Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2015 - * 99

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

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

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

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 *).

Order Exposure

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 12/14/2015

By Edward S. Knight

Executive Vice President and General Counsel

(Name *)

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 EFFS website.

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

Add   Remove   View

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

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

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

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

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Exhibit Sent As Paper Document
☐

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document
☐

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add   Remove   View

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

Partial Amendment

Add   Remove   View

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

1.   Text of the Proposed Rule Change

        (a)   NASDAQ OMX PHLX LLC ("Exchange" or "Phlx"), pursuant to Section

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

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

amend Phlx Rule 1080, entitled "Phlx XL and Phlx XL II," to account for potential

internal conflicts with other Exchange Rules, which are exceptions to the order exposure

rule regarding principle orders the Order Entry Firm represents as agent from being

exposed.

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

Exhibit 1.

        (b)   Not applicable.

        (c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

        Senior management of the Exchange approved the proposed rule change under

authority delegated by the Exchange's Board of Directors ("Board") on July 1, 2015.

The Exchange's staff will advise the Board of any action taken pursuant to delegated

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

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

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

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

[2]   17 CFR 240.19b-4.

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

        a.   Purpose

The Exchange proposes to amend Phlx Rule 1080(c)(ii)(C) to provide that other

Exchange Rules are exceptions to rules requiring Order Entry Firms to expose orders

and to name those rules. Today, Phlx Rule 1080(c)(ii)(C)(1) provides that,

> 'Principal Transactions: Order Entry Firms may not execute as principal
> against orders on the limit order book they represent as agent unless: (a)
> agency orders are first exposed on the limit order book for at least one (1)
> second, (b) the Order Entry Firm has been bidding or offering on the
> Exchange for at least one (1) second prior to receiving an agency order
> that is executable against such order, or (c) the Order Entry Firm proceeds
> in accordance with the crossing rules contained in Rule 1064.'

Further, Phlx Rule 1080(c)(ii)(C)(2) and (3) provide,

> 'Solicitation Orders. Order Entry Firms must expose orders they represent
> as agent for at least one (1) second before such orders may be
> automatically executed, in whole or in part, against orders solicited from
> members and non-member broker-dealers to transact with such orders.
>
> It shall be a violation of Rule 1080(c)(ii)(C) for any Exchange member or
> member organization to be a party to any arrangement designed to
> circumvent Rule 1080(c)(ii)(C) by providing an opportunity for a
> customer, member, member organization, or non-member broker-dealer to
> execute immediately against agency orders delivered to the Exchange,
> whether such orders are delivered via AUTOM or represented in the
> trading crowd by a member or a member organization.'

The Exchange notes that there are other exceptions to the general rule regarding the

exposure of principal orders represented as agent by the Order Entry Firm. Also, other

options exchanges have similar order exposure exceptions.[3]

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3   See International Securities Exchange LLC ("ISE") Rule 717(d) and BOX
        Options Exchange LLC ("BOX") Rule 7140.

The first proposed additional exception to the order exposure rule is Price Improvement XL or "PIXL."[4] PIXL is a component of the Exchange's fully automated options trading system, PHLX XL that allows a member or member organization to electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction'). This mechanism is an exception to the general rule in, which requires Phlx members and member organizations to expose principal orders they represent as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer. With PIXL, paired orders are submitted simultaneously and would not violate Phlx Rule 1080(c)(ii)(C).

The second proposed additional exception to the order exposure rule is the Complex Order Live Auction or "COLA."[5] COLA is the automated Complex Order Live Auction process. A COLA may take place upon identification of the existence of a COLA-eligible order either: (1) following a COOP, or (2) during normal trading if the Phlx XL system receives a Complex Order that improves the cPBBO. Phlx XL participants may bid and/or offer on either or both side(s) of the market during the COLA

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[4]   See Phlx Rule 1080(n). Complex Orders may also be placed into PIXL.

[5]   See Phlx Rule 1080, Commentary .02(c)(ii)(e).

Timer by submitting one or more bids or offers that improve the cPBBO, known as a "COLA Sweep."[6] COLA does not abide by the one second order exposure requirement.

The third proposed additional exception to the order exposure rule is the Qualified Contingent Cross or "QCC" mechanism.[7] A QCC Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, which is identified as being part of a qualified contingent trade that is coupled with a contra-side order or orders totaling an equal number of contracts.[8] With QCC, coupled orders are submitted simultaneously and would not violate Phlx Rule 1080(c)(ii)(C).[9] A QCC transaction consists of two or more component orders, executed as agent or principal, where: (a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (c) the execution of one component is contingent upon the execution of all other components at or near the

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6   A single Phlx XL participant may submit multiple COLA Sweeps at different prices (but not multiple COLA Sweeps at the same price, except as provided in sub-paragraph (B) below) in increments of $0.01 in response to a COLA broadcast, regardless of the minimum trading increment applicable to the specific series. Phlx XL participants may change the size of a previously submitted COLA Sweep at the previously submitted COLA price during the COLA Timer. The system will use the Phlx XL participant's most recently submitted COLA Sweep at each price level as that participant's response at that price level, unless the COLA Sweep has a size of zero. A COLA Sweep with a size of zero will remove a Phlx XL participant's COLA Sweep from the COLA at that price level. COLA Sweeps will not be visible to any participant and will not be disseminated by the Exchange. See Phlx Rule 1080, Commentary .02(c)(ii)(e)(iv)(A)-(C).

7   See Phlx Rules 1080(o).

8   See Phlx Rule 1080(o).

9   Complex Orders may also be placed into PIXL. See Phlx Rule 1080(n).

same time; (d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.[10]

The Exchange believes that amending Phlx Rule 1080(c)(ii)(C) to add rule text to include these additional exceptions to this general rule regarding order exposure will conform the rule text.

b.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[11] in general, and furthers the objectives of Section 6(b)(5) of the Act[12] 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 explicitly delineating all exceptions to the general rule regarding the requirements to expose certain principal orders which the Order Entry firm represents as agent. Specifically, the Exchange's proposal amends the order exposure rule to list PIXL, COLA and QCC as exceptions to the wait time to expose such principal orders the Order Entry Firm

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[10]   See Phlx Rule 1080(o)(3).

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

[12]   15 U.S.C. 78f(b)(5).

represents as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer.

The Exchange's proposal will make clear that PIXL is an exception to the general rule, which requires Phlx members and member organizations to expose principal orders they represent as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer. PIXL permits Participants to enter paired orders without first exposing those orders for one second. The Exchange believes that providing an exception to the order exposure rule for orders entered into PIXL is consistent with the Act, because while PIXL's auction will last for one second, the orders may be entered as paired orders.[13] A Phlx member or member organization, known as the Initiating Participant, must enter an order into the PIXL Mechanism as specified by Phlx Rule 1080(n).[14] Complex Orders may also be entered into PIXL and such prices must be at the

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[13]   See Phlx Rule 1080(o).

[14]   To initiate the Auction (except if it is a Complex Order), the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PIXL Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the PBBO on the same side of the market as the PIXL Order represents a limit order on the book, the stop price must be at least one minimum price improvement increment better than the booked limit order's limit price. Once the Initiating Member has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. The

cPBBO or better.[15]   Initiating Participants entering orders into PIXL are required to guarantee an execution at the NBBO (cPBBO for Complex Orders) or at a better price, and are subject to market risk while their PIXL Order is exposed to other market participants in this competitive auction.

The Exchange's proposal will make clear that COLA is an exception to the general order exposure rule. A "COLA-eligible order" means a Complex Order (a) identified by way of a COOP, or (b) that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject of the Complex Order and is not for a market maker, as specified in Phlx Rule 1080.07 (b)(ii).[16]   COLA-eligible orders are executed without consideration of any prices that might be available on other exchanges trading the same options contracts.   The COLA will begin with a timing mechanism (a

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stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. See Phlx Rule 1080(n)(ii)(A)(1).

[15]   To initiate the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); or (b) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price. Once the Initiating Member has submitted a PIXL Complex Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)- (b) in note 14, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. See Phlx Rule 1080(n)(ii)(A)(2).

[16]   If the Phlx XL system identifies the existence of a COLA-eligible order following a COOP or by way of receipt during normal trading of a Complex Order that improves the cPBBO, such COLA-eligible order will initiate a COLA, during which Phlx XL participants may bid and offer against the COLA-eligible order pursuant to this rule.

"COLA Timer"), which is a counting period not to exceed five (5) seconds during which

Phlx XL participants may submit bids or offers that improve the cPBBO. Phlx XL

participants may bid and/or offer on either or both side(s) of the market during the COLA

Timer by submitting one or more bids or offers that improve the cPBBO, known as a

"COLA Sweep." COLA Sweeps will not be visible to any participant and will not be

disseminated by the Exchange. Upon the expiration of the COLA Timer, COLA Sweeps

and/or any Complex Orders received during the COLA Timer that improve the cPBBO

may be executed against the COLA-eligible order.[17] The Exchange believes that

providing an exception to the order exposure rule for orders entered into COLA is

consistent with the Act, because while COLA auction may exceed one second, the

COLA-eligible order will receive the best price or prices available for the Complex Order

Strategy represented by the COLA-eligible order, and are subject to market risk while

their Complex Order is exposed to other market participants in this competitive auction.

The Exchange's proposal will make clear that QCC is an exception to the general

order exposure rule. QCC Orders are immediately executed upon entry into the System

by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the

Exchange's limit order book and (ii) the price is at or between the NBBO. The Exchange

believes that providing an exception to the order exposure rule for orders entered into

QCC is consistent with the Act, because when entered into the System QCC Orders are

coupled with a contra-side order or orders totaling an equal number of contracts. These

orders must be executed at a price that is at or between the NBBO, and are subject to

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[17]   See Phlx Rule 1080, Commentary .02(c)(ii)(e).

market risk while the QCC Order is exposed to other market participants in this competitive auction.

The proposed amendments provide additional exceptions to the current order exposure rule and will serve to protect investors and the public interest by providing additional information in the Rules concerning exceptions.

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 proposed changes do not impose any burden on competition, rather, the amendment provides an exception to the order exposure rule for orders entered into PIXL, COLA and QCC for all Phlx members and member organizations. The Exchange believes that this exception will further inform Phlx members and member organizations of their obligations with respect to order exposure.   Phlx members and member organizations entering orders into PILX, COLA or QCC are subject to market risk while their order is exposed to other market participants and member organizations in these competitive auctions.

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

No written comments were either solicited or received.

6.   Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[18]

of the Act and Rule 19b-4(f)(6) thereunder[19] 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

proposed rule change does not significantly affect the protection of investors, because it

makes clear that other Exchange Rules may be an exception to general requirement in

Phlx Rule 1080(c)(ii)(C) regarding order exposure.   Phlx members and member

organizations entering orders into PIXL, COLA or QCC are subject to market risk while

their order is exposed to other market participants in this competitive auction. Also, the

proposed rule change does not impose any significant burden on competition, because all

Participants may enter orders into PIXL, COLA or QCC and will be subject to this

exception. The Exchange also notes that other options exchanges have similar order

exposure exceptions.[20]

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.

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[18]   15 U.S.C. 78s(b)(3)(A).

[19]   17 CFR 240.19b-4(f)(6).

[20]   See ISE Rule 717(d) and BOX Rule 7140.

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.

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

The rule change is similar to ISE and BOX rules.[21]

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

Not applicable.

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

Not applicable.

11.   Exhibits

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

5.   Text of the proposed rule change.

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[21]   Id.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-Phlx-2015-99)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and
Immediate Effectiveness of Proposed Rule Change Regarding Order Exposure

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

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

The Exchange proposes to amend Phlx Rule 1080, entitled "Phlx XL and Phlx XL

II," to account for potential internal conflicts with other Exchange Rules, which are

exceptions to the order exposure rule regarding principle orders the Order Entry Firm

represents as agent from being exposed.

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

http://nasdaqomxphlx.cchwallstreet.com/, at the principal office of the Exchange, and at

the Commission's Public Reference Room.

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

[2]   17 CFR 240.19b-4.

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

        In its filing with the Commission, the Exchange included statements concerning

the purpose of and basis for the proposed rule change and discussed any comments it

received on the proposed rule change. The text of these statements may be examined at

the places specified in Item IV below. The Exchange has prepared summaries, set forth

in sections A, B, and C below, of the most significant aspects of such statements.

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

                1.   Purpose

        The Exchange proposes to amend Phlx Rule 1080(c)(ii)(C) to provide that other

Exchange Rules are exceptions to rules requiring Order Entry Firms to expose orders

and to name those rules. Today, Phlx Rule 1080(c)(ii)(C)(1) provides that,

> 'Principal Transactions: Order Entry Firms may not execute as principal
> against orders on the limit order book they represent as agent unless: (a)
> agency orders are first exposed on the limit order book for at least one (1)
> second, (b) the Order Entry Firm has been bidding or offering on the
> Exchange for at least one (1) second prior to receiving an agency order
> that is executable against such order, or (c) the Order Entry Firm proceeds
> in accordance with the crossing rules contained in Rule 1064.'

Further, Phlx Rule 1080(c)(ii)(C)(2) and (3) provide,

> 'Solicitation Orders. Order Entry Firms must expose orders they represent
> as agent for at least one (1) second before such orders may be
> automatically executed, in whole or in part, against orders solicited from
> members and non-member broker-dealers to transact with such orders.
>
> It shall be a violation of Rule 1080(c)(ii)(C) for any Exchange member or
> member organization to be a party to any arrangement designed to
> circumvent Rule 1080(c)(ii)(C) by providing an opportunity for a
> customer, member, member organization, or non-member broker-dealer to
> execute immediately against agency orders delivered to the Exchange,
> whether such orders are delivered via AUTOM or represented in the
> trading crowd by a member or a member organization.'

The Exchange notes that there are other exceptions to the general rule regarding the exposure of principal orders represented as agent by the Order Entry Firm. Also, other options exchanges have similar order exposure exceptions.[3]

The first proposed additional exception to the order exposure rule is Price Improvement XL or "PIXL."[4] PIXL is a component of the Exchange's fully automated options trading system, PHLX XL that allows a member or member organization to electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction'). This mechanism is an exception to the general rule in, which requires Phlx members and member organizations to expose principal orders they represent as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer. With PIXL, paired orders are submitted simultaneously and would not violate Phlx Rule 1080(c)(ii)(C).

The second proposed additional exception to the order exposure rule is the Complex Order Live Auction or "COLA."[5] COLA is the automated Complex Order Live Auction process. A COLA may take place upon identification of the existence of a COLA-eligible order either: (1) following a COOP, or (2) during normal trading if the

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[3]   See International Securities Exchange LLC ("ISE") Rule 717(d) and BOX
        Options Exchange LLC ("BOX") Rule 7140.

[4]   See Phlx Rule 1080(n). Complex Orders may also be placed into PIXL.

[5]   See Phlx Rule 1080, Commentary .02(c)(ii)(e).

Phlx XL system receives a Complex Order that improves the cPBBO. Phlx XL participants may bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more bids or offers that improve the cPBBO, known as a "COLA Sweep."[6] COLA does not abide by the one second order exposure requirement.

The third proposed additional exception to the order exposure rule is the Qualified Contingent Cross or "QCC" mechanism.[7] A QCC Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, which is identified as being part of a qualified contingent trade that is coupled with a contra-side order or orders totaling an equal number of contracts.[8] With QCC, coupled orders are submitted simultaneously and would not violate Phlx Rule 1080(c)(ii)(C).[9] A QCC transaction consists of two or more component orders, executed as agent or principal, where: (a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (b) all components are effected with a product or price contingency that either has been agreed to by all the respective

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[6]   A single Phlx XL participant may submit multiple COLA Sweeps at different prices (but not multiple COLA Sweeps at the same price, except as provided in sub-paragraph (B) below) in increments of $0.01 in response to a COLA broadcast, regardless of the minimum trading increment applicable to the specific series. Phlx XL participants may change the size of a previously submitted COLA Sweep at the previously submitted COLA price during the COLA Timer. The system will use the Phlx XL participant's most recently submitted COLA Sweep at each price level as that participant's response at that price level, unless the COLA Sweep has a size of zero. A COLA Sweep with a size of zero will remove a Phlx XL participant's COLA Sweep from the COLA at that price level. COLA Sweeps will not be visible to any participant and will not be disseminated by the Exchange. See Phlx Rule 1080, Commentary .02(c)(ii)(e)(iv)(A)-(C).

[7]   See Phlx Rules 1080(o).

[8]   See Phlx Rule 1080(o).

[9]   Complex Orders may also be placed into PIXL. See Phlx Rule 1080(n).

counterparties or arranged for by a broker-dealer as principal or agent; (c) the execution of one component is contingent upon the execution of all other components at or near the same time; (d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.[10]

The Exchange believes that amending Phlx Rule 1080(c)(ii)(C) to add rule text to include these additional exceptions to this general rule regarding order exposure will conform the rule text.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[11] in general, and furthers the objectives of Section 6(b)(5) of the Act[12] 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 explicitly delineating all exceptions to the general rule regarding the requirements to expose certain principal orders which the Order Entry firm represents as agent.   Specifically, the

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[10]   See Phlx Rule 1080(o)(3).

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

[12]   15 U.S.C. 78f(b)(5).

Exchange's proposal amends the order exposure rule to list PIXL, COLA and QCC as exceptions to the wait time to expose such principal orders the Order Entry Firm represents as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer.

The Exchange's proposal will make clear that PIXL is an exception to the general rule, which requires Phlx members and member organizations to expose principal orders they represent as agent for at least one (1) second prior to receiving an agency order that is executable against such bid or offer. PIXL permits Participants to enter paired orders without first exposing those orders for one second. The Exchange believes that providing an exception to the order exposure rule for orders entered into PIXL is consistent with the Act, because while PIXL's auction will last for one second, the orders may be entered as paired orders.[13] A Phlx member or member organization, known as the Initiating Participant, must enter an order into the PIXL Mechanism as specified by Phlx Rule 1080(n).[14] Complex Orders may also be entered into PIXL and such prices must be at the

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[13]   See Phlx Rule 1080(o).

[14]   To initiate the Auction (except if it is a Complex Order), the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PIXL Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the PBBO on the same side of the market as the PIXL Order represents a limit order on the book, the stop price must be at least one minimum

cPBBO or better.[15]   Initiating Participants entering orders into PIXL are required to guarantee an execution at the NBBO (cPBBO for Complex Orders) or at a better price, and are subject to market risk while their PIXL Order is exposed to other market participants in this competitive auction.

The Exchange's proposal will make clear that COLA is an exception to the general order exposure rule. A "COLA-eligible order" means a Complex Order (a) identified by way of a COOP, or (b) that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject of the Complex Order and is not for a market maker, as specified in Phlx Rule 1080.07 (b)(ii).[16]   COLA-eligible orders are executed without consideration of any prices that might be available on other exchanges

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price improvement increment better than the booked limit order's limit price. Once the Initiating Member has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. The stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. See Phlx Rule 1080(n)(ii)(A)(1).

[15]   To initiate the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); or (b) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price. Once the Initiating Member has submitted a PIXL Complex Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)- (b) in note 14, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. See Phlx Rule 1080(n)(ii)(A)(2).

[16]   If the Phlx XL system identifies the existence of a COLA-eligible order following a COOP or by way of receipt during normal trading of a Complex Order that improves the cPBBO, such COLA-eligible order will initiate a COLA, during which Phlx XL participants may bid and offer against the COLA-eligible order pursuant to this rule.

trading the same options contracts. The COLA will begin with a timing mechanism (a "COLA Timer"), which is a counting period not to exceed five (5) seconds during which Phlx XL participants may submit bids or offers that improve the cPBBO. Phlx XL participants may bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more bids or offers that improve the cPBBO, known as a "COLA Sweep." COLA Sweeps will not be visible to any participant and will not be disseminated by the Exchange. Upon the expiration of the COLA Timer, COLA Sweeps and/or any Complex Orders received during the COLA Timer that improve the cPBBO may be executed against the COLA-eligible order.[17] The Exchange believes that providing an exception to the order exposure rule for orders entered into COLA is consistent with the Act, because while COLA auction may exceed one second, the COLA-eligible order will receive the best price or prices available for the Complex Order Strategy represented by the COLA-eligible order, and are subject to market risk while their Complex Order is exposed to other market participants in this competitive auction.

The Exchange's proposal will make clear that QCC is an exception to the general order exposure rule. QCC Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the NBBO. The Exchange believes that providing an exception to the order exposure rule for orders entered into QCC is consistent with the Act, because when entered into the System QCC Orders are coupled with a contra-side order or orders totaling an equal number of contracts. These orders must be executed at a price that is at or between the NBBO, and are subject to

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[17]   See Phlx Rule 1080, Commentary .02(c)(ii)(e).

market risk while the QCC Order is exposed to other market participants in this competitive auction.

The proposed amendments provide additional exceptions to the current order exposure rule and will serve to protect investors and the public interest by providing additional information in the Rules concerning exceptions.

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 proposed changes do not impose any burden on competition, rather, the amendment provides an exception to the order exposure rule for orders entered into PIXL, COLA and QCC for all Phlx members and member organizations. The Exchange believes that this exception will further inform Phlx members and member organizations of their obligations with respect to order exposure.   Phlx members and member organizations entering orders into PILX, COLA or QCC are subject to market risk while their order is exposed to other market participants and member organizations in these competitive auctions.

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[18] and subparagraph (f)(6) of Rule 19b-4 thereunder.[19]

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

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-
  Phlx-2015-99 on the subject line.

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[18]   15 U.S.C. 78s(b)(3)(a)(iii).

[19]   7 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.

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-2015-99. 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-2015-99 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.[20]

Robert W. Errett
Deputy Secretary

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[20]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; and deleted text is in brackets.

NASDAQ OMX PHLX Rules

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Options Rules

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Rule 1080. Phlx XL and Phlx XL II
(a) and (b) No change.

(c) Phlx XL automatically executes eligible orders using the Exchange disseminated quotation (except if executed pursuant to the NBBO Feature in sub-paragraph (i) below) and then automatically routes execution reports to the originating member organization. AUTOM orders not eligible for AUTO-X are executed manually in accordance with Exchange rules. Manual execution may also occur when AUTO-X is not engaged, such as pursuant to sub-paragraph (iv) below. An order may also be executed partially by AUTO-X and partially manually. The terms "Book Match" and "Book Sweep" are subsumed under the term "AUTO-X" for purposes of these rules.

In Phlx XL II, respecting situations in which the Quote Exhaust feature is engaged, the system will automatically execute transactions as set forth in Rule 1082.

The Exchange may for any period restrict the use of AUTO-X on the Exchange in any option or series provided that the effectiveness of any such restriction shall be conditioned upon its having been approved by the Securities and Exchange Commission pursuant to Section 19(b) of the Securities Exchange Act of 1934 and the rules and regulations thereunder. Any such restriction on the use of AUTO-X approved by the Exchange will be clearly communicated to Exchange membership and AUTOM users on the Exchange's web site. Such restriction would not take effect until after such communication has been made

The Exchange shall provide automatic executions for eligible customer and broker-dealer orders up to the Exchange's disseminated size as defined in Exchange Rule 1082 except with respect to orders eligible for "Book Match."

(i) No change.

(A) and (B) No change.

(ii) **Order Entry Firms and Users**

(A) and (B) No change.

(C) Order Entry Firms shall comply with the following requirements when interacting with orders on the limit order book which they represent as agent.

(1) Principal Transactions: Order Entry Firms may not execute as principal against orders on the limit order book they represent as agent unless: (a) agency orders are first exposed on the limit order book for at least one (1) second, (b) the Order Entry Firm has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against such order, [or] (c) the Order Entry Firm proceeds in accordance with the crossing rules contained in Rule 1064, (d) the orders are entered into Price Improvement XL or "PIXL" pursuant to Rule 1080 (n), (e) the orders are entered into the Complex Order Live Auction or "COLA" pursuant to Rule 1080, Commentary .02(c)(ii)(e), or (f) the orders are entered into the Qualified Contingent Cross or "QCC" mechanism pursuant to Rules 1080(o).

(2) Solicitation Orders. Order Entry Firms must expose orders they represent as agent for at least one (1) second before such orders may be automatically executed, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders, except for: (a) orders entered into PIXL pursuant to Rule 1080 (n), (b) orders entered into COLA pursuant to Rule 1080, Commentary .02(c)(ii)(e), or (c) orders entered into the QCC mechanism pursuant to Rules 1080(o).

(3) It shall be a violation of Rule 1080(c)(ii)(C) for any Exchange member or member organization to be a party to any arrangement designed to circumvent Rule 1080(c)(ii)(C) by providing an opportunity for a customer, member, member organization, or non-member broker-dealer to execute immediately against agency orders delivered to the Exchange, whether such orders are delivered via AUTOM or represented in the trading crowd by a member or a member organization, except for: (a) orders entered into PIXL pursuant to Rule 1080 (n), (b) orders entered into COLA pursuant to Rule 1080, Commentary .02(c)(ii)(e), or (c) orders entered into the QCC mechanism pursuant to Rules 1080(o).

(iii) – (vi) No change.

(d) – (p) No change.

••• *Commentary:* ------------------

.01 - .08 No change.

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