Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25

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

File No.* SR - 2016 - * 05

Amendment No. (req. for Amendments *)

Filing by   NASDAQ OMX PHLX LLC.

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

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

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

Rule

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

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

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

Section 806(e)(1) * ☐	Section 806(e)(2) * ☐	Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ▣

Exhibit 3 Sent As Paper Document ▣

Description

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

Adopt a Limit Order Protection and a Market Order Protection

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   01/13/2016

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

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 *

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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

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 NASDAQ OMX PSX Rule 3307, entitled "Processing of Orders" to adopt a Limit

Order Protection or "LOP" and a Market Order Protection for members accessing PSX.

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

Exhibit 1 and the text of the amended Exchange Rule is at Exhibit 5.

(b)   Not applicable.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

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

Exchange on January 12, 2015. 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 Exchange proposes to adopt two new mechanisms to protect against error

trades which are entered into PSX. Specifically, these features address risks to market

participants of human error in entering Orders at unintended prices. LOP and the Market

Order Protection would prevent certain Orders from executing or being placed on the

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

[2]   17 CFR 240.19b-4.

Order Book at prices outside pre-set standard limits. The System would not accept such

Orders, rather than executing them automatically.

Background

Today, the National Market System Plan to Address Extraordinary Market

Volatility (the "Plan")[3] provides a limit up-limit down ("LULD") mechanism designed to

prevent trades in NMS securities from occurring outside of specified price bands. The

bands are set at a percentage level above and below the average reference price of the

security over the immediately preceding five-minute period, and are calculated on a

continuous basis during regular trading hours.[4] Rule 3100, entitled "Limit Up-Limit

Down Plan and Trading Halts on PSX," describes this process for PSX.

The Exchange proposes to adopt two new features, LOP for Limit Orders and

Market Order Protection for Market Orders, which would cancel these Orders back to the

member when the order exceeds certain defined logic. These two new features would be

in addition to the LULD protections, which exist today.[5] Each mechanism is explained

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[3]   See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498
        (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National
        Market System Plan To Address Extraordinary Market Volatility). See also Rule
        608 of Regulation NMS under the Act, Securities Exchange.

[4]   If the National Best Offer ("NBO") equals the lower price band without crossing
        the NBBO, or National Best Bid ("NBB") equals the upper price band without
        crossing the NBBO, then the stock will enter a limit state quotation period of 15
        seconds during which no new reference prices or price bands will be calculated.
        A stock will exit the limit state when the entire size of all quotations are executed
        or cancelled. If the limit state exists and trading continues to occur at the price
        band, or no trading occurs within the price band, for more than 15 seconds, then a
        five minute trading pause will be enacted.

[5]   While LULD bands are in place from 9:30 to 4:00 p.m. E.T. each trading day,
        these new protections will be in place for each trading session.

further below.

LOP

The Exchange proposes to adopt a new LOP feature on PSX to prevent certain Limit Orders at prices outside of pre-set standard limits ("LOP Limit Table") from being accepted by the System. LOP shall apply to all Quotes and Orders,[6] including any modified Orders.[7] LOP would not apply to Market Orders. LOP would be operational each trading day, except during opening and closing crosses and trading halts.[8] Since PSX Rules provide controls for the opening and closing processes within the Rulebook, the proposed protections are rendered ineffective for those processes.[9] Members will be subject to certain parameters when submitting Orders into the Order Book.

The Exchange proposes to not accept incoming Limit Orders that exceed the LOP Reference Threshold. The LOP Limit Table contains upper limits and lower limits, for a particular security, across all trading sessions. For example, today, if the NBO is at $50 and a Limit Buy Order was entered into the System at $500, the Limit Buy Order would execute at $50 and then would continue to be executed at other applicable price levels

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[6]   An Intermarket Sweep or ISO Order, which is an Order that is immediately executable within PSX against Orders against which they are marketable, is subject to LOP. See PSX Rule 3401(g).

[7]   If an Order is modified, LOP will review the order anew and, if LOP is triggered, such modification will not take effect and the original order will not be accepted.

[8]   LOP has the ability to suspend by symbol or system wide. The Exchange would notify market participants of any suspension that may be in place via an alert.

[9]   The PSX Rulebook provides specific rules for certain auction mechanisms, such as the opening and closing. The mechanisms contain their own protections with respect to the entry of Orders within those mechanisms. The addition of the proposed protections does not add value in the Exchange's analysis of those structures.

within the Order Book until the Limit Buy Order was canceled or halted. The Exchange proposes LOP to avoid a series of improperly priced aggressive orders transacting in the Order Book.

With respect to Market Maker Peg Orders,[10] the applicable limits shall be two times greater than the limits stated in the LOP Limit Table. A Market Maker Peg Order is a passive Order type which will not otherwise remove liquidity from the Order Book. This Order type was designed to assist Market Makers with meeting their quoting obligations which may require quoting at levels that are not standardized with LULD guidelines. Market Makers have a diverse business model as compared with other market participants. Widening the applicable limits for these market participants serves to promote market making. The Exchange believes that because Market Makers have other risk protections in place to prevent them from quoting outside of their financial means, the risk level for erroneous trades is not the same as with other market participants. Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk, particularly with quoting, utilizing other tools which may not be available to other market participants.

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10   A "Market Maker Peg Order" is an Order Type designed to allow a Market Maker to maintain a continuous two-sided quotation at a displayed price that is compliant with the quotation requirements for Market Makers set forth in Rule 3213 (a)(2). The displayed price of the Market Maker Peg Order is set with reference to a "Reference Price" in order to keep the displayed price of the Market Maker Peg Order within a bounded price range. A Market Maker Peg Order may be entered through RASH or FIX. A Market Maker Peg Order must be entered with a limit price beyond which the Order may not be priced. The Reference Price for a Market Maker Peg Order to buy (sell) is the then-current National Best Bid (National Best Offer) or if no such National Best Bid or National Best Offer, the most recent reported last-sale eligible trade from the responsible single plan processor for that day, or if none, the previous closing price of the security as adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the security. See PSX Rule 3301A.

The Exchange will send an Equity Trader Alert in advance of implementation with the initial LOP Limit Table and, thereafter, to modify the LOP Limit Table. The initial LOP Limit Table utilizes the same limits as LULD to compare against the LOP Reference Threshold. The Exchange believes that utilizing the same tiers and bands will seek to provide additional market protection to PSX members that submit erroneous trades, prior to reaching LULD limits. The initial LOP table is below.

Securities	Time Period	Price Band Percentage
Tier 1 and Tier 2 NMS Securities Reference Price > $3.00	Market Hours, excluding Open/Close (9:45 AM -to 3:35 PM)	5% (Tier 1) & 10% (Tier 2)
Tier 1 and Tier 2 NMS Securities Reference Price equal to $0.75 to and including $3.00	Market Hours, excluding Open/Close (9:45 AM -to 3:35 PM)	20%
Tier 1 & 2 NMS Securities Reference Price Less than $0.75	Market Hours, excluding Open/Close (9:45 AM -to 3:35 PM)	The lesser of $0.15 or 75%
Tier 1 and Tier 2 NMS Securities Reference Price > $3.00	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m.	10% & 20% Note: Band % is doubled during these times.
Tier 1 and Tier 2 NMS Securities Reference Price equal to $0.75 to and including $3.00	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m. Same as above	40% Note: Band % is doubled during these times.
Tier 1 and Tier 2 NMS Securities Reference Price less than $0.75	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m.	Lesser of $0.30 or 150% (upper band only) Note: Band % is doubled during these times.

LOP will cause Limit Orders to not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will also not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order. The Exchange believes that doubling the band percentage for pre-open and post-close sessions is reasonable due to the volatility which may occur in the market during those trading sessions. The LULD Plan also doubles the percentages for pre-open and post-close thereby aligning this protection with the LULD Plan.[11]

The LOP Reference Price shall be the current consolidated national Best Bid or Best Offer (consolidated NBBO), the Bid for sell orders and the Offer for buy orders. If there is no consolidated NBBO for a security, or if there is a one-sided market, the last regular way consolidated sale, adjusted for corporate actions, if any, will be the LOP Reference Price. If there is no last regular way consolidated sale on that trade date, then the prior day's adjusted close will be the LOP Reference Price.

The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable percentage specified in the LOP Limit Table. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable percentage specified in the LOP Limit Table.

Market Order Protection

With respect to Market Orders, these Orders will not be accepted if the security is

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[11]   The LULD Plan provides that between 9:30 a.m. and 9:45 a.m. ET, and 3:35 p.m. and 4:00 p.m. ET, or in the case of an early scheduled close, during the last 25 minutes of trading before the early scheduled close, the Price Bands shall be calculated by applying double the Percentage Parameters set forth in Appendix A. See Rule 608 of Regulation NMS under the Act.

in an LULD Straddle State.[12] If the offer is in a Straddle State then all buy Market

Orders will not be accepted. If the bid is in a Straddle State than all sell market orders

will not be accepted. The Exchange believes that this Market Order Protection feature

will prevent Participants from executing Market Orders that stray widely from the LULD

defined reference price.

The Exchange also notes that both LOP and Market Order Protection will be

applicable to all protocols.[13] Both the LOP and Market Order Protection features will be

mandatory for all PSX members. The Exchange proposes to implement this rule within

ninety (90) days of the implementation date. The Exchange will issue an Equities Trader

Alert in advance to inform market participants of such implementation date.

b.   Statutory Basis

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

Act[14] in general, and furthers the objectives of Section 6(b)(5) of the Act[15] in particular,

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

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[12]   The LULD Plan defines a Straddle State as when the National Best Bid (Offer) is
          below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit
          State. For example, assume the Lower Price Band for an NMS Stock is $9.50 and
          the Upper Price Band is $10.50, such NMS stock would be in a Straddle State if
          the National Best Bid were below $9.50, and therefore non-executable, and the
          National Best Offer were above $9.50 (including a National Best Offer that could
          be above $10.50). If an NMS Stock is in a Straddle State and trading in that stock
          deviates from normal trading characteristics, the Primary Listing Exchange may
          declare a Trading Pause for that NMS Stock. See Section VII(A)(2) of the Plan.

[13]   PSX maintains several communications protocols for members to use in entering
          Orders and sending other messages to PSX, such as: OUCH, RASH, FLITE and
          FIX.

[14]   15 U.S.C. 78f(b).

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

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 mitigating risks to market participants of human error in entering Orders at clearly unintended prices. Also, the Market Order Protection feature would protect Market Orders from being executed in very wide markets when those prices are compared to the reference price. The Exchange believes that the proposals are appropriate and reasonable, because they offer protections to both Limit and Market Orders which should encourage price continuity and, in turn, protect investors and the public interest by reducing executions occurring at dislocated prices.

The Exchange believes that the proposed LOP and Market Order Protection features would assist with the maintenance of fair and orderly markets by mitigating the risks associated with errors resulting in executions at prices that are away from the Best Bid or Offer and potentially erroneous. Further the proposal protects investors from potentially receiving executions away from the prevailing prices at any given time.

The Exchange believes that the LOP Limit Table is appropriate because it is based on the current LULD bands. The Exchange believes that the proposed specified percentages are appropriate because LOP is designed to reduce the risk of, and to potentially prevent, the automatic execution of Orders at prices that may be considered clearly erroneous. The System will only execute Limit Orders priced within the LOP Limit Table or within the upper (lower) band of LULD, if the latter is more conservative.

The Exchange believes that the proposal to not accept System Orders in a Straddle State will prevent Market Orders from being entered by market participants at

erroneous prices which the Exchange believes would stray widely from the LULD defined reference price.

The Exchange believes LOP and Market Order Protection will remove impediments to and perfect the mechanisms of a free and open market because these features will operate in tandem with LULD.

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 Exchange believes the LOP and Market Order Protection features will provide market participants with additional protection from anomalous executions, in addition to LULD protections.   Thus, the Exchange does not believe the proposal creates any significant impact on competition. The Exchange believes that offering these protections to the PSX will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

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)

Not applicable.

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

The proposed rule change is not based on the rules of another self-regulatory

organization or of the Commission.

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

Not applicable.

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

Not applicable.

11.   Exhibits

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

5.   Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.   ; File No. SR-Phlx-2016-05)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of
Proposed Rule Change to Adopt a Limit Order Protection and a Market Order Protection

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 January 13, 2016, 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 NASDAQ OMX PSX Rule 3307, entitled

"Processing of Orders" to adopt a Limit Order Protection or "LOP" and a Market Order

Protection for members accessing PSX.

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

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

[2]   17 CFR 240.19b-4.

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 adopt two new mechanisms to protect against error

trades which are entered into PSX. Specifically, these features address risks to market

participants of human error in entering Orders at unintended prices. LOP and the Market

Order Protection would prevent certain Orders from executing or being placed on the

Order Book at prices outside pre-set standard limits. The System would not accept such

Orders, rather than executing them automatically.

Background

Today, the National Market System Plan to Address Extraordinary Market

Volatility (the "Plan")[3] provides a limit up-limit down ("LULD") mechanism designed to

prevent trades in NMS securities from occurring outside of specified price bands. The

bands are set at a percentage level above and below the average reference price of the

security over the immediately preceding five-minute period, and are calculated on a

continuous basis during regular trading hours.[4] Rule 3100, entitled "Limit Up-Limit

Down Plan and Trading Halts on PSX," describes this process for PSX.

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[3]   See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498
       (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National
       Market System Plan To Address Extraordinary Market Volatility). See also Rule
       608 of Regulation NMS under the Act, Securities Exchange.

[4]   If the National Best Offer ("NBO") equals the lower price band without crossing
       the NBBO, or National Best Bid ("NBB") equals the upper price band without

The Exchange proposes to adopt two new features, LOP for Limit Orders and Market Order Protection for Market Orders, which would cancel these Orders back to the member when the order exceeds certain defined logic. These two new features would be in addition to the LULD protections, which exist today.[5] Each mechanism is explained further below.

LOP

The Exchange proposes to adopt a new LOP feature on PSX to prevent certain Limit Orders at prices outside of pre-set standard limits ("LOP Limit Table") from being accepted by the System. LOP shall apply to all Quotes and Orders,[6] including any modified Orders.[7] LOP would not apply to Market Orders. LOP would be operational each trading day, except during opening and closing crosses and trading halts.[8] Since PSX Rules provide controls for the opening and closing processes within the Rulebook,

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crossing the NBBO, then the stock will enter a limit state quotation period of 15 seconds during which no new reference prices or price bands will be calculated. A stock will exit the limit state when the entire size of all quotations are executed or cancelled. If the limit state exists and trading continues to occur at the price band, or no trading occurs within the price band, for more than 15 seconds, then a five minute trading pause will be enacted.

[5]   While LULD bands are in place from 9:30 to 4:00 p.m. E.T. each trading day, these new protections will be in place for each trading session.

[6]   An Intermarket Sweep or ISO Order, which is an Order that is immediately executable within PSX against Orders against which they are marketable, is subject to LOP. See PSX Rule 3401(g).

[7]   If an Order is modified, LOP will review the order anew and, if LOP is triggered, such modification will not take effect and the original order will not be accepted.

[8]   LOP has the ability to suspend by symbol or system wide. The Exchange would notify market participants of any suspension that may be in place via an alert.

the proposed protections are rendered ineffective for those processes.[9] Members will be

subject to certain parameters when submitting Orders into the Order Book.

The Exchange proposes to not accept incoming Limit Orders that exceed the LOP

Reference Threshold. The LOP Limit Table contains upper limits and lower limits, for a

particular security, across all trading sessions. For example, today, if the NBO is at $50

and a Limit Buy Order was entered into the System at $500, the Limit Buy Order would

execute at $50 and then would continue to be executed at other applicable price levels

within the Order Book until the Limit Buy Order was canceled or halted. The Exchange

proposes LOP to avoid a series of improperly priced aggressive orders transacting in the

Order Book.

With respect to Market Maker Peg Orders,[10] the applicable limits shall be two

times greater than the limits stated in the LOP Limit Table. A Market Maker Peg Order

is a passive Order type which will not otherwise remove liquidity from the Order Book.

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[9]   The PSX Rulebook provides specific rules for certain auction mechanisms, such
        as the opening and closing. The mechanisms contain their own protections with
        respect to the entry of Orders within those mechanisms. The addition of the
        proposed protections does not add value in the Exchange's analysis of those
        structures.

[10]   A "Market Maker Peg Order" is an Order Type designed to allow a Market Maker
        to maintain a continuous two-sided quotation at a displayed price that is compliant
        with the quotation requirements for Market Makers set forth in Rule 3213 (a)(2).
        The displayed price of the Market Maker Peg Order is set with reference to a
        "Reference Price" in order to keep the displayed price of the Market Maker Peg
        Order within a bounded price range. A Market Maker Peg Order may be entered
        through RASH or FIX. A Market Maker Peg Order must be entered with a limit
        price beyond which the Order may not be priced. The Reference Price for a
        Market Maker Peg Order to buy (sell) is the then-current National Best Bid
        (National Best Offer) or if no such National Best Bid or National Best Offer, the
        most recent reported last-sale eligible trade from the responsible single plan
        processor for that day, or if none, the previous closing price of the security as
        adjusted to reflect any corporate actions (e.g., dividends or stock splits) in the
        security. See PSX Rule 3301A.

This Order type was designed to assist Market Makers with meeting their quoting obligations which may require quoting at levels that are not standardized with LULD guidelines. Market Makers have a diverse business model as compared with other market participants.   Widening the applicable limits for these market participants serves to promote market making. The Exchange believes that because Market Makers have other risk protections in place to prevent them from quoting outside of their financial means, the risk level for erroneous trades is not the same as with other market participants. Market Makers have more sophisticated infrastructures than other market participants and are able to manage their risk, particularly with quoting, utilizing other tools which may not be available to other market participants.

The Exchange will send an Equity Trader Alert in advance of implementation with the initial LOP Limit Table and, thereafter, to modify the LOP Limit Table. The initial LOP Limit Table utilizes the same limits as LULD to compare against the LOP Reference Threshold. The Exchange believes that utilizing the same tiers and bands will seek to provide additional market protection to PSX members that submit erroneous trades, prior to reaching LULD limits. The initial LOP table is below.

Securities	Time Period	Price Band Percentage
Tier 1 and Tier 2 NMS Securities Reference Price > $3.00	Market Hours, excluding Open/Close (9:45 AM -to 3:35 PM)	5% (Tier 1) & 10% (Tier 2)
Tier 1 and Tier 2 NMS Securities Reference Price equal to $0.75 to and including $3.00	Market Hours, excluding Open/Close (9:45 AM -to 3:35 PM)	20%
Tier 1 & 2 NMS Securities	Market Hours, excluding	The lesser of $0.15 or 75%

Reference Price Less than $0.75	Open/Close (9:45 AM -to 3:35 PM)	
Tier 1 and Tier 2 NMS Securities Reference Price > $3.00	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m.	10% & 20% Note: Band % is doubled during these times.
Tier 1 and Tier 2 NMS Securities Reference Price equal to $0.75 to and including $3.00	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m. Same as above	40% Note: Band % is doubled during these times.
Tier 1 and Tier 2 NMS Securities Reference Price less than $0.75	During Market Open/Close 4:00 a.m. and 9:45 a.m. 3:35 p.m. and 8:00 p.m.	Lesser of $0.30 or 150% (upper band only) Note: Band % is doubled during these times.

LOP will cause Limit Orders to not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will also not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order. The Exchange believes that doubling the band percentage for pre-open and post-close sessions is reasonable due to the volatility which may occur in the market during those trading sessions. The LULD Plan also doubles the percentages for pre-open and post-close thereby aligning this protection with the LULD Plan.[11]

The LOP Reference Price shall be the current consolidated national Best Bid or Best Offer (consolidated NBBO), the Bid for sell orders and the Offer for buy orders. If there is no consolidated NBBO for a security, or if there is a one-sided market, the last

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[11]   The LULD Plan provides that between 9:30 a.m. and 9:45 a.m. ET, and 3:35 p.m. and 4:00 p.m. ET, or in the case of an early scheduled close, during the last 25 minutes of trading before the early scheduled close, the Price Bands shall be calculated by applying double the Percentage Parameters set forth in Appendix A. See Rule 608 of Regulation NMS under the Act.

regular way consolidated sale, adjusted for corporate actions, if any, will be the LOP

Reference Price. If there is no last regular way consolidated sale on that trade date, then

the prior day's adjusted close will be the LOP Reference Price.

The LOP Reference Threshold for buy orders will be the LOP Reference Price

(offer) plus the applicable percentage specified in the LOP Limit Table. The LOP

Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the

applicable percentage specified in the LOP Limit Table.

Market Order Protection

With respect to Market Orders, these Orders will not be accepted if the security is

in an LULD Straddle State.[12] If the offer is in a Straddle State then all buy Market

Orders will not be accepted. If the bid is in a Straddle State than all sell market orders

will not be accepted. The Exchange believes that this Market Order Protection feature

will prevent Participants from executing Market Orders that stray widely from the LULD

defined reference price.

The Exchange also notes that both LOP and Market Order Protection will be

applicable to all protocols.[13] Both the LOP and Market Order Protection features will be

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[12]   The LULD Plan defines a Straddle State as when the National Best Bid (Offer) is
        below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit
        State. For example, assume the Lower Price Band for an NMS Stock is $9.50 and
        the Upper Price Band is $10.50, such NMS stock would be in a Straddle State if
        the National Best Bid were below $9.50, and therefore non-executable, and the
        National Best Offer were above $9.50 (including a National Best Offer that could
        be above $10.50). If an NMS Stock is in a Straddle State and trading in that stock
        deviates from normal trading characteristics, the Primary Listing Exchange may
        declare a Trading Pause for that NMS Stock. See Section VII(A)(2) of the Plan.

[13]   PSX maintains several communications protocols for members to use in entering
        Orders and sending other messages to PSX, such as: OUCH, RASH, FLITE and
        FIX.

mandatory for all PSX members. The Exchange proposes to implement this rule within ninety (90) days of the implementation date. The Exchange will issue an Equities Trader Alert in advance to inform market participants of such implementation date.

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[14] in general, and furthers the objectives of Section 6(b)(5) of the Act[15] 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 mitigating risks to market participants of human error in entering Orders at clearly unintended prices. Also, the Market Order Protection feature would protect Market Orders from being executed in very wide markets when those prices are compared to the reference price. The Exchange believes that the proposals are appropriate and reasonable, because they offer protections to both Limit and Market Orders which should encourage price continuity and, in turn, protect investors and the public interest by reducing executions occurring at dislocated prices.

The Exchange believes that the proposed LOP and Market Order Protection features would assist with the maintenance of fair and orderly markets by mitigating the risks associated with errors resulting in executions at prices that are away from the Best Bid or Offer and potentially erroneous. Further the proposal protects investors from potentially receiving executions away from the prevailing prices at any given time.

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[14]   15 U.S.C. 78f(b).

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

The Exchange believes that the LOP Limit Table is appropriate because it is based on the current LULD bands. The Exchange believes that the proposed specified percentages are appropriate because LOP is designed to reduce the risk of, and to potentially prevent, the automatic execution of Orders at prices that may be considered clearly erroneous. The System will only execute Limit Orders priced within the LOP Limit Table or within the upper (lower) band of LULD, if the latter is more conservative.

The Exchange believes that the proposal to not accept System Orders in a Straddle State will prevent Market Orders from being entered by market participants at erroneous prices which the Exchange believes would stray widely from the LULD defined reference price.

The Exchange believes LOP and Market Order Protection will remove impediments to and perfect the mechanisms of a free and open market because these features will operate in tandem with LULD.

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 Exchange believes the LOP and Market Order Protection features will provide market participants with additional protection from anomalous executions, in addition to LULD protections. Thus, the Exchange does not believe the proposal creates any significant impact on competition. The Exchange believes that offering these protections to the PSX will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

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

No written comments were either solicited or received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV.   <u>Solicitation of Comments</u>

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:

<u>Electronic comments</u>:

- 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-2016-05 on the subject line.

<u>Paper comments</u>:

- 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-2016-05. 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-2016-05 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.[16]

Robert W. Errett
Deputy Secretary

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[16]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined.

NASDAQ OMX PHLX Rules

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NASDAQ OMX PSX Rules

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Rule 3307. Processing of Orders

System orders shall be executed in accordance with one of two execution algorithms: Price/Time or Pro Rata. Securities that are subject to the Pro Rata algorithm may also be subject to the variation for Price-Setting Orders described in Rule 3307(b)(2)(B). The algorithm applicable to a particular security (including the applicability of the variation for Price-Setting Orders) will be selected by the President of the Exchange or another officer of the Exchange designated by the President for this purpose, and will be listed on a publicly available website. The Exchange will notify member organizations of changes in the algorithm applicable to a particular security (including the applicability of the variation for Price-Setting Orders) through a notice that is widely disseminated at least one month in advance of the change. In selecting the applicable algorithm (including the applicability of the variation for Price-Setting Orders), the Exchange will conduct ongoing assessments of the depth of liquidity made available by member organizations in particular stocks, with the goal of maximizing the displayed size, minimizing the quoted spread, and increasing the extent of PSX's time at the national best bid and best offer. Factors to be considered for each security would include the size of member organizations' quotes, the amount of time that PSX is at the national best bid and best offer, PSX's market share, and observed changes in volume, average execution size, and average order size.

(a) - (e) No change.

(f) **Limit Order Protection ("LOP").** LOP is a feature of PSX that prevents certain Limit Orders at prices outside of pre-set standard limits ("LOP Limit Table") from being accepted by the System.

   (i) **Applicability**. LOP applies to all Quotes and Orders, including any modified Orders. LOP does not apply to Market Orders. LOP is operational each trading day, except during opening and closing crosses and trading halts.

   (ii) **LOP Limit Table**. The LOP Limit Table contains upper limits and lower limits for a particular security, across all trading sessions. The Exchange will send an Equity Trader Alert in advance of implementation with the initial LOP Limit Table and, thereafter, to modify the LOP Limit Table. With respect to Market Maker Peg Orders, the applicable limits shall be two times greater than the limits stated in the LOP Limit Table.

(iii) **LOP Reference Price**. The LOP Reference Price shall be the current consolidated national Best Bid or Best Offer (consolidated NBBO), the bid for sell orders and the offer for buy orders. If there is no consolidated NBBO for a security, or if there is a one-sided market, the last regular way consolidated sale, adjusted for corporate actions, if any, will be the LOP Reference Price. If there is no last regular way consolidated sale on that trade date, then the prior day's adjusted close will be the LOP Reference Price.

(iv) **LOP Reference Threshold**. The LOP Reference Threshold for buy orders will be the LOP Reference Price (offer) plus the applicable percentage specified in the LOP Limit Table. The LOP Reference Threshold for sell orders will be the LOP Reference Price (bid) minus the applicable percentage specified in the LOP Limit Table.

(v) **Acceptance of Orders**. LOP will not accept incoming Limit Orders that exceed the LOP Reference Threshold. Limit Orders will not be accepted if the price of the Limit Order is greater than the LOP Reference Threshold for a buy Limit Order. Limit Orders will not be accepted if the price of the Limit Order is less than the LOP Reference Threshold for a sell Limit Order.

(d) **Market Order Protection**. System Orders that are Market Orders will not be accepted if the security is in a LULD Straddle State. If the offer is in a Straddle State then all buy Market Orders will not be accepted. If the bid is in a Straddle State than all sell Market Orders will not be accepted.

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