

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 19  | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4      |  | File No.* SR - 2015 - * 11   | Amendment No. (req. for Amendments *)                        |   |
| Filing by NASDAQ OMX PHLX LLC.<br>Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934  |   |  |  |  |   |
| Initial *<br><input checked="" type="checkbox"/>  | Amendment *<br><input type="checkbox"/>   | Withdrawal<br><input type="checkbox"/>                       | Section 19(b)(2) *<br><input type="checkbox"/>   | Section 19(b)(3)(A) *<br><input checked="" type="checkbox"/> | Section 19(b)(3)(B) *<br><input type="checkbox"/> |
| Pilot<br><input type="checkbox"/>   | Extension of Time Period<br>for Commission Action *<br><input type="checkbox"/> | Date Expires *<br><input type="text"/>                       | Rule<br><input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)<br><input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)<br><input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6) |  |   |
| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010<br>Section 806(e)(1) *<br><input type="checkbox"/>  |   |  | Security-Based Swap Submission pursuant<br>to the Securities Exchange Act of 1934<br>Section 3C(b)(2) *<br><input type="checkbox"/>  |  |   |
| Exhibit 2 Sent As Paper Document<br><input type="checkbox"/>  |   | Exhibit 3 Sent As Paper Document<br><input type="checkbox"/> |  |  |   |
| <b>Description</b><br>Provide a brief description of the action (limit 250 characters, required when Initial is checked *).<br><br>A proposed rule change to add new Rule 1016 to authorize the Exchange to share any Phlx XL participant-designated risk settings in Phlx XL.  |   |  |  |  |   |
| <b>Contact Information</b><br>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.<br><br>First Name * Carla Last Name * Behnfeldt<br>Title * Associate General Counsel<br>E-mail * carla.behnfeldt@nasdaq.com<br>Telephone * (215) 496-5208 Fax <input type="text"/> |   |  |  |  |   |
| <b>Signature</b><br>Pursuant to the requirements of the Securities Exchange Act of 1934,<br><br>has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.<br>(Title *)<br><br>Date 01/28/2015<br>By Edward S. Knight<br>(Name *)<br>Executive Vice President and General Counsel<br><br>edward.knight@nasdaq.com   |   |  |  |  |   |
| NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.   |   |  |  |  |   |

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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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**

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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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to add new Rule 1016 to authorize the Exchange to share any Phlx XL participant-designated risk settings in Phlx XL, the Exchange’s trading system, with the clearing member that clears transactions on behalf of the Phlx XL participant.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is set forth below.

New language is *underlined*. Deleted language is bracketed.

**NASDAQ OMX PHLX Rules**

**Options Rules**

\* \* \* \* \*

**[Rule 1016. Reserved.]**

**Rule 1016. Exchange Sharing of Phlx XL Participant-Designated Risk Settings**

The Exchange may share any Phlx XL participant-designated risk settings in the trading system with the clearing member that clears transactions on behalf of the Phlx XL participant. For purposes of this rule a Phlx XL participant is any specialist, streaming quote trader or remote streaming quote trader.

\* \* \* \* \*

(b) Not applicable.

(c) Not applicable.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of Phlx pursuant to authority delegated by the Board of Directors of Phlx on July 16, 2014. Phlx staff will advise the Board of Directors of Phlx of any action taken pursuant to delegated authority. No other action by Phlx is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Carla Behnfeldt, Associate General Counsel, The NASDAQ OMX Group, at (215) 496-5208.

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

a. Purpose

The Exchange proposed to adopt new Rule 1016 to authorize the Exchange to share any Phlx XL participant-designated risk settings in Exchange's trading system with the clearing member that clears transactions on behalf of the Phlx XL participant. For purposes of Rule 1016, a Phlx XL participant is any specialist, streaming quote trader ("SQT") or remote streaming quote trader ("RSQT").<sup>3</sup>

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<sup>3</sup> A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). An SQT is defined in Exchange Rule 1014(b)(ii)(A) as a Registered Options Trader ("ROT") who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An RSQT is defined in Exchange Rule in 1014(b)(ii)(B) as an ROT that is a member affiliated with an RSQTO with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A Remote Streaming Quote Trader Organization or "RSQTO," which may also be referred to as a Remote Market Making Organization ("RMO"), is a member organization in good standing that satisfies the RSQTO readiness requirements in Rule 507(a). A ROT includes a SQT, a RSQT and a Non-SQT, which by definition is neither a SQT nor a RSQT and to which Rule 1016 will not apply. A Registered Options Trader is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014(b)(i) and (ii).

Phlx XL participants are required to be members of the Exchange.<sup>4</sup> Rule 1046 requires a member or member organization conducting an options business to either be: (i) a clearing member of The Options Clearing Corporation (“OCC”); or (ii) have a clearing arrangement with an Exchange member organization that is a clearing member of OCC. Further, pursuant to Rule 1052, every member organization which is a clearing member of the OCC shall be responsible for the clearance of the Exchange options transactions of each member or member organization who gives up the name of such clearing member in an Exchange options transaction, provided the clearing member has authorized such member or member organization to give up its name with respect to Exchange options transactions.

While not all Phlx XL participants are clearing members, all Phlx XL participants require a clearing member’s consent to clear transactions on their behalf in order to conduct business on the Exchange. Each Phlx XL participant that transacts through a clearing member on the exchange executes a Letter of Guarantee which codifies the relationship between each Phlx XL participant and clearing member and provides the Exchange with notice of which clearing members have relationships with which Phlx XL participants. The clearing member that guarantees the Phlx XL participant’s transactions on the Exchange has a financial interest in understanding the risk tolerance of the Phlx XL participant. The proposal would provide the Exchange with authority to directly provide clearing members with information that may otherwise be available to such clearing members by virtue of their relationship with the respective Phlx XL participants.

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<sup>4</sup> As noted above, A Registered Options Trader is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014(b)(i) and (ii).

At this time, the risk settings covered by this proposal are set forth in Rule 1093, Phlx XL Risk Monitor Mechanism.<sup>5</sup> The Exchange may adopt additional rules providing for Phlx XL participant-designated risk settings other than those provided in Exchange Rule 1093 that could be shared with a Phlx XL participant's clearing member under the proposal, and the Exchange would announce these additional risk settings by issuing an Options Trader Alert.

b. Statutory Basis

Phlx believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>6</sup> in general, and with Section 6(b)(5) of the Act<sup>7</sup> in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the

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<sup>5</sup> See Securities Exchange Act Release No. 53166 (January 23, 2006), 71 FR 4625 (January 27, 2006) (SR-Phlx-2006-05). The Mechanism provides protection to participants from the risk of multiple executions across multiple series of an option. Quoting across many series in an option creates the possibility of "rapid fire" executions that can create large, unintended principal positions that expose market makers, who are required to continuously quote in assigned options, to potentially significant market risk. Specialists, SQTs and RSQTs (collectively, "Phlx XL participants") assigned in a particular option may establish a specified time period, not to exceed 15 seconds, within which a counting program will count the number of contracts traded in an option by such Phlx XL participant. When the Phlx XL participant has traded a certain number of contracts during the specified time period, the Risk Monitor Mechanism will automatically remove such Phlx XL participant's quotations from the Exchange's disseminated quotation in all series of the particular option.

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(5).

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

The proposed rule change will allow the Exchange to directly provide a Phlx XL participant's designated risk settings to the clearing member that clears trades on behalf of the Phlx XL participant. Because a clearing member that executes a clearing Letter of Guarantee on behalf of a Phlx XL participant guarantees all transactions of that Phlx XL participant, and therefore bears the risk associated with those transactions, it is appropriate for the clearing member to have knowledge of what risk settings the Phlx XL participant may utilize within the Exchange's trading system. The proposal will permit clearing members who have a financial interest in the risk settings of Phlx XL participants with whom the clearing member has entered into a clearing Letter of Guarantee to better monitor and manage the potential risks assumed by clearing members, thereby providing clearing members with greater control and flexibility over setting their own risk tolerance and exposure and aiding clearing members in complying with the Act. To the extent a clearing member might reasonably require a Phlx XL participant to provide access to its risk settings as a prerequisite to continuing to clear trades on the Phlx XL participant's behalf, the Exchange's proposal to share those risk settings directly reduces the administrative burden on Phlx XL participants and ensures that clearing members are receiving information that is up-to-date and conforms to the settings active in the Exchange's trading system.

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

Phlx does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change is not designed to address any competitive issues

and does not pose an undue burden on non-clearing members because, unlike clearing members, non-clearing members do not guarantee the execution of a Phlx XL participant's transactions on the Exchange. The proposal is structured to offer the same enhancement to all clearing members, regardless of size, and would not impose a competitive burden on any participant. Any Phlx XL participant that does not wish to share its designated risk settings with its clearing member could avoid sharing such settings by becoming a clearing member of OCC.

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

Written comments were neither solicited nor 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 proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>9</sup> in that the proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).



rule change, or such shorter time as designated by the Commission. Phlx has provided such written notice.

Phlx believes that the proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. Specifically, the Exchange notes that the rule change is being proposed as a competitive response to a similar filing by another options exchange.<sup>10</sup>

In addition, the proposed rule change does not significantly affect the protection of investors or the public interest because the proposal will permit clearing members, who have a financial interest in the risk settings of Phlx XL participants with whom the clearing member has entered into a Letter of Guarantee, to better monitor and manage the potential risks assumed by Phlx XL participants, thereby aiding clearing members in complying with the Act.

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

The proposed rule change is based on NYSE MKT Rule 902.1NY (Admission to the System).

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.

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<sup>10</sup> See Securities Exchange Act Release No. 73817 (December 11, 2014), 79 FR 75215 (December 17, 2014) (SR-NYSEMKT-2014-81).

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2015-11)

January \_\_\_\_, 2015

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add New Rule 1016 to Authorize the Exchange to Share Phlx XL Participant-Designated Risk Settings in Phlx XL

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 28, 2015, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to add new Rule 1016 to authorize the Exchange to share any Phlx XL participant-designated risk settings in Phlx XL, the Exchange’s trading system, with the clearing member that clears transactions on behalf of the Phlx XL participant.

The text of the proposed rule change is below; proposed new language is underlined; proposed deletions are in brackets.

**NASDAQ OMX PHLX Rules**

**Options Rules**

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

\* \* \* \* \*

[Rule 1016. Reserved.]

**Rule 1016. Exchange Sharing of Phlx XL Participant-Designated Risk**

**Settings**

The Exchange may share any Phlx XL participant-designated risk settings in the trading system with the clearing member that clears transactions on behalf of the Phlx XL participant. For purposes of this rule a Phlx XL participant is any specialist, streaming quote trader or remote streaming quote trader.

\* \* \* \* \*

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 Exchange proposed to adopt new Rule 1016 to authorize the Exchange to share any Phlx XL participant-designated risk settings in Exchange's trading system with the clearing member that clears transactions on behalf of the Phlx XL participant. For

purposes of Rule 1016, a Phlx XL participant is any specialist, streaming quote trader (“SQT”) or remote streaming quote trader (“RSQT”).<sup>3</sup>

Phlx XL participants are required to be members of the Exchange.<sup>4</sup> Rule 1046 requires a member or member organization conducting an options business to either be: (i) a clearing member of The Options Clearing Corporation (“OCC”); or (ii) have a clearing arrangement with an Exchange member organization that is a clearing member of OCC. Further, pursuant to Rule 1052, every member organization which is a clearing member of the OCC shall be responsible for the clearance of the Exchange options transactions of each member or member organization who gives up the name of such clearing member in an Exchange options transaction, provided the clearing member has authorized such member or member organization to give up its name with respect to Exchange options transactions.

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<sup>3</sup> A Specialist is an Exchange member who is registered as an options specialist pursuant to Rule 1020(a). An SQT is defined in Exchange Rule 1014(b)(ii)(A) as a Registered Options Trader (“ROT”) who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An RSQT is defined in Exchange Rule 1014(b)(ii)(B) as an ROT that is a member affiliated with an RSQTO with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A Remote Streaming Quote Trader Organization or “RSQTO,” which may also be referred to as a Remote Market Making Organization (“RMO”), is a member organization in good standing that satisfies the RSQTO readiness requirements in Rule 507(a). A ROT includes a SQT, a RSQT and a Non-SQT, which by definition is neither a SQT nor a RSQT and to which Rule 1016 will not apply. A Registered Options Trader is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014(b)(i) and (ii).

<sup>4</sup> As noted above, A Registered Options Trader is defined in Exchange Rule 1014(b) as a regular member of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. See Exchange Rule 1014(b)(i) and (ii).

While not all Phlx XL participants are clearing members, all Phlx XL participants require a clearing member's consent to clear transactions on their behalf in order to conduct business on the Exchange. Each Phlx XL participant that transacts through a clearing member on the exchange executes a Letter of Guarantee which codifies the relationship between each Phlx XL participant and clearing member and provides the Exchange with notice of which clearing members have relationships with which Phlx XL participants. The clearing member that guarantees the Phlx XL participant's transactions on the Exchange has a financial interest in understanding the risk tolerance of the Phlx XL participant. The proposal would provide the Exchange with authority to directly provide clearing members with information that may otherwise be available to such clearing members by virtue of their relationship with the respective Phlx XL participants.

At this time, the risk settings covered by this proposal are set forth in Rule 1093, Phlx XL Risk Monitor Mechanism.<sup>5</sup> The Exchange may adopt additional rules providing for Phlx XL participant-designated risk settings other than those provided in Exchange Rule 1093 that could be shared with a Phlx XL participant's clearing member under the

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<sup>5</sup> See Securities Exchange Act Release No. 53166 (January 23, 2006), 71 FR 4625 (January 27, 2006) (SR-Phlx-2006-05). The Mechanism provides protection to participants from the risk of multiple executions across multiple series of an option. Quoting across many series in an option creates the possibility of "rapid fire" executions that can create large, unintended principal positions that expose market makers, who are required to continuously quote in assigned options, to potentially significant market risk. Specialists, SQTs and RSQTs (collectively, "Phlx XL participants") assigned in a particular option may establish a specified time period, not to exceed 15 seconds, within which a counting program will count the number of contracts traded in an option by such Phlx XL participant. When the Phlx XL participant has traded a certain number of contracts during the specified time period, the Risk Monitor Mechanism will automatically remove such Phlx XL participant's quotations from the Exchange's disseminated quotation in all series of the particular option.

proposal, and the Exchange would announce these additional risk settings by issuing an Options Trader Alert.

2. Statutory Basis

Phlx believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>6</sup> in general, and with Section 6(b)(5) of the Act<sup>7</sup> in particular, in that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The proposed rule change will allow the Exchange to directly provide a Phlx XL participant's designated risk settings to the clearing member that clears trades on behalf of the Phlx XL participant. Because a clearing member that executes a clearing Letter of Guarantee on behalf of a Phlx XL participant guarantees all transactions of that Phlx XL participant, and therefore bears the risk associated with those transactions, it is appropriate for the clearing member to have knowledge of what risk settings the Phlx XL participant may utilize within the Exchange's trading system. The proposal will permit clearing members who have a financial interest in the risk settings of Phlx XL participants with whom the clearing member has entered into a clearing Letter of Guarantee to better monitor and manage the potential risks assumed by clearing

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<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(5).

members, thereby providing clearing members with greater control and flexibility over setting their own risk tolerance and exposure and aiding clearing members in complying with the Act. To the extent a clearing member might reasonably require a Phlx XL participant to provide access to its risk settings as a prerequisite to continuing to clear trades on the Phlx XL participant's behalf, the Exchange's proposal to share those risk settings directly reduces the administrative burden on Phlx XL participants and ensures that clearing members are receiving information that is up-to-date and conforms to the settings active in the Exchange's trading system.

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

Phlx does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change is not designed to address any competitive issues and does not pose an undue burden on non-clearing members because, unlike clearing members, non-clearing members do not guarantee the execution of a Phlx XL participant's transactions on the Exchange. The proposal is structured to offer the same enhancement to all clearing members, regardless of size, and would not impose a competitive burden on any participant. Any Phlx XL participant that does not wish to share its designated risk settings with its clearing member could avoid sharing such settings by becoming a clearing member of OCC.

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

No written comments were either solicited or received.



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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>8</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>9</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

### 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

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>9</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2015-11 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2015-11. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site

(<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-Phlx-2015-11 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.<sup>10</sup>

Kevin M O'Neill  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).