Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2015 - * 83

Amendment No. (req. for Amendments *)

Filing by   NASDAQ OMX PHLX LLC.

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

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

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	19b-4(f)(1) ☐ 19b-4(f)(4) ☐
			19b-4(f)(2) ☐ 19b-4(f)(5) ☐
			19b-4(f)(3) ☐ 19b-4(f)(6) ☑

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

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

| Section 806(e)(1) * ☐ | 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 *).

Risk Monitor Mechanism

Contact Information

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

First Name * Angela   Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaq.com

Telephone * (215) 496-5692   Fax

Signature

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

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

(Title *)

Date   10/14/2015

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.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add   Remove   View

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

Exhibit 1 - Notice of Proposed Rule Change *

Add   Remove   View

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

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

Add   Remove   View

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

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

Add   Remove   View

Exhibit Sent As Paper Document
☐

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

Exhibit 3 - Form, Report, or Questionnaire

Add   Remove   View

Exhibit Sent As Paper Document
☐

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

Exhibit 4 - Marked Copies

Add   Remove   View

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

Exhibit 5 - Proposed Rule Text

Add   Remove   View

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

Partial Amendment

Add   Remove   View

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

1.   Text of the Proposed Rule Change

(a)   NASDAQ OMX PHLX LLC ("Exchange" or "Phlx"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("Commission") a proposal to amend Rule 1093 entitled "Phlx XL Risk Monitor Mechanism" by reserving this rule and relocating the rule governing the Risk Monitor Mechanism into Phlx Rule 1095, entitled "Automated Removal of Quotes" which contains similar market maker[3] risk monitor tools. The Exchange is also modifying the language currently contained in Rule 1093.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the amended Exchange Rule is attached hereto as Exhibit 5.

(b)   Not applicable.

(c)   Not applicable.

---

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

[2] 17 CFR 240.19b-4.

[3] A "Market Maker" includes Registered Options Traders ("ROTs") (Rule 1014(b)(i) and (ii)), which includes Streaming Quote Traders ("SQTs") (see Rule 1014(b)(ii)(A)) and Remote Streaming Quote Traders ("RSQTs") (see Rule 1014(b)(ii)(B)). An SQT is defined in Exchange Rule 1014(b)(ii)(A) as an 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 or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange. A Market Maker also includes a specialist, an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

2.   Procedures of the Self-Regulatory Organization

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

pursuant to authority delegated by the Board of Directors of the Exchange (the "Board")

on July 16, 2014. Exchange staff will advise the Board of any action taken pursuant to

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

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

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

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

         a.   Purpose

The purpose of the filing is to relocate and amend the current rule text of the Risk

Monitor Mechanism Rule in 1093.[4] The Exchange is proposing to relocate the rule text

into Rule 1095, which currently describes two other risk mechanisms offered to Market

Makers today.[5] 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. The Risk Monitor Mechanism (hereinafter "Percentage-Based

Threshold") permits Market Makers to monitor risk arising from multiple executions

across multiple options series of a single underlying security.

---

[4] The proposed amendments will conform the rule text to the manner in which the
Exchange's Phlx XL system ("System") operates today.

[5] The two risk protections, Volume-Based Threshold and the Multi-Trigger Threshold,
are Market Maker protections, similar to the Risk Monitor Mechanism to assist Market
Makers to control their trading risks.

The Exchange will require Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold.[6]   The Multi-Trigger Threshold will be optional.[7] Today, Market Makers are required to utilize the Percentage-Based Threshold.

<u>Current Rule Text in Rule 1093</u>

Phlx Rule 1093 specifically describes the counting program that is maintained by the trading system (hereinafter "System") for each Phlx XL participant (hereinafter "Market Maker"), in a particular option. Specifically, the counting program counts the number of contracts traded in an option by each Market Maker within a specified time period, not to exceed 15 seconds, established by each Market Maker, known in this rule as the "specified time period."

The specified time period commences for an option when a transaction occurs in any series in such option. The Exchange counts Specialized Quote Feed ("SQF")[8] quotes only in determining the number of contracts traded and removed by the System. When a Market Maker trades the Specified Engagement Size during the specified time period, the Percentage-Based Threshold is triggered[9] and the System automatically removes such Market Maker's quotations from the Exchange's orders in all series of the particular option.   The Percentage-Based Threshold is engaged when the counting program

---

[6] The Volume-Based Threshold is offered only to Market Makers.

[7] The Multi-Trigger Threshold is offered only to Market Makers.

[8] SQF permits the receipt of quotes. SQF Auction Responses and market sweeps are also not included.

[9] A trigger is defined as the event which causes the System to automatically remove all quotes in all options series in an underlying issue.

determines that the Issue Percentage equals or exceeds a percentage established by the Market Maker, not less than 100%.

The Specified Engagement Size is automatically offset by a number of contracts that are executed on the opposite side of the market in the same option issue during the specified time period known as the "Net Offset Specified Engagement Size." Long call positions are only offset by short call positions, and long put positions are only offset by short put positions. The Percentage-Based Threshold is engaged once the Net Offset Specified Engagement Size represents a net number of contracts executed among all series in an option issue, during the specified time period, where the issue percentage is equal to or greater than the Specified Percentage.[10]

The System automatically resets the counting program and commences a new specified time period when: (i) a previous counting period has expired and a transaction occurs in any series in such option; or (ii) the Market Maker refreshes his/her quotation, in a series for which an order has been executed (thus commencing the specified time period) prior to the expiration of the specified time period.

---

[10] Any marketable orders or quotes that are executable against a Market Maker's disseminated quotation that are received prior to the time the Percentage-Based Threshold is engaged are automatically executed at the disseminated price up to the Market Maker's disseminated size, regardless of whether such an execution results in executions in excess of the Market Maker's Specified Engagement Size. In the event that the specialist's quote is removed by the Percentage-Based Threshold and there are no other Market Makers quoting in the particular option, the System will automatically provide two-sided quotes that comply with the Exchange's Rules concerning quote spread parameters on behalf of the specialist until such time as the specialist revises the quotation. All quotations generated by the Exchange on behalf of a specialist shall be considered "firm quotations" and shall be the obligation of the specialist.

Proposed Rule

The Exchange's amendments to the current rule text are described below in greater detail. The Exchange proposes to amend the current rule to first define a specialist, Streaming Quote Trader or Remote Streaming Quote Trader as a Market Maker and replace the term "Phlx XL Participant" with the term "Market Maker."[11] The proposed term "Market Maker" will be utilized throughout proposed Rule 1095(i).

Counting Program

Proposed Rule 1095(i) provides, as in the current rule, the Percentage-Based Threshold determines: (i) the percentage that the number of contracts executed in that series represents relative to the Market Maker's disseminated[12] size of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). An offset occurs during the Percentage-Based Specified Time Period.[13] The Exchange proposes to amend the rule text in proposed Rule 1095(i) to state that the Percentage-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap. The Exchange proposes to amend the rule text of proposed Rule 1095(i) to state that the Percentage-Based Specified Time Period commences for an option every

---

[11] The Exchange automatically removes a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds, this time period is not being amended.

[12] The disseminated size is the original size quoted by the Participant.

[13] A specified time period is established by the Market Maker and may not to exceed 15 seconds. See proposed Rule 1095(i).

time an execution occurs in any series in such option and continues until the System removes quotes as described in current Rule 1095(iv), which is being amended to include the Percentage-Based Specified Time Period, or the Percentage-Based Specified Time Period expires.

Rounding

The Exchange proposes to add amended rule text to proposed Rule 1095(i) to state that if the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a Market Maker, not less than 100% ("Specified Percentage"), the System automatically removes a Market Maker's quotes in all series of the underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period.[14] The current text of Rule 1093 states that the Percentage-Based Threshold is engaged when the counting program determines that the Issue Percentage equals or exceeds a percentage established by the Market Maker, not less than 100%. The Exchange's proposal adds amended rule text to proposed Rule 1095(i) to state, that if the Issue Percentage, *rounded to the nearest integer*, equals or exceeds a percentage established by the Market Maker, not less than 100% ("Specified Percentage"), the System automatically removes a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time

---

[14] The System's count of the number of contracts executed is based on trading interest resting on the Exchange book. The Volume-Based Specified Time Period, in current Rule 1095(ii), designated by the Market Maker must be the same time period as designated for purposes of the Percentage-Based Threshold. The Exchange references protocols more specifically in this rule. The Exchange counts SQF quotes only in determining the number of contracts traded and removed by the System. See note 8.

Period.

Today, the System tracks and calculates the net impact of positions in the same option issue during the Percentage-Based Specified Time Period. The System tracks transactions, i.e., the sum of buy-side put percentages, the sum of sell-side put percentages, the sum of buy-side call percentages, and the sum of sell-side call percentages, and then calculates the absolute value of the difference between the buy-side puts and the sell-side puts plus the absolute value of the difference between the buy-side calls and the sell-side calls. With this proposal, when these values are rounded, if that number is greater than the Specified Percentage, the Percentage-Based Threshold would be triggered.

Reset

The Exchange proposes to amend the manner in which the System resets. The System will automatically removes quotes in all option series of an underlying security when the Percentage-Based Threshold is reached and then the Percentage-Based Specified Time Period is reset. The System will send a Purge Notification Message[15] to the Market Maker for all affected options when the threshold has been reached. Pursuant to this proposal, when the System removes quotes as a result of the Percentage-Based Threshold, the Market Maker will be required to send a re-entry indicator to re-enter the System.[16] If a Market Maker requests the System to remove quotes in all options series in an underlying issue, the System will automatically reset the Percentage–Based

---

[15] A message entitled "Purge Notification Message" is systemically sent to the Market Maker upon the removal of quotes due to the Percentage-Based Threshold. See proposed Rule 1095(iii).

[16] The re-entry indicator must be marked as such to cause the System to reset.

Specified Time Period(s) and new Percentage-Based Specified Time Period(s) will commence for the Percentage-Based Threshold. With this proposal, when the System removes quotes as a result of the Percentage-Based Threshold, the Market Maker will be required to send a re-entry indicator to re-enter the System. The proposed rule text adds specificity to the manner in which the Market Maker re-enters the market after a trigger.

Firm Quote

The Exchange represents that its proposal operates consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS.

b.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[17] in general, and furthers the objectives of Section 6(b)(5) of the Act[18] 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, by enhancing the risk protections available to Exchange members. Each of the proposed amendments does not raise a novel regulatory issue, rather these proposed amendments provide for operational transparency.

The proposed rule text continues to offer Market Makers a risk protection tool, in addition to other available risk tools,[19] to decrease risk and increase stability. The Exchange offers this risk tool to Market Makers, in order to encourage them to provide as much liquidity as possible and encourage market making generally, the proposal removes

---

[17] 15 U.S.C. 78f(b).

[18] 15 U.S.C. 78f(b)(5).

[19] See note 5.

impediments to and perfects the mechanism of a free and open market and a national market system and protect investors and the public interest. Further, it is important to note that any interest that is executable against a Market Maker's quotes that are received[20] by the Exchange prior to the trigger of the Percentage-Based Threshold, which is processed by the System, automatically executes at the price up to the Market Maker's size. Further, the Purge Notification Message is accepted by the System in the order of receipt in the queue and is processed in that order so that interest that is already accepted into the System is processed prior to the message.

Counting Program

The Exchange's amendment to the operation of the counting program to describe that it operates on rolling basis, with a time window after each transaction, not singular and sequential time segments is consistent with the Act because the purpose of the risk tool is to provide Market Makers with the ability to monitor its transactions. The proposed counting program provides a tracking method for Market Makers related to the specified time period. The System captures information to determine whether a removal of quotes is necessary. The proposed function of this counting program will enable the Exchange to provide the Market Maker with information relative to that Market Maker's interest currently at risk in the market.

Rounding

The Exchange's amendment which states that if the Issue Percentage, rounded to the nearest integer, equals or exceeds the Specified Percentage, the System automatically

---

[20] The time of receipt for an order or quote is the time such message is processed by the Exchange book.

removes a Market Maker's quotes in all series of an underlying security is consistent with the Act because investors will be protected by providing Market Makers with a risk tool which allows Market Makers to properly set their risk protections at a level that they are able to meet their obligations and also manage their risk. This specificity provides more detail so that Market Makers may properly set their risk controls. Understanding the manner in which the System will round is important in determining when the System will trigger a risk control. Also, today Phlx discusses rounding in its Rulebook.[21] Rounding to the nearest integer is not novel.

Reset

The Exchange's proposal to amend the rule text related to resets provides guidance to Market Makers as to the manner in which they may re-enter the System after a removal of quotes. This amendment is consistent with the Act because the Exchange desires to provide Market Makers with access to the market at all times. Market Makers perform an important function in the marketplace and the Exchange desires to provide its market participants with access to the market. If the Market Maker is removed from the market due to a trigger of the Percentage-Based risk tool, the Exchange will permit re-entry to the market provided the Market Maker sends a re-entry indicator to re-enter the System. This is important because it informs the Exchange that the Market Maker is ready to re-enter the market. Also, the Exchange currently has risk mechanisms in place which provides guidance as to the manner in which a Market Maker may re-enter the System after a removal of quotes.[22]

---

[21] See Phlx Rule at 1014 regarding Market Maker allocations.

[22] See Phlx Rule 1095(vi).

Quoting Obligations – Market Makers

The Exchange further represents that the System operates consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS. Specifically, with respect to Market Makers, their obligation to provide continuous two-sided quotes on a daily basis is not diminished by the removal of such quotes by the Percentage-Based Threshold. Market Makers are required to provide continuous two-sided quotes on a daily basis.[23] Market Makers that utilize the Percentage-Based Threshold will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet the continuous quoting obligation each trading day.

Finally, the Exchange believes that its proposal to provide Market Makers the optionality to either select the Percentage-Based Threshold or Volume-Based Threshold as one of their risk tools will also protect investors and is consistent with the Act. Today, Market Makers are required to utilize the Percentage-Based Threshold. With this proposal, Market Makers will have the ability to select their mandatory risk as between the Percentage-Based Threshold or Volume-Based Threshold.

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. The Percentage-Based Threshold is meant to protect Market Makers from inadvertent exposure to excessive risk. Accordingly, this proposal will have no impact on competition. Specifically, the proposal does not impose a burden on intra-market or

---

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

inter-market competition, rather, it provides Market Makers with the opportunity to avail themselves of similar risk tools which are currently available on other exchanges.[24] Market Makers quote across many series in an option creates the possibility of "rapid fire" executions that can create large, unintended principal positions that expose Market Makers. The Percentage-Based Threshold permits Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.

The Exchange is proposing this rule change to continue to permit Market Makers to reduce their risk in the event the Market Maker is suffering from a system issue or due to the occurrence of unusual or unexpected market activity. Reducing such risk will enable Market Makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market. Reducing risk by utilizing the proposed risk protections enables Market Makers, specifically, to enter quotations with larger size, which in turn will benefit investors through increased liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

Counting Program

The Exchange's amendment to the operation of the counting program to describe that it operates on rolling basis, with a time window after each transaction, not singular and sequential time segments does not create an undue burden on competition, rather, it provides the Market Maker with clarity as to the manner in which the System counts

---

[24] See Section 8 of the 19b4.

quotes and thereby provides Market Makers with an increased ability to monitor transactions.

Rounding

The Exchange's amendment to add that if the Issue Percentage, rounded to the nearest integer, equals or exceeds the Specified Percentage, the System automatically removes a Market Maker's quotes in all series of an underlying security does not create an undue burden on competition because this amendment also provides the Market Maker with clarity as to the manner in which the System will remove quotes and thereby provides Market Makers with an increased ability to monitor transactions and set risk limits.

Reset

The amendment to the rule text concerning resetting does not create an undue burden on competition. The Exchange proposes to amend the manner in which a Market Maker may re-enter the System after a removal of quotes. This amendment provides information to Market Makers as to the procedure to re-enter the System after a trigger. This information is intended to provide Market Makers with access to the market.

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

No written comments were either solicited or received.

6.   Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[25]

of the Act and Rule 19b-4(f)(6) thereunder[26] in that it effects a change that: (i) does not

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

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

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

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

Exchange seeks to continue to assist Market Makers to control their trading risks and

protect against the possibility of "rapid fire" executions that can create large, unintended

principal positions that expose Market Makers. These market participants are required to

continuously quote in assigned options and thereby are subject to potentially significant

market risk. The Percentage-Based Threshold is designed to mitigate the potential risks

of multiple executions against a Market Maker's trading interest that, in today's highly

automated and electronic trading environment, can occur simultaneously across multiple

series and multiple option classes.   The Exchange believes that these proposed

amendments do not significantly affect the protection of investor or the public interest

because the amendments to the counting program, rounding and reset will continue to

provide Market Makers with a mechanism by which to monitor its risk, which is

consistent with the protection of investors and the public interest.

Specifically, the Exchange believes that the amendments to the counting program

do not significantly affect the protection of investor or the public interest because the

---

[25] 15 U.S.C. 78s(b)(3)(A).

[26] 17 CFR 240.19b-4(f)(6).

information provided in the amendment gives Market Makers the necessary information to set their values for the Percentage-Based risk tool. By offering Market Makers a manner in which to control their risk, the Exchange is also offering these market participants a manner in which to protect the market and investors. The Exchange believes that the amendments to rounding do not significantly affect the protection of investor or the public interest because Market Makers may anticipate the outcome when setting their risk levels if they understand the manner in which the System rounds and otherwise operates. Likewise, the manner in which the Exchange will handle remainders provides Market Makers with the information to control risk and protect investors. Finally, the Exchange believes that the proposed amendments to the reset functionality do not significantly affect the protection of investor or the public interest because the Exchange is providing Market Makers with the means to re-enter the market after an event that triggered the risk tool. The Exchange desires to provide these valuable market participants with access to the market. Providing these liquidity providers with the means to access the market serves to protect investors.

The Exchange also believes that the proposed amendments do not provide a burden on competition. The Exchange's proposed amendments to the counting program do not provide a burden on competition, rather, the amendments provide the Market Maker with clarity as to the manner in which the System counts quotes and thereby provides Market Makers with an increased ability to monitor transactions. The Exchange's proposed amendments to the rounding do not impose a burden on competition because the Exchange is providing Market Makers with additional information with which to understand the manner in which the System operates and

manner in which to set their risk levels. The Exchange's proposed amendments to the reset do not provide a burden on competition, rather, this information is intended to provide Market Makers with information to re-enter the market.

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

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

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) so that it may amend its rule to continue to provide Market Makers with the ability to offer this risk tool. The Exchange believes that providing Market Makers with the means to manage risk encourages these market participants to make markets in options on the Exchange, which serves the public interest.

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

The proposed rule change is similar to rules which provide for risk tools on other options markets. ISE Rules 722 and 804(g) mandate that ISE market makers provide parameters by which ISE will automatically remove a market maker's quotations in all series of an options class.[27] ISE's rules provide that if a specified number of curtailment events are exceeded within the prescribed time period, the market maker quotes in all classes will be automatically removed from ISE's trading system. ISE has a parameter for total number of contracts as well as a market wide parameter. Phlx's Percentage-Based Threshold risk tool is similar to the parameter for percentage of the total size of the market maker's quotes in the class that has been executed at ISE.

BOX Options Exchange LLC ("BOX") also offers risk tools to its market makers. BOX Rule 8130 requires market makers to enter values in at least one of the five Exchange-provided risk parameters.[28] BOX's risk tool related to a specified number of

---

[27] There are five parameters that can be set by market makers on a class-by-class basis at ISE. These parameters are available for market maker quotes in single options series and in complex instruments on the complex order book. Market makers establish a timeframe during which the system calculates: (1) The number of contracts executed by the market maker in an options class; (2) the percentage of the total size of the market maker's quotes in the class that has been executed; (3) the absolute value of the net between contracts bought and sold in an options class, and (4) the absolute value of the net between (a) calls purchased plus puts sold, and (b) calls sold plus puts purchase; and (5) market maker quotes may be removed from the trading system if a specified number of curtailment events occur across both ISE and ISE Gemini, LLC ("ISE Gemini").

[28] Rule 8130 provides for five triggering parameters that market makers can enable on a class-by-class basis. These are when the market maker: (1) experiences a duration of no technical connectivity for between one and nine seconds; (2) trades a specified number of contracts in the aggregate across all series of an options class; (3) trades a specified absolute dollar value of contracts bought and sold in a class; (4) trades a specified number of contracts in a class of the net between (i) calls purchased plus puts sold, and (ii) calls sold and puts purchased; or, (5) trades a specified absolute dollar value of the net position in a class between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts purchased and sold; or (iv) puts and calls sold.

contracts in the aggregate across all series of an options class is similar to Phlx's Percentage -Based Threshold. BOX has a mandatory parameter for trades in a specified number of contracts across all options series similar to the risk tool being proposed by Phlx. The Exchange will require Market Makers to utilize either the Percentage-Based Threshold or Volume-Based Threshold. The Multi-Trigger Threshold will be optional.

Notwithstanding the above comparisons of Phlx's Percentage-Based Threshold to the other markets, ISE and BOX, the Exchange's amendment concerning the rounding is specific to the Phlx market. This rounding functionality detail is noted for the purpose of providing greater detail to the manner in which Phlx operates with respect to this risk tool. This rounding logic is utilized today for a similar risk tools on the NASDAQ Options Market LLC ("NOM") and NASDAQ OMX BX, Inc. ("BX").[29]

The Exchange does not believe that the proposed amendments raise novel issues for the operation of such risk mechanisms. Offering only Market Makers this risk protection tool is not novel. Today, the Exchange offers only Market Makers the Volume-Based and Multi-Trigger risk tools to encourage them to provide as much liquidity as possible and encourage market making generally.[30]

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.

---

[29] NOM's Risk Monitor and BX's Risk Monitor Mechanism operate in a similar manner as the Phlx Percentage-Based Threshold risk tool.

[30] See Phlx Rule 1095(ii) and (iii).

11.   <u>Exhibits</u>

      1.   Notice of proposed rule for publication in the <u>Federal</u> <u>Register</u>.

      5.   Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-Phlx-2015-XX)

October __, 2015

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change to Risk Monitor Mechanism

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

Rule 19b-4 thereunder,[2] notice is hereby given that on October 15, 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. <u>Self-Regulatory Organization's Statement of the Terms of Substance of the
   Proposed Rule Change</u>

  The Exchange proposes to amend Rule 1093 entitled "Phlx XL Risk Monitor

Mechanism" by reserving this rule and relocating the rule governing the Risk Monitor

Mechanism into Phlx Rule 1095, entitled "Automated Removal of Quotes" which

contains similar market maker[3] risk monitor tools. The Exchange is also modifying the

language currently contained in Rule 1093.

---

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

[2] 17 CFR 240.19b-4.

[3] A "Market Maker" includes Registered Options Traders ("ROTs") (Rule 1014(b)(i) and
(ii)), which includes Streaming Quote Traders ("SQTs") (<u>see</u> Rule 1014(b)(ii)(A)) and
Remote Streaming Quote Traders ("RSQTs") (<u>see</u> Rule 1014(b)(ii)(B)). An SQT is
defined in Exchange Rule 1014(b)(ii)(A) as an ROT who has received permission from
the Exchange to generate and submit option quotations electronically in options to which

The text of the proposed rule change is available on the Exchange's Website at http://nasdaqomxphlx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

                1.   Purpose

The purpose of the filing is to relocate and amend the current rule text of the Risk Monitor Mechanism Rule in 1093.[4] The Exchange is proposing to relocate the rule text into Rule 1095, which currently describes two other risk mechanisms offered to Market Makers today.[5] Quoting across many series in an option creates the possibility of "rapid

---

such SQT is assigned. An RSQT is defined in Exchange Rule 1014(b)(ii)(B) as an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange. A Market Maker also includes a specialist, an Exchange member who is registered as an options specialist pursuant to Rule 1020(a).

[4] The proposed amendments will conform the rule text to the manner in which the Exchange's Phlx XL system ("System") operates today.

[5] The two risk protections, Volume-Based Threshold and the Multi-Trigger Threshold, are Market Maker protections, similar to the Risk Monitor Mechanism to assist Market Makers to control their trading risks.

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. The Risk Monitor Mechanism (hereinafter "Percentage-Based Threshold") permits Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.

The Exchange will require Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold.[6] The Multi-Trigger Threshold will be optional.[7] Today, Market Makers are required to utilize the Percentage-Based Threshold.

Current Rule Text in Rule 1093

Phlx Rule 1093 specifically describes the counting program that is maintained by the trading system (hereinafter "System") for each Phlx XL participant (hereinafter "Market Maker"), in a particular option. Specifically, the counting program counts the number of contracts traded in an option by each Market Maker within a specified time period, not to exceed 15 seconds, established by each Market Maker, known in this rule as the "specified time period."

The specified time period commences for an option when a transaction occurs in any series in such option. The Exchange counts Specialized Quote Feed ("SQF")[8] quotes only in determining the number of contracts traded and removed by the System. When a Market Maker trades the Specified Engagement Size during the specified time period, the

---

[6] The Volume-Based Threshold is offered only to Market Makers.

[7] The Multi-Trigger Threshold is offered only to Market Makers.

[8] SQF permits the receipt of quotes. SQF Auction Responses and market sweeps are also not included.

Percentage-Based Threshold is triggered[9] and the System automatically removes such Market Maker's quotations from the Exchange's orders in all series of the particular option. The Percentage-Based Threshold is engaged when the counting program determines that the Issue Percentage equals or exceeds a percentage established by the Market Maker, not less than 100%.

The Specified Engagement Size is automatically offset by a number of contracts that are executed on the opposite side of the market in the same option issue during the specified time period known as the "Net Offset Specified Engagement Size." Long call positions are only offset by short call positions, and long put positions are only offset by short put positions. The Percentage-Based Threshold is engaged once the Net Offset Specified Engagement Size represents a net number of contracts executed among all series in an option issue, during the specified time period, where the issue percentage is equal to or greater than the Specified Percentage.[10]

The System automatically resets the counting program and commences a new specified time period when: (i) a previous counting period has expired and a transaction

---

[9] A trigger is defined as the event which causes the System to automatically remove all quotes in all options series in an underlying issue.

[10] Any marketable orders or quotes that are executable against a Market Maker's disseminated quotation that are received prior to the time the Percentage-Based Threshold is engaged are automatically executed at the disseminated price up to the Market Maker's disseminated size, regardless of whether such an execution results in executions in excess of the Market Maker's Specified Engagement Size. In the event that the specialist's quote is removed by the Percentage-Based Threshold and there are no other Market Makers quoting in the particular option, the System will automatically provide two-sided quotes that comply with the Exchange's Rules concerning quote spread parameters on behalf of the specialist until such time as the specialist revises the quotation. All quotations generated by the Exchange on behalf of a specialist shall be considered "firm quotations" and shall be the obligation of the specialist.

occurs in any series in such option; or (ii) the Market Maker refreshes his/her quotation, in a series for which an order has been executed (thus commencing the specified time period) prior to the expiration of the specified time period.

Proposed Rule

The Exchange's amendments to the current rule text are described below in greater detail. The Exchange proposes to amend the current rule to first define a specialist, Streaming Quote Trader or Remote Streaming Quote Trader as a Market Maker and replace the term "Phlx XL Participant" with the term "Market Maker."[11] The proposed term "Market Maker" will be utilized throughout proposed Rule 1095(i).

Counting Program

Proposed Rule 1095(i) provides, as in the current rule, the Percentage-Based Threshold determines: (i) the percentage that the number of contracts executed in that series represents relative to the Market Maker's disseminated[12] size of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). An offset occurs during the Percentage-Based Specified Time Period.[13] The Exchange proposes to amend the rule text in proposed Rule 1095(i) to state that the Percentage-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time

---

[11] The Exchange automatically removes a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds, this time period is not being amended.

[12] The disseminated size is the original size quoted by the Participant.

[13] A specified time period is established by the Market Maker and may not to exceed 15 seconds. See proposed Rule 1095(i).

Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap. The Exchange proposes to amend the rule text of proposed Rule 1095(i) to state that the Percentage-Based Specified Time Period commences for an option every time an execution occurs in any series in such option and continues until the System removes quotes as described in current Rule 1095(iv), which is being amended to include the Percentage-Based Specified Time Period, or the Percentage-Based Specified Time Period expires.

Rounding

The Exchange proposes to add amended rule text to proposed Rule 1095(i) to state that if the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a Market Maker, not less than 100% ("Specified Percentage"), the System automatically remove a Market Maker's quotes in all series of the underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period.[14] The current text of Rule 1093 states that the Percentage-Based Threshold is engaged when the counting program determines that the Issue Percentage equals or exceeds a percentage established by the Market Maker, not less than 100%. The Exchange's proposal adds amended rule text to proposed Rule 1095(i) to state, that if the Issue Percentage, *rounded to the nearest integer*, equals or exceeds a percentage established by the Market Maker, not less than

---

[14] The System's count of the number of contracts executed is based on trading interest resting on the Exchange book. The Volume-Based Specified Time Period, in current Rule 1095(ii), designated by the Market Maker must be the same time period as designated for purposes of the Percentage-Based Threshold. The Exchange references protocols more specifically in this rule. The Exchange counts SQF quotes only in determining the number of contracts traded and removed by the System. See note 8.

100% ("Specified Percentage"), the System automatically removes a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period.

Today, the System tracks and calculates the net impact of positions in the same option issue during the Percentage-Based Specified Time Period. The System tracks transactions, i.e., the sum of buy-side put percentages, the sum of sell-side put percentages, the sum of buy-side call percentages, and the sum of sell-side call percentages, and then calculates the absolute value of the difference between the buy-side puts and the sell-side puts plus the absolute value of the difference between the buy-side calls and the sell-side calls. With this proposal, when these values are rounded, if that number is greater than the Specified Percentage, the Percentage-Based Threshold would be triggered.

Reset

The Exchange proposes to amend the manner in which the System resets. The System will automatically removes quotes in all option series of an underlying security when the Percentage-Based Threshold is reached and then the Percentage-Based Specified Time Period is reset. The System will send a Purge Notification Message[15] to the Market Maker for all affected options when the threshold has been reached. Pursuant to this proposal, when the System removes quotes as a result of the Percentage-Based Threshold, the Market Maker will be required to send a re-entry indicator to re-enter the

---

[15] A message entitled "Purge Notification Message" is systemically sent to the Market Maker upon the removal of quotes due to the Percentage-Based Threshold. See proposed Rule 1095(iii).

System.[16] If a Market Maker requests the System to remove quotes in all options series in an underlying issue, the System will automatically reset the Percentage–Based Specified Time Period(s) and new Percentage-Based Specified Time Period(s) will commence for the Percentage-Based Threshold. With this proposal, when the System removes quotes as a result of the Percentage-Based Threshold, the Market Maker will be required to send a re-entry indicator to re-enter the System. The proposed rule text adds specificity to the manner in which the Market Maker re-enters the market after a trigger.

Firm Quote

The Exchange represents that its proposal operates consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[17] in general, and furthers the objectives of Section 6(b)(5) of the Act[18] 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, by enhancing the risk protections available to Exchange members. Each of the proposed amendments does not raise a novel regulatory issue, rather these proposed amendments provide for operational transparency.

---

[16] The re-entry indicator must be marked as such to cause the System to reset.

[17] 15 U.S.C. 78f(b).

[18] 15 U.S.C. 78f(b)(5).

The proposed rule text continues to offer Market Makers a risk protection tool, in addition to other available risk tools,[19] to decrease risk and increase stability. The Exchange offers this risk tool to Market Makers, in order to encourage them to provide as much liquidity as possible and encourage market making generally, the proposal removes impediments to and perfects the mechanism of a free and open market and a national market system and protect investors and the public interest. Further, it is important to note that any interest that is executable against a Market Maker's quotes that are received[20] by the Exchange prior to the trigger of the Percentage-Based Threshold, which is processed by the System, automatically executes at the price up to the Market Maker's size. Further, the Purge Notification Message is accepted by the System in the order of receipt in the queue and is processed in that order so that interest that is already accepted into the System is processed prior to the message.

Counting Program

The Exchange's amendment to the operation of the counting program to describe that it operates on rolling basis, with a time window after each transaction, not singular and sequential time segments is consistent with the Act because the purpose of the risk tool is to provide Market Makers with the ability to monitor its transactions. The proposed counting program provides a tracking method for Market Makers related to the specified time period. The System captures information to determine whether a removal of quotes is necessary. The proposed function of this counting program will enable the

---

[19] See note 5.

[20] The time of receipt for an order or quote is the time such message is processed by the Exchange book.

Exchange to provide the Market Maker with information relative to that Market Maker's interest currently at risk in the market.

Rounding

The Exchange's amendment which states that if the Issue Percentage, rounded to the nearest integer, equals or exceeds the Specified Percentage, the System automatically removes a Market Maker's quotes in all series of an underlying security is consistent with the Act because investors will be protected by providing Market Makers with a risk tool which allows Market Makers to properly set their risk protections at a level that they are able to meet their obligations and also manage their risk. This specificity provides more detail so that Market Makers may properly set their risk controls. Understanding the manner in which the System will round is important in determining when the System will trigger a risk control. Also, today, Phlx discusses rounding in its Rulebook.[21] Rounding to the nearest integer is not novel.

Reset

The Exchange's proposal to amend the rule text related to resets provides guidance to Market Makers as to the manner in which they may re-enter the System after a removal of quotes. This amendment is consistent with the Act because the Exchange desires to provide Market Makers with access to the market at all times. Market Makers perform an important function in the marketplace and the Exchange desires to provide its market participants with access to the market. If the Market Maker is removed from the market due to a trigger of the Percentage-Based risk tool, the Exchange will permit re-entry to the market provided the Market Maker sends a re-entry indicator to re-enter the

---

[21] See Phlx Rule at 1014 regarding Market Maker allocations.

System. This is important because it informs the Exchange that the Market Maker is ready to re-enter the market. Also, the Exchange currently has risk mechanisms in place which provides guidance as to the manner in which a Market Maker may re-enter the System after a removal of quotes.[22]

Quoting Obligations – Market Makers

The Exchange further represents that the System operates consistently with the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS. Specifically, with respect to Market Makers, their obligation to provide continuous two-sided quotes on a daily basis is not diminished by the removal of such quotes by the Percentage-Based Threshold. Market Makers are required to provide continuous two-sided quotes on a daily basis.[23] Market Makers that utilize the Percentage-Based Threshold will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet the continuous quoting obligation each trading day.

Finally, the Exchange believes that its proposal to provide Market Makers the optionality to either select the Percentage-Based Threshold or Volume-Based Threshold as one of their risk tools will also protect investors and is consistent with the Act. Today, Market Makers are required to utilize the Percentage-Based Threshold. With this proposal, Market Makers will have the ability to select their mandatory risk as between the Percentage-Based Threshold or Volume-Based Threshold.

---

[22] See Phlx Rule 1095(vi).

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

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.   The Percentage-Based Threshold is meant to protect Market Makers from inadvertent exposure to excessive risk.   Accordingly, this proposal will have no impact on competition.   Specifically, the proposal does not impose a burden on intra-market or inter-market competition, rather, it provides Market Makers with the opportunity to avail themselves of similar risk tools which are currently available on other exchanges.[24] Market Makers quote across many series in an option creates the possibility of "rapid fire" executions that can create large, unintended principal positions that expose Market Makers.   The Percentage-Based Threshold permits Market Makers to monitor risk arising from multiple executions across multiple options series of a single underlying security.

The Exchange is proposing this rule change to continue to permit Market Makers to reduce their risk in the event the Market Maker is suffering from a system issue or due to the occurrence of unusual or unexpected market activity.   Reducing such risk will enable Market Makers to enter quotations without any fear of inadvertent exposure to excessive risk, which in turn will benefit investors through increased liquidity for the execution of their orders.   Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.   Reducing risk by utilizing the proposed risk protections enables Market Makers, specifically, to enter quotations with larger size, which in turn will benefit investors through increased

---

[24] See Section 8 of the 19b4.

liquidity for the execution of their orders. Such increased liquidity benefits investors because they receive better prices and because it lowers volatility in the options market.

Counting Program

The Exchange's amendment to the operation of the counting program to describe that it operates on rolling basis, with a time window after each transaction, not singular and sequential time segments does not create an undue burden on competition, rather, it provides the Market Maker with clarity as to the manner in which the System counts quotes and thereby provides Market Makers with an increased ability to monitor transactions.

Rounding

The Exchange's amendment to add that if the Issue Percentage, rounded to the nearest integer, equals or exceeds the Specified Percentage, the System automatically removes a Market Maker's quotes in all series of an underlying security does not create an undue burden on competition because this amendment also provides the Market Maker with clarity as to the manner in which the System will remove quotes and thereby provides Market Makers with an increased ability to monitor transactions and set risk limits.

Reset

The amendment to the rule text concerning resetting does not create an undue burden on competition. The Exchange proposes to amend the manner in which a Market Maker may re-enter the System after a removal of quotes. This amendment provides information to Market Makers as to the procedure to re-enter the System after a trigger. This information is intended to provide Market Makers with access to the market.

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)(iii) of the Act[25] and subparagraph (f)(6) of Rule 19b-4

thereunder.[26]

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.

---

[25] 15 U.S.C. 78s(b)(3)(a)(iii).

[26] 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.

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-2015-83 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-2015-83. 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-2015-83 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.[27]

Robert W. Errett
Deputy Secretary

---

[27] 17 CFR 200.30-3(a)(12).

Exhibit 5

New text is underlined; deleted text is bracketed.

NASDAQ OMX PHLX Rules

Rule 1093. Reserved. [Phlx XL Risk Monitor Mechanism
(a) The Phlx XL system (the "system") will maintain a counting program ("counting program") for each specialist, SQT and RSQT (collectively, "Phlx XL participants") assigned in a particular option. The counting program will count the number of contracts traded in such an option by each Phlx XL participant within a specified time period, not to exceed 15 seconds, established by each Phlx XL participant (the "specified time period"). The specified time period will commence for an option when a transaction occurs in any series in such option.

(b)(i) *Risk Monitor Mechanism.* The system will engage the Risk Monitor Mechanism in a particular option when the counting program has determined that a Phlx XL participant has traded a Specified Engagement Size (as defined below) established by such Phlx XL participant during the specified time period. When such Phlx XL participant has traded the Specified Engagement Size 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.

(ii) *Specified Engagement Size.* The Specified Engagement Size is determined by the following: (A) For each series in an option, the counting program will determine the percentage that the number of contracts executed in that series represents relative to the disseminated size in that series ("series percentage"); (B) The counting program will determine the sum of the series percentages in the option issue ("issue percentage"); (C) Once the counting program determines that the issue percentage equals or exceeds a percentage established by the Phlx XL participant, not less than 100% ("Specified Percentage"), the number of executed contracts in the option issue equals the Specified Engagement Size. For example, if a Phlx XL participant is quoting in four series of a particular option issue, and sets its Specified Percentage at 100%, the Specified Engagement Size would be determined as follows:

Example I

Series	*Size*	*# of Contracts Executed*	*Percentage*
Series 1	100	40	40%
Series 2	50	20	40%
Series 3	200	20	10%
Series 4	150	15	10%
Total	500	95	100%

In this example the Specified Engagement Size is 95 contracts, which is the aggregate number of contracts executed among all series during the specified time period that represents an issue percentage equal to the Specified Percentage of 100%.

Example II

Series	Size	# of Contracts Executed	Percentage
Series 1	100	0	0%
Series 2	50	0	0%
Series 3	200	0	0%
Series 4	150	150	100%
Total	500	150	100%

In this example the Specified Engagement Size is 150 contracts, which is the aggregate number of contracts executed among all series during the specified time period that represents an issue percentage equal to the Specified Percentage of 100%.

If a Phlx XL participant is quoting in four series of a particular option, and sets its Specified Percentage at 200%, the Specified Engagement Size would be determined as follows:

Example III

Series	Size	# of Contracts Executed	Percentage
Series 1	100	80	80%
Series 2	50	40	80%
Series 3	200	40	20%
Series 4	150	30	20%
Total	500	190	200%

In this example the Specified Engagement Size is 190 contracts, which is the aggregate number of contracts executed among all series during the specified time period that represents an issue percentage equal to the Specified Percentage of 200%.

The Specified Engagement Size will be automatically offset by a number of contracts that are executed on the opposite side of the market in the same option issue during the specified time period (the "Net Offset Specified Engagement Size"). Long call positions will only be offset by short call positions, and long put positions will only be offset by short put positions. For example, a Phlx XL participant that buys calls and also sells calls in the same option during the specified time period would have a Net Offset Specified Engagement Size as follows:

Example IV

Series	Size	Buy Call	Sell Call	Net Offset Size	Percentage
Series 1	100	60	20	40	40%
Series 2	50	100	80	20	40%
Series 3	200	150	130	20	10%
Series 4	150	75	60	15	10%
Total	500	385	290	95	100%

The Net Offset Specified Engagement Size for each series is determined by offsetting the number of contracts executed on the opposite side of the market for each series during the specified time period. The Risk Monitor Mechanism shall be engaged once the Net Offset Specified Engagement Size is for a net number of contracts executed among all series in an option issue during the specified time period that represents an issue percentage equal to or greater than the Specified Percentage.

(c) Any marketable orders, or quotes that are executable against a Phlx XL participant's disseminated quotation that are received prior to the time the Risk Monitor Mechanism is engaged will be automatically executed at the disseminated price up to the Phlx XL participant's disseminated size, regardless of whether such an execution results in executions in excess of the Phlx XL participant's Specified Engagement Size.

(d) In the event that the specialist's quote is removed by the Risk Monitor Mechanism and there are no other Phlx XL participants quoting in the particular option, the system will automatically provide two-sided quotes that comply with the Exchange's Rules concerning quote spread parameters on behalf of the specialist until such time as the specialist revises the quotation. All quotations generated by the Exchange on behalf of a specialist shall be considered "firm quotations" and shall be the obligation of the specialist.

(e) The system will automatically reset the counting program and commence a new specified time period when:

  (i) a previous counting period has expired and a transaction occurs in any series in such option; or

  (ii) the Phlx XL participant refreshes his/her quotation, in a series for which an order has been executed (thus commencing the specified time period) prior to the expiration of the specified time period.]

* * * * *

Rule 1095 Automated Removal of Quotes

(i) [Reserved.] A specialist, Streaming Quote Trader or Remote Streaming Quote Trader (collectively "Market Maker") may provide a specified time period and a specified percentage (as these terms are defined below) by which the Exchange's Phlx XL system ("System") will automatically remove a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the disseminated size of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a Market Maker, not less than 100% ("Specified Percentage"), the System will automatically remove a Market Maker's quotes in all series of the underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period ("Percentage-Based Threshold"). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage -Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.

(ii) A specialist, Streaming Quote Trader or Remote Streaming Quote Trader (collectively "Market Maker") may provide a specified time period and a volume threshold by which the Exchange's Phlx XL system ("System") will automatically remove a Market Maker's quotes in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-Based Threshold"). The Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the [Risk Monitor Mechanism in Rule 1093 ("]Percentage-Based Threshold["]). A Volume-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes as described in (iv) or (v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume-Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(iii) A Market Maker or Market Maker Group (multiple affiliated Market Makers is a "Group" as defined by a Phlx member and provided by such member to the Exchange) may provide a Specified Time Period and number of allowable triggers by which the Exchange will automatically remove quotes in all options series in all underlying issues submitted through designated Phlx protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period(s) established by the Market Maker not to exceed 15 seconds ("Multi-

Trigger Specified Time Period"), the number of times the System automatically removes the Market Maker's or Group's quotes in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in ([i]i) above, as well as the Volume-Based Threshold described in (ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes in all options series in all underlying issues for that Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove in all options series in an underlying issue. A Multi-Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes as described in (iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(iv) The System will automatically remove quotes in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the Market Maker for all affected options when the above thresholds have been reached.

(a) The [two thresholds,] Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.

(b) Quotes will be automatically executed up to the Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.

(v) If a Market Maker requests the System to remove quotes in all options series in an underlying issue, the System will automatically reset the Percentage-Based Specified Time Period(s) or Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(vi) When the System removes quotes as a result of the Percentage-Based Threshold or Volume-Based Threshold, the Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes as a result of the Multi-Trigger Threshold, the System will not accept quotes through designated protocols until the Market Maker manually requests re-entry. After quotes are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.

(vii) The Exchange will require Market Makers to utilize either the Percentage-Based Threshold or the Volume-Based Threshold. The Multi-Trigger Threshold is optional.

* * * * *