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS pursuant to the Act. Member organizations submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market ("NASDAQ") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Options Services LLC in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative ("QSR") arrangement with Nasdaq Options Services LLC ("NOS") in order to trade orders containing a stock/ETF component.

New subsection (J)(2) states that where one component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response is the underlying security, the Exchange shall electronically communicate the underlying security component of a

Complex PIXL Order (together with the Initiating Order, Complex Order, or PAN response, as applicable) to NOS, its designated broker-dealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NOS pursuant to applicable rules regarding equity trading.

And, new subsection (J)(3) states that when the short sale price test in Rule 201 of Regulation SHO[31] is triggered for a covered security, NOS will not execute a short sale order in the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response if the price is equal to or below the current national best bid.[32] However, NOS will execute a short sale order in the underlying covered security component of a Complex PIXL Order, Complex Order, or PAN response if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national bid.[33] If short sale restrictions of Rule 201 are in effect at the end of the Auction and either the Complex PIXL Order or the Initiating Order consists of a stock/ETF component which is a short sale, NOS will execute the short sale order in the underlying covered security component if such order is able to be

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[31]   17 CFR 242.201. See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010). See also Division of Trading and Markets: Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, January 20, 2011 ("SHO FAQs") at http://www.sec.gov/divisions/marketreg/mrfaqregsho1204.htm.

[32]   The term "national best bid" is defined in Rule 201(a)(4). 17 CFR 242.201(a)(4).

[33]   The Exchange notes that a broker or dealer may mark a sell order "short exempt" only if the provisions of Rule 201(c) or (d) are met. 17 CFR 242.200(g)(2). Since NOS and the Exchange do not display the stock or ETF portion of a complex order, however, a broker-dealer should not be in a position to mark the short sale order "short exempt" under Rule 201(c). See SHO FAQs Question and Answer Nos. 4.2, 5.4, and 5.5. See also Securities Exchange Act Release No. 63967 (February 25, 2011), 76 FR 12206 (March 4, 2011)(SR-Phlx-2011-27)(discussing, among other things, Complex Orders marked "short exempt").

executed at a price which is above than the national best bid at the time of execution. If

NOS cannot execute the underlying covered security component of a Complex PIXL

Order or Initiating Order in accordance with Rule 201 of Regulation SHO, the Exchange

will cancel back the Complex PIXL Order and Initiating Order to the entering member

organization. Similarly, if short sale restrictions of Rule 201 are in effect at the end of

the Auction and there exist Complex Orders or PAN responses which consist of a

stock/ETF component which is a short sale, NOS will execute the short sale order in the

underlying covered security component if such order is able to be executed at a price

which is above the national best bid at the time of execution. If NOS cannot execute the

underlying covered security component of a Complex Order or PAN response in

accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the

Complex Order and/or PAN response to the entering member organization. For purposes

of this paragraph, the term "covered security" shall have the same meaning as in Rule

201(a)(1) of Regulation SHO.

The Exchange is also proposing two additional minor changes to the Phlx rules in

order to accommodate Complex Order submission into the PIXL mechanism, and one

clarifying change to the current PIXL rule. The first of these rule changes is to current

Rule 1080(n)(i)(E),[34] which states that PIXL Orders submitted during the final second of

the trading session in the affected series are not eligible to initiate an Auction and will be

rejected. The Exchange is proposing to alter the language to state that orders submitted

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[34]   Sub-section (n)(i)(E) of Rule 1080 is re-numbered to (n)(i)(F); and for conformity
         the re-numbering is reflected in the opening paragraph of subsection (n). In a
         similar vein, other subsections are re-numbered as needed (e.g. sub- section
         (n)(i)(C) is re-numbered to sub-section (n)(i)(D), (n)(i)(D) is re-numbered to
         (n)(i)(E), and (n)(i)(F) is re-numbered to (n)(i)(G)).

during the final "two seconds" of the trading session will not be eligible to initiate an

Auction and will be rejected. The Exchange is increasing this duration from one to two

seconds in order to accommodate the execution of multiple components of a Complex

Order. Since this time allowance is set for PIXL as a whole, and not only for PIXL

versus Complex PIXL, no orders submitted into the PIXL mechanism will be accepted

when there remains less than two seconds in the trading session for the components of the

order. Second, the Exchange is proposing to add language to Commentary

.08(e)(i)(B)(2) of Rule 1080 to stipulate that a Complex Order that would otherwise be a

COLA-eligible order that is received in a strategy where there is currently a Complex

Order PIXL Auction in progress shall not be COLA-eligible. The Phlx XL system allows

for only one Auction to be ongoing in a given series or strategy at a time. This rule will

be changed slightly to include "strategy" as well as "series". With the allowance of

Complex Orders into PIXL, the Complex Order rules will also be changed to stipulate

that only one Auction, including both COLA and PIXL, may be conducted at a time in a

given strategy.[35]

        Lastly, the Exchange is submitting a clarifying change to current Rule

1080(n)(ii)(E)(2)(a). The rule currently states that if the Initiating Member is matched by

only one specialist, SQT or RSQT at the stop price, then the Initiating Member is entitled

to 50% of the contracts executed at such price. The rule is being clarified to state that if

the Initiating Member is matched by only one other "participant," which includes a

specialist, SQT or RSQT, as well as any other exchange member, then the Initiating

Member is entitled to 50% of the contracts executed at such price.

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[35]   Proposed Rule 1080(n)(ii).

      2.   Statutory Basis

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

Act[36] in general, and furthers the objectives of Section 6(b)(5) of the Act[37] in particular,

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. This will be

effectuated by rule changes that allow Complex Orders to be submitted into the Phlx

price improvement (PIXL) mechanism.

PIXL is the Exchange's electronic order, trade, and execution system that allows a

member of the Exchange known as an Initiating Member to electronically submit for

execution an order it represents as agent on behalf of a public customer, broker-dealer, or

any other entity against principal interest or against any other order it represents as agent

provided it submits the PIXL Order for electronic execution into the PIXL Auction

pursuant to the Rule. During the one-second blind PIXL Auction (PAN), the Initiating

Member's stop price or NWT price may be improved to the benefit of the PIXL Order

during the Auction, but may not be cancelled. Anyone may respond to the PAN by

sending orders or quotes. At the conclusion of the Auction, the PIXL Order will be

allocated at the best price(s). PIXL has proven to be, since its institution several years

ago, an effective electronic price improvement and trading tool on the Exchange that,

until this proposal, was not able to accept Complex Orders.

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36   15 U.S.C. 78f(b).

37   15 U.S.C. 78f(b)(5).

Complex Orders allow the simultaneous purchase and/or sale of two or more
different options series in the same underlying security and for the same account. These
orders are priced at a net debit or credit based on the relative prices of no more than six
individual components for the purpose of executing a particular investment strategy.
Complex Orders may also be stock-option orders, which enable buying or selling a stated
number of units of an underlying stock or ETF coupled with the purchase or sale of
options contract(s). Complex Orders allow the execution of spread and other
multifaceted trading and hedging strategies that could not be done effectively, if at all,
with multiple simple orders.

Currently, PIXL does not accommodate Complex Orders as is allowed on other
options exchanges, such as ISE and the Chicago Board Options Exchange, Incorporated
("CBOE"), which have price-improving electronic auctions like PIXL. Clearly, Complex
Orders are and will continue to become an increasingly important hedging and trading
segment of the options industry. This proposal simply allows Complex Orders to be
entered into the Exchange's PIXL Auction mechanism just as is allowed on ISE and
CBOE.

The Exchange is proposing several rule changes to establish how Complex Orders
will be accommodated in PIXL, including the following. First, new Rule 1080(n)(i)(C)
regarding stopping the entire Complex Order of a conforming ratio when submitting such
order into PIXL. Second, new Rule (n)(ii)(A)(2) to explain the process for initiating a
PIXL Complex Auction. Third, new language in Rule 1080(n)(ii)(B)(3) to add a
Complex Order PIXL alternative for concluding a Complex Order PIXL Auction.
Fourth, new language in Rule 1080(n)(ii)(C) to add a Complex Order PIXL alternative

for execution when a Complex PIXL Auction ended due to the cPBBO or the Complex

Order book crossing the Complex Order PIXL stop price on the same side as the

Complex PIXL Order. Fifth, new language in Rule 1080(n)(ii)(E)(2)(d) regarding

allocation of Complex Order PIXL. Sixth, new language in Rule 1080(n)(ii)(E)(2)(e)

regarding allocation of Complex Order PIXL where an Initiating Member selected "stop

and NWT" in respect to the stop price of a PIXL Order submission. Seventh, new

language in Rule 1080(n)(ii)(E)(g) to stipulate that Complex PIXL Orders which include

a stock/ETF component will only execute against Complex Orders or PAN responses that

also include the stock/ETF component. Eighth, new language in Rule 1080(n)(ii)(H)

regarding a Complex Order PIXL Auction price matching a Complex Order Book price

on the same side of the market as the PIXL Order. Ninth, new language in Rule

1080(n)(ii)(J) regarding Complex Order PIXL Orders with stock components. In

addition, the three pilots applicable to Complex Orders (stopping the entire PIXL Order

where the order is for a size less than 50 contracts, early conclusion of the PIXL Auction,

and no minimum size requirement of orders entered into PIXL) are applicable to

Complex Orders in PIXL.

The Exchange believes this proposal reflects reasonable and proper amendments

to accommodate Complex Orders in PIXL, the Exchange's price-improvement

mechanism that is a component of the fully automated options trading system Phlx XL.

This ensures a dynamic, real-time trading mechanism that maximizes the opportunity for

trade executions for Complex Orders.

The proposed changes are consistent with Section 6(b)(5) of the Act in that they

are 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 to protect investors and the public interest. In particular, the Exchange believes the proposed changes will result in more efficient trading and reduce the risk that Complex Orders fail to execute for investors by providing additional opportunities to accommodate Complex Orders in PIXL. The interaction of orders, including complex strategies and the Complex Book, will benefit investors by increasing the opportunity for Complex Orders to receive execution, while also enhancing execution quality for orders on the Complex Book. The Exchange believes that increased interaction, where possible, on a continuous and real-time basis of the bids and offers regarding a complex strategy, and the potential for price improvement through PIXL, will benefit market participants, investors, and traders.

The proposal would be of significant benefit to investors and traders as well as the public, which will gain the opportunity to submit additional orders types seeking price improvement through the PIXL mechanism. This may lead to an increase in Exchange volume. As such, the proposal is decidedly pro-competitive. In addition to increasing volume, the proposal would allow the Exchange to better compete against other markets that already offer accommodation of complex orders in their electronic auctions.

For all of the foregoing reasons and as discussed in the proposal, the Exchange believes the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to the Exchange.

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

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

Act. To the contrary, the Exchange believes the proposal is pro-competitive. First, the

proposal would enable the Exchange to provide market participants with an expanded

opportunity to realize price improvement of Complex Orders through PIXL. And second,

the proposal would diminish the potential for foregone market opportunities on the

Exchange by allowing Complex Orders in PIXL to be entered by all Phlx members,

similarly to electronic price improvement functionality for complex orders that is allowed

on other options exchanges.

      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

Within 45 days of the date of publication of this notice in the Federal Register or

within such longer period (i) as the Commission may designate up to 90 days of such date

if it finds such longer period to be appropriate and publishes its reasons for so finding or

(ii) as to which the Exchange consents, the Commission shall: (a) by order approve or

disapprove such proposed rule change, or (b) institute proceedings to determine whether

the proposed rule change should be 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-2013-46 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-2013-46. 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 on official business days between the hours of 10:00 a.m. and 3:00 p.m.
Copies of such filing also will be available for inspection and copying at the principal
offices 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-2013-46 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.[38]

Kevin M. O'Neill
Deputy Secretary

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[38]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new text is underlined. Deleted text is [bracketed].

Phlx Option Rules

* * * * *

Rule 1080. Phlx XL and Phlx XL II

(a) – (m)   No Change.

(n) **Price Improvement XL ("PIXL")**

A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in sub-paragraph (n)(i)([E]F) below) it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction") pursuant to this Rule. The contract size specified in Rule 1080(n) as applicable to PIXL Orders shall apply to Mini Options.

   (i) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PIXL. A member (the "Initiating Member") may initiate an Auction provided all of the following are met:

   (A) if the PIXL Order (except if it is a Complex Order) is for the account of a public customer:

      (1) and is for a size of 50 contracts or more, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is equal to or better than the National Best Bid/Offer ("NBBO") on the opposite side of the market from the PIXL Order, provided that such price must be at least one minimum price improvement increment (as determined by the Exchange but not smaller than one cent) better than any limit order on the limit order book on the same side of the market as the PIXL Order.

      (2) and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is the better of: (i) the Exchange's Best Bid or Offer ("PBBO") price on the opposite side of the market from the PIXL Order improved by at least one minimum price improvement increment, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO, and at least one minimum price improvement increment better than any limit order on the book on the same side of the

market as the PIXL Order. This sub-paragraph (A)(2) shall be effective for a pilot period scheduled to expire July 18, 2013.

(B) If the PIXL Order (except if it is a Complex Order) is for the account of a broker-dealer or any other person or entity that is not a public customer:

(1) and is for a size of 50 contracts or more: the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is the better of: (i) the PBBO price improved by at least one minimum price improvement increment on the same side of the market as the PIXL Order, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO.

(2) and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is the better of: (i) the PBBO price improved by at least one minimum price improvement increment on the same side of the market as the PIXL Order, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO and at least one minimum improvement increment better than the PBBO on the opposite side of the market from the PIXL Order. This sub-paragraph (B)(2) shall be effective for a pilot period scheduled to expire July 18, 2013.

(C) If the PIXL Order is a Complex Order and of a conforming ratio, as defined in Commentary.08(a)(i) and (a)(ix) to Rule 1080, the Initiating Member must stop the entire PIXL order at a price that is better than the best net price (debit or credit) (i) available on the Complex Order book regardless of the Complex Order book size; and (ii) achievable from the best Phlx bids and offers for the individual options (an "improved net price"), provided in either case that such price is equal to or better than the PIXL Order's limit price. Complex Orders consisting of a ratio other than a conforming ratio will not be accepted. This sub-paragraph (C) shall apply to all Complex Orders submitted into PIXL. This sub-paragraph (C), where applied to Complex Orders where the smallest leg is less than 50 contracts in size, shall be effective for a pilot period scheduled to expire July 18, 2013.

([C]D) PIXL Orders that do not comply with the requirements of sub-paragraphs (A)[and], (B), and (C) above are not eligible to initiate an Auction and will be rejected.

([D]E) PIXL Orders submitted at or before the opening of trading are not eligible to initiate an Auction and will be rejected.

([E]F) PIXL Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be rejected.

([F]G) An Initiating Order may not be a solicited order for the account of any Exchange specialist, SQT, RSQT or non-streaming ROT assigned in the affected series.

(ii) Auction Process. Only one Auction may be conducted at a time in any given series or strategy. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(A) Auction Period and PIXL Auction Notification ("PAN").

(1) To initiate the Auction (except if it is a Complex Order), the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PIXL Order will be stopped at the NBBO on the Initiating Order side (if 50 contracts or greater) or, if less than 50 contracts, the better of: (i) the PBBO price on the opposite side of the market from the PIXL Order improved by one minimum price improvement increment, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side (if 50 contracts or greater) or the better of: (A) the PBBO price on the opposite side of the market from the PIXL Order improved by one minimum price improvement increment, or (B) the PIXL Order's limit price (if the order is a limit order) (if for less than 50 contracts), and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the PBBO on the same side of the market as the PIXL Order represents a limit order on the book, the stop price must be at least one minimum price improvement increment better than the booked limit order's limit price. Once the Initiating Member has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)-(c) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled.

(2) To initiate the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); or (b) that

it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price. Once the Initiating Member has submitted a PIXL Complex Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)-(b) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled.

([2]3) When the Exchange receives a PIXL Order for Auction processing, a PAN detailing the side, size and the stop price of the PIXL Order will be sent over the Exchange's TOPO Plus Orders data feed. An updated PAN will also be sent over the Exchange's TOPO Plus Orders data feed if the Initiating Member improves the stop price of the PIXL Order. The updated PAN will include the side, size and improved stop price of the PIXL Order.

([3]4) The Auction will last for one second.

([4]5) Any person or entity may submit responses to the PAN, provided such response is properly marked specifying price, size and side of the market.

([5]6) PAN responses will not be visible to Auction participants, and will not be disseminated to OPRA.

([6]7) (a) The minimum price increment for PAN responses and for an Initiating Member's stop price and/or NWT price (except if it is a Complex Order) shall be the minimum price improvement increment established pursuant to subparagraph (i)(A)(1) above.

(b) The minimum price increment for PAN responses and for an Initiating Member's stop price and/or NWT price in the case of a Complex Order shall be .01.

([7]8) A PAN response size at any given price point may not exceed the size of the PIXL Order. A PAN response with a size greater than the size of the PIXL Order will be rejected.

([8]9) A PAN response (except if it is a Complex Order) must be equal to or better than the NBBO at the time of receipt of the PAN response[, and]. A Complex Order PAN response must be equal to or better than the cPBBO, as defined in Commentary .08(a) of this Rule 1080 at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response (except if it is a Complex Order) submitted with a

price that is outside the NBBO will be rejected. A Complex Order PAN response submitted with a price that is outside the cPBBO will be rejected. A PAN or Complex Order PAN response which is inferior to the stop price of the PIXL order will be rejected.

([9]10) PAN responses on the same side of the market as the PIXL Order are considered invalid and will be rejected.

([10]11) Multiple PAN responses from the same member may be submitted during the Auction. Multiple orders at a particular price point submitted by a member in response to a PAN may not exceed, in the aggregate, the size of the PIXL Order.

(B) Conclusion of Auction. The PIXL Auction shall conclude at the earlier to occur of (1) through ([3]4) below, with the PIXL Order executing pursuant to paragraph (C)(1) through (3) below.

(1) The end of the Auction period;

(2) For a PIXL Auction (except if it is a Complex Order), a[A]ny time the PBBO crosses the PIXL Order stop price on the same side of the market as the PIXL Order; [or]

(3) For a Complex Order PIXL Auction, any time the cPBBO or the Complex Order book crosses the PIXL Order stop price on the same side of the market as the PIXL Order (defined for these purposes as a "Complex PIXL Order" or, as the context requires, a "PIXL Order"); or

([3]4) Any time there is a trading halt on the Exchange in the affected series.

([4]5) Sub-paragraphs (B)(2), [and](B)(3) and (B)(4) above shall be effective for a pilot period scheduled to expire July 18, 2013.

(C) If the situations described in sub-paragraphs (B)(2), (3), or ([3]4) above occur, the entire PIXL Order will be executed at: (1) in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least one minimum price improvement increment better than the price of such limit order at the time of the conclusion of the Auction; [or](2) in the case of the cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the same side of the market as the Complex PIXL Order, the stop price against executable PAN responses and executable Complex Orders using the

allocation algorithm in sub-paragraph (E)(2)(d)(i) through (iv); or ([2]3) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PIXL Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.

(D) An unrelated market or marketable limit order (against the PBBO) on the opposite side of the market from the PIXL Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. [If contracts remain from such unrelated order at the time the Auction ends, they will be considered for participation in the order allocation process described below.]In the case of a Complex PIXL Auction, an unrelated market or marketable limit Complex Order on the opposite side of the market from the Complex PIXL Order as well as orders for the individual components of the Complex Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. If contracts remain from such unrelated order at the time the Auction ends, they will be considered for participation in the order allocation process described in sub-paragraph (E) below. This sub-paragraph shall be effective for a pilot period scheduled to expire on July 18, 2013.

(E) Order Allocation. At the conclusion of the Auction, the PIXL Order will be allocated at the best price(s) as follows:

(1) Public customer orders shall have priority at each price level.

(2) After public customer interest at a particular price level has been satisfied, remaining contracts will be allocated among all Exchange quotes, orders and PAN responses as follows:

(a) If the Initiating Member selected the single stop price option of the PIXL Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer interest is satisfied being allocated to the Initiating Member at the stop price. However, if only one [specialist, SQT or RSQT] other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d) among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member.

(b) If the Initiating Member selected the auto-match option of the PIXL Auction (except if it is a Complex Order), the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other

quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Member shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the stop price is the final price). If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d). Any remaining contracts shall be allocated to the Initiating Member.

(c) <u>In the case of a PIXL (except if it is a Complex Order),</u> [I]<u>i</u>f the Initiating Member selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

(i) first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d)<u>at each price point</u>;

(ii) next, to quotes, orders and PAN responses at prices at the Initiating Member's NWT price and better than the Initiating Member's stop price, beginning with the NWT price. The Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Member shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price). In the case of an Initiating Order with a NWT price at the market, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Member shall be entitled to receive up to 40% of the contracts remaining at the final price point (including situations where the final price is the stop price). If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d). Any remaining contracts shall be allocated to the Initiating Member.

(d) [A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size.]<u>In the case of a Complex Order PIXL, if the Initiating Member selected the single stop price option of the PIXL Auction, PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after public customer complex interest is satisfied being allocated to the Initiating Member at the stop price. If only one other participant matches the</u>

stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Complex Orders on the PHLX Complex Order Book, PAN responses, and quotes and orders which comprise the cPBBO at the end of the Auction will be considered for allocation against the Complex PIXL order. Such interest will be allocated at a given price in the following order: (i) to public customer Complex Orders and PAN responses in time priority; (ii) to SQT, RSQT, and non-SQT ROT Complex Orders and PAN responses on a size pro-rata basis; (iii) to non-market maker off-floor broker-dealer Complex Orders and PAN responses on a size pro-rata basis, and (iv) to quotes and orders which comprise the cPBBO at the end of the Auction with public customer interest being satisfied first in time priority, then to SQT, RSQT, and non-SQT ROT interest satisfied on a size pro-rata basis, and lastly to non-market maker off-floor broker-dealers on a size pro-rata basis. If the final price point is equal to the stop price, the Initiating Member will be allocated 40% (or 50% if matching only one other participant) after public customer Complex Orders and PAN responses have been satisfied, thereafter the allocation will continue as stipulated in (ii) through (iv) of this sub-paragraph. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member.

(e) In the case of a Complex Order PIXL, if the Initiating Member selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

(i) First to Complex Orders and PAN responses at prices better than the NWT price, as well as to quotes and orders which comprise the cPBBO at the end of the Auction, if such cPBBO is better than the NWT price, pursuant to the algorithm set forth above in (n)(ii)(E)(2)(d)(i) through (iv) of this rule;

(ii) Next, to Complex Orders and PAN responses, as well as to quotes and orders which comprise the cPBBO at the end of the Auction, at the Initiating Member's NWT price and at prices better than or equal to the Initiating Member's stop price, beginning with the NWT price. The Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other interest at each price point, except that the Initiating Member shall be entitled to receive up to 40% (or 50% if matching only one other participant) of the contracts remaining, after public customer Complex Orders and PAN responses have been satisfied, at the final price point (including situations where the final price is the stop price). In the case of an Initiating Order with a NWT price at the market, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other interest at all price points, except that the Initiating Member shall be entitled to receive up to 40% (or 50% if matching only one other participant) of

the contracts remaining, after public customer Complex Orders and PAN responses have been satisfied, at the final price point (including situations where the final price is the stop price). If there is other interest at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in (n)(ii)(E)(2)(d)(i) through (iv) of this rule. Any remaining contracts shall be allocated to the Initiating Member.

(f) A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size.

(g) A Complex PIXL Order consisting of a stock/ETF component will not execute against interest comprising the cPBBO at the end of the Auction.

(F) If there are PAN responses (except if it is a Complex Order) that cross the then-existing NBBO (provided such NBBO is not crossed) or Complex Order PAN responses that cross the then-existing cPBBO at the time of the conclusion of the Auction, such PAN responses will be executed, if possible, at their limit price(s).

(G) If the PIXL Auction price (except if it is a Complex Order) is the same as that of an order on the limit order book on the same side of the market as the PIXL Order , the PIXL Order may only be executed at a price that is at least one minimum price improvement increment better than the resting order's limit price or, if such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

(H) If the Complex Order PIXL Auction price is the same as that of a Complex Order on the Complex Order Book on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least one minimum price improvement increment better than the resting order's limit price; or if such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

([H]I) Any unexecuted PAN responses will be cancelled.

(J) Complex PIXL Orders with stock/ETF components.

(1) Member organizations may only submit Complex PIXL Orders, Initiating Orders, Complex Orders, and/or PAN responses with a stock/ETF component if such orders/responses comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such orders with a stock/ETF component represent

that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market ("NASDAQ") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Options Services LLC in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative ("QSR") arrangement with Nasdaq Options Services LLC ("NOS") in order to trade orders containing a stock/ETF component.

(2) Where one component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex PIXL Order (together with the Initiating Order, Complex Order, or PAN response, as applicable) to NOS, its designated broker-dealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NOS pursuant to applicable rules regarding equity trading.

(3) When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NOS will not execute a short sale order in the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response if the price is equal to or below the current national best bid. However, NOS will execute a short sale order in the underlying covered security component of a Complex PIXL Order, Complex Order, or PAN response if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national bid. If NOS cannot execute the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex PIXL Order, Initiating Order, Complex Order, and/or PAN response to the entering member organization. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.

(iii) The PIXL Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule 1080(n) and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707 if an Initiating Member submits a PIXL Order (initiating an Auction) and also submits its own PAN response in the same Auction.

(iv) A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceed, in the aggregate, the size of the PIXL Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707.

(v) A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PIXL Auction to conclude before the end of the PIXL Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 707 to engage in a pattern of conduct where the Initiating Member breaks up a PIXL Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Member would have otherwise received in accordance with the allocation procedures contained in subparagraph (ii)(E) above.

(vi) In lieu of the procedures in paragraphs (i) - (ii) above, an Initiating Member may enter a PIXL Order for the account of a public customer paired with an order for the account of a public customer and such paired orders will be automatically executed without a PIXL Auction. The execution price for such a PIXL Order (except if it is a Complex Order) must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the NBBO or at the same price as any resting customer order. The execution price for such a Complex Order PIXL may be in .01 increments and may not trade at a price equal to or through the cPBBO or at the same price as a resting customer Complex Order.

Rule 1080(c)(ii)(C) prevents an Order Entry Firm from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a firm to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule 1080(c)(ii)(C) for a firm to circumvent Rule 1080(c)(ii)(C) by providing an opportunity for (i) a customer affiliated with the firm, or (ii) a customer with whom the firm has an arrangement that allows the firm to realize similar economic benefits from the transaction as the firm would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PIXL customer-to-customer immediate crosses.

(vii) Initially, and for at least a Pilot Period expiring on July 18, 2013, there will be no minimum size requirement for orders to be eligible for the Auction. During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the Auction mechanism. Any data which is submitted to the Commission will be provided on a confidential basis.

(o)   No Change.

••• *Commentary:* ------------------

.01 - .07 No Change.

.08 Complex Orders on Phlx XL.

(a) - (d)   No Change.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) For purposes of paragraph (e):

(A) COLA is the automated Complex Order Live Auction process. A COLA may take place upon identification of the existence of a COLA-eligible order either: (1) following a COOP, or (2) during normal trading if the Phlx XL system receives a Complex Order that improves the cPBBO.

(B) (1) A "COLA-eligible order" means a Complex Order (a) identified by way of a COOP, or (b) that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject of the Complex Order. If the Phlx XL system identifies the existence of a COLA-eligible order following a COOP or by way of receipt during normal trading of a Complex Order that improves the cPBBO, such COLA-eligible order will initiate a COLA, during which Phlx XL participants may bid and offer against the COLA-eligible order pursuant to this rule. COLA-eligible orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.

(2) Notwithstanding the foregoing, a Complex Order that would otherwise be a COLA-eligible order that is received in a strategy where there is currently a Complex Order PIXL auction in progress or by the Phlx XL system during the final seconds of any trading session shall not be COLA-eligible. The Exchange shall establish the number of seconds, not to exceed 10 seconds, in an Options Trader Alert.

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