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

File No.* SR - 2017 - * 40
Amendment No. (req. for Amendments *)

Filing by NASDAQ 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

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

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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 *).

Proposal to amend Rule 1017, Openings in Options, to conform this rule to recently filed Nasdaq ISE, LLC Rule 701.

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 * Principal 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.

Date 05/22/2017

By Edward S. Knight

(Name *)

(Title *)

Executive Vice President and General Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

edward.knight@nasdaq.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) NASDAQ PHLX LLC ("Phlx" or "Exchange"), 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 ("SEC" or "Commission") a proposal to amend Rule 1017, Openings in Options, to conform this rule to recently filed Nasdaq ISE, LLC ("ISE") Rule 701.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the "Board") on August 15, 2016. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
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 is proposing to amend its rules relating to its opening process to conform the rule to a recently filed ISE rule change.[3]

Conform Rule Text to ISE Rule

ISE recently filed to adopt Phlx's Opening Process.[4] In adopting this rule, certain non-substantive modifications were made to the ISE rule text to further clarify the manner in which the Opening Process occurs. At this time, the Exchange proposes to amend Phlx Rule 1017 to conform certain rule text to ISE Rule 701.

With respect to the definitions at Rule 1017(a), ISE alphabetized the definitions. Phlx proposes to reorder the definitions to alphabetize them as well, so they are ordered in the same manner as ISE Rule 701, where applicable.[5] Please note that the Phlx definitions remain the same referring to Phlx specific definitions and the applicable cross-references except for the changes noted hereafter. The definition of Quality Opening Market at proposed Rule 1017(a)(viii) is being expanded to conform to ISE's Rule. The Exchange proposes to add more information in this definition about what the calculation for Quality Opening Market is based on, namely the best bid and offer of Valid Width Quotes. Also, the Exchange notes that the differential between the best bid and offer are compared to reach this determination. The Exchange makes clear that the allowable

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3 See Securities Exchange Act Release No. 80225 (March 13, 2017), 82 FR 14243 (March 17, 2017)(SR-ISE-2017-02).

4 See note 3 above.

5 Phlx market makers have different titles as compared to ISE market makers.

differential, as determined by the Exchange, takes into account the type of security (for example, Penny Pilot versus non-Penny Pilot issue), volatility, option premium, and liquidity. The Exchange notes that the Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions. This proposal does not change the calculation of Quality Opening Market, but provides more context to market participants to understand the manner in which the Exchange arrives at a Quality Opening Market for further clarity.

Rule 1017(b) proposes to amend text explaining what interest is included in the Opening Process. The rule today specifies what may be submitted, the elimination of redundant text simply makes clear what will not be included in the Opening Process. Quotes other than Valid Width Quotes will not be included in the Opening Process. The purpose of this change was to make the rule text simple and clear. The rule continues to make clear what interest will be included within the Opening Process. Phlx Rule 1017(b)(ii) is adding a reference to Rule 1014 for allocation purposes similar to ISE Rule 713.

Rule 1017(d)(i) proposes to amend the rule text to clarify that any of the options for opening with a Valid Width Quote in Rule 1017(d)(i)(A) – (C) may apply. The word 'either' was not as clear that there were three choices for opening the market. In addition, the Exchange proposes to add the words "for the underlying currency" to describe that for U.S. dollar-settled foreign currency options it would be within two minutes of the market opening for the underlying currency. The reference should help readers understand which security is being discussed for the opening. Finally within this paragraph the Exchange is removing the capitalization from "Opening Price" because the opening price being referenced is the opening price for the undelying index, not the Opening Price as defined in Rule 1017.

Rule 1017(d)(ii) proposes to rearrange the rule text for clarity to make clear that for all options, for the Opening Process to commence the underlying security must be open on the primary market. The Exchange is not proposing to substantively amend the process. The proposed text changes make clear the purpose of the paragraph by explaining that the text explains a prerequisite for the Opening Process.

Rule 1017(d)(iv) proposes to add a "this" before Rule 1017 for emphasis. The Exchange proposes to segregate Rule 1017(d)(v) rule text to explain when an ABBO becomes crossed. Other minor changes are proposed to this section to simply clarify the rule text.

Rule 1017(f) proposes to amend the rule text to account for three conditions that must all exist to open with a PBBO. The change emphasizes the conditions, three of them, that must be met to open with a PBBO.

Rule 1017(h) proposes to amend the rule text to clarify that orders include Opening Sweeps. Opening Sweeps is already mentioned in the rule text, the placement of its mention is changed so that it is subcategorized in thinking about orders. The rule text also cross-references to Potential Opening Price to provide a roadmap within the rule.

Rule 1017(h)(C) proposes to add clarifying text to specify the Potential Opening Price is bounded by the better away market. The word "limited" was previously used and is being replaced by another word "bounded" to describe the same process. The "better" is added to clarify that it is the away market that is being considered.

Rule 1017(i) proposes to clarify the rule text with respect to the manner in which Opening with a Trade will occur. The proposed rule text simplifies the language in the rule. Rule 1017(i)(B)(2) proposes to insert the words "would cross" in place of "that crosses." Also, additional language is proposed to be added to Rule 1017(i)(B)(2)(b) regarding the mid-point calculation. The current text simply notes that Exchange would open the option series for trading with an execution and use the best price which the Potential Opening Price crosses as a boundary price for the purposes of the mid-point calculation. The new text is more explicit, and makes clear that in order to calculate the midpoint, the Exchange will use the better of the Pre-Market BBO or ABBO as a boundary price, which is more specific than simply "best price." Instead of stating the Exchange will open the option series for trading with an execution, the amendment adds "at the resulting Potential Opening Price," which makes clear what price it would open with when opening with a trade. The current text does not explain what happens if the conditions described in Rule 1017(i)(B)(2) are not met. The proposed text once again provides a guidepost within the rule to make clear that if the conditions are not met, the text leads to paragraph (j) which describes the Opening Quote Range and thereafter, the Price Discovery Mechanism in paragraph (k).

Rule 1017(j) proposes to amend to clarify that the system will calculate an Opening Quote Range if the Exchange has not opened under any of the provisions from 1017(a) – (i). The word "sub" is proposed to be removed before the word "paragraph" in certain places throughout Rule 1017 because it is unnecessary.

Rule 1017(j)(3) proposes to amend the rule text to add more context to this paragraph. Currently, the rule text provides that if one or more away markets have disseminated opening quotes that are not crossed and there are Valid Width Quotes on the Exchange that cross each other or that cross away market quotes then the information in subparagraph (a) and (b) below would apply. The proposed new text uses the word “disseminating” for accuracy, because quotes are disseminated and instead of “opening quotes” the more precise “BBO” is utilized. A parenthetical is added to note that the Opening Process stops, because the market is crossed, and the series will not open if the ABBO becomes crossed as previously noted in Rule 1017(d)(v)). This is another guidepost, in this case to emphasize again that the Exchange will not open with an ABBO that is crossed. The BBO cannot be crossed because it is indicative of uncertainty in the marketplace of where the option series should be valued. In this case, the Exchange will wait for the ABBO to become uncrossed before initiating the Opening Process to ensure that there is stability in the marketplace in order to assist the Exchange in determining the Opening Price. Rule 1017(j) indicates that the existence of all three conditions in Rule 1017(j)(1) – (3) warrant further price discovery to validate or perhaps update the Potential Opening Price and to attract additional interest to perhaps render an opening trade possible, because in the case of paragraph (2) specifically, the lack of an ABBO means there is no external check on the Exchange’s market for that options series. If there are Valid Width Quotes on the Exchange that are executable against (which language replaces the word “cross” which the Exchange believes has the same meaning as “executable against”) each other or the ABBO (the ABBO is added for clarity in place of “that cross away market quotes”) then subparagraphs (a) and (b) apply to determine an Opening Quote Range for a particular options series. These additions are intended to provide additional detail to the rule that the Exchange believes will be helpful to the reader.

Furthermore, the words "away bid" and "away offer" are replacements for the concepts of quote bid/offer among quotes on away markets in Rules 1017(j)(3)(a) and (b). The Exchange does not believe there is any difference in those words, simply a more efficient word usage choice.

Rule 1017(j)(4) proposes to replace the word "opening quotes" with the more specific defined term "Valid Width Quotes." The Exchange recognizes that opening quotes was intended to have the meaning that is intended in Valid Width Quotes and incorrectly did not utilize the definition in the initial filing. The term Valid Width Quote is what was intended when the Exchange utilized the more general term "opening quote." The word cross is being replaced with "are executable against." The Exchange used the term cross in the Phlx original filing and is now conforming these words to the approved words in the ISE rule change "are executable against" to signify that no difference was intended. The Exchange believes that this is an example of different word choice. The words "disseminating a BBO" are being added in this paragraph to more clearly express that each exchange disseminates a BBO. An exchange broadcasts its market's best bid or offer by disseminating it publically so that other exchanges are aware of what is the away market BBO. This more specific language simply provides more context to the sentence.

Rule 1017(j)(5) proposes to replace certain language in that rule text with more clarifying language. The new rule text replaces the words "through the" OQR with "wider than the" OQR. The words were intended to mean that the OQR must be exceeded. The word choice was amended to "wider than" in the ISE filing to make this point. The same language is being amended in this rule for consistency. Also, the Exchange notes in this paragraph that "If there is more than one Potential Opening Price possible where no contracts would be left unexecuted, any price used for the mid-point calculation (which is described in subparagraph (h) above) that is wider than the OQR will be restricted to the OQR price on that side of the market for the purposes of the mid-point calculation." The calculation is now being more specifically defined as the "mid-point" calculation to be clear at this point in the rule the mid-point is the calculation being discussed.

Rule 1017(j)(6) is being amended to add clarifying language. Currently the paragraph states "[i]f there is more than one Potential Opening Price possible where no contracts would be left unexecuted and any price used for the mid-point calculation (which is described in subparagraph (h) above) an away market price when contracts will be routed, the system will use the away market price as the Potential Opening Price." The Exchange proposes to instead remove the reference "and any price used for the mid-point calculation (which is described in subparagraph (h) above)" and instead simply state "pursuant to paragraph (h)(C)" which describes the Potential Opening Price. The Exchange believes that the replacement language avoids confusion to the reader because as proposed it would reference the specific language in the rule.

Rule 1017(j)(7) is being amended to add clarifying language. Currently the paragraph states, "If non-routable interest can be maximum executable against Exchange interest after routable interest has been determined by the system to satisfy the away market…" The purpose of this sentence was intended to convey that the Exchange will attempt to execute as much interest as possible at the opening. It was suggested in the

ISE filing that another way to state this concept was “If the Exchange determines that non-routable interest can execute the maximum number of contracts against Exchange interest, after routable interest has been determined by the system to satisfy the away market…” The Exchange amended the language in the ISE filing to be clear. The Exchange proposes the same revision in the Phlx rule text. This is not a substantive change. The current sentence goes on to state, “then the Potential Opening Price is the price at which the maximum volume, excluding the volume which will be routed to an away market…” The ISE rule change removed the references to “volume” and instead replaced the concept of volume as follows, “then the Potential Opening Price is the price at which the maximum number of contacts can execute, excluding the interest which will be routed to an away market…” The Exchange notes that the new language is more specific because instead of volume in the first instance, the concept is expanded to the number of contracts executed and instead of volume in the second instance, the concept of interest is more accurate.

Rule 1017(k)(A) proposes to add language for clarity. The paragraph starts, “First, the system will broadcast an Imbalance Message.” It was noted in the ISE filing that adding “for the affected series” would be more specific, because the message concerns a certain series. The sentence then states, “(which includes the symbol, side of the imbalance (unmatched contracts), size of matched contracts, size of the imbalance, and price of the affected series which must be within the Pre-Market BBO)…” Instead of just stating price, the revision includes the more specific reference to the defined term “Potential Opening Price,” which is the actual price being discussed in the paragraph. Because “the affected series” was added to the beginning of the sentence, where it was relocated, it is no longer needed at this point in the sentence. Finally, a sentence is being added to the end of the paragraph to simply make clear in the rule text, as was explained in the 19b-4, that each Imbalance Message is subject to an Imbalance Timer.

Rule 1017(k)(B) proposes to replace certain language in that rule text with more clarifying language. The current rule text states, “If during or at the end of the Imbalance Timer, the Opening Price is at or within the OQR, the Imbalance Timer will execute at the Opening Price…” The ISE filing replaces the words “execute at” with more explicit language “open with a trade at” to convey that the trade is the manner in which the Phlx opens the market. This is not a substantive change, but different word usage. The current rule text continues later, “If no new interest comes in during the Imbalance Timer and the Opening Price is at or within OQR, the Exchange will open at the end of the Imbalance Timer.” The “Opening Price” is again being more specifically changed to the defined term “Potential Opening Price” here and the concept is again added to the end of the sentence to make clear that the Exchange will open with a trade at the end of the Imbalance Timer at the Potential Opening Price. The new language makes clear again that the trade is the manner in which the Phlx opens the market at the Potential Opening Price.

Rule 1017(k)(C)(1) proposes to replace the words “without trading” with “and would not trade” for clarity. This is simply a change in word choice and is not a substantive change.

Rule 1017(k)(C)(2) replaces the word “other” with “away” to describe a market other than Phlx. The word “simultaneously” is added to describe the order in which the trade will occur and the timer will end. The word “Potential Opening Price” was added to demonstrate the effect on this price more clearly as described herein in Rule 1017(k)(B). The Exchange also proposes to amend language that references “will trade” to instead more accurately states “will open with trades” to more precisely express that the system will open with the trade.

Rule 1017(k)(C)(3) proposes to add a clause at the beginning of the text “If no trade occurred pursuant to (2) above” as a roadmap to connect the rule. The words “without trading” are proposed to be replaced with “and would not trade” for clarity. Also, the word “series” is being added after the word “options” for more specificity.

Rule 1017(k)(C)(3)(i) proposes to add the words “better priced away” to the beginning of the sentence. Currently, the sentence reads, “If the total number of displayed contracts at better prices than the Exchange's Potential Opening Price on away markets (“better priced away contracts”)…” The ISE filings just noted “better priced away contracts” rather than the more in depth explanation of displayed at better prices than the Exchange's Potential Opening Price on away markets (“better priced away contracts”), for simplicity. The language is being relocated to modify the term contract at the beginning of the sentence rather than at the end of the sentence. Finally, the language in the last sentence of this paragraph is being amended to replace “routed to other away markets” to “routed to away markets.” This is simply a verbiage change to match the ISE rule.

Rule 1017(k)(C)(3)(ii) proposes to amend the rule text to add a clause “based on price/time priority of routable interest” for clarity as to the allocation method being utilized in this instance to route the orders. By adding the allocation method to the rule text, it makes it clear to market participants the order in which the Exchange will route orders. Further, the term “other” is proposed to be replaced by “away” to describe markets other than “Phlx”. References to “Phlx” and “at the Exchange Opening Price” is proposed to be removed as unnecessary and superfluous.

Rule 1017(k)(C)(3)(iii) proposes to amend the rule text to add a clause “based on price/time priority of routable interest” for clarity, as described in Rule 1017(k)(C)(3)(ii). Further, the term “other” is proposed to be replaced by “away” to describe markets other than “Phlx”.

Rule 1017(k)(C)(5) proposes to add a term “paragraph” to provide more context to the reference to “(4) above.” Also, the words “the series by executing” is proposed to be added to the rule text to refer to what is being opened, which is the open series and the manner in which that will happen is with an execution. The language is more explicit. The term “other” is proposed to be replaced by “away” to describe markets other than “Phlx”. A sentence is proposed to be added to the end of this rule text, “All other interest will be eligible for trading after opening” to provide context to the manner in which interest will be handled by the system.

Rule 1017(k)(D) proposes to remove the numbering as unnecessary and superfluous.

Rule 1017(k)(E) proposes to reword this rule text to add more clarity by adding the phrase, “During the opening of the option series, where there is an execution possible,” to give context to what follows, which is the manner in which the system will allocate order. The rule states the system will give priority to market orders first, in time priority. The words “in time priority” were removed as unnecessary because the Exchange references the specific allocation provision in Rule 1014(g)(vii). Quotes are added to the rule text because only limit orders were mentioned and quotes should have also been included to complete the interest that is available to trade.

Finally, Rule 1017(k)(F) proposes to reword the text to state, "Upon opening of an option series", instead of "When the open series opens" to provide a more accurate representation of the timing of that process. Also, the Exchange proposes to insert the phrase "regardless of an execution" to explain that an opening can occur with or without a trade. This language matches the ISE language.

As noted, the Exchange believes that these proposed amendments add clarity to the rule text, but the proposed amendments do not substantively amend the manner in which the Opening Process occurs.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[6] in general, and furthers the objectives of Section 6(b)(5) of the Act,[7] 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 conforming Phlx Rule 1017 to ISE Rule 701. The proposed language is non-substantive in nature and does not amend the manner in which Phlx's Opening Process occurs. Rather, the proposed language clarifies the existing language and provides more context to the manner in which the rule operates which amendments provide investors and the public interest with greater clarity as to the operation of the Opening Process.

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[6] 15 U.S.C. 78f(b).

[7] 15 U.S.C. 78f(b)(5).

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. Conforming Phlx's Rule to that of ISE is not a substantive amendment, the Phlx Opening Process will continue to operate in the same manner as today. The proposal does not change the intense competition that exists among the options markets for options business including on the opening. Nor does the Exchange believe that the proposal will impose any burden on intra-market competition; the Opening Process involves many types of participants and interest.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[8] of the Act and Rule 19b-4(f)(6) thereunder[9] 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.

[8] 15 U.S.C. 78s(b)(3)(A)(iii).

[9] 17 CFR 240.19b-4(f)(6).

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest because conforming the rule text is not amending the manner in which the Opening Process will operate. The Exchange does not believe that this proposal imposes any significant burden on competition because conforming the rules will provide clarity to all market participants on any actual differences as between the Phlx and ISE rules.

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

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

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

The proposal is similar to ISE Rule 701. The Exchange believes that the non-substantive changes proposed herein are similar in nature in that the same context, word choice and concepts, in terms of detail, are being added to conform the language in Phlx to ISE. ISE has Reserve Orders which are described in its Rule. Phlx has no such order type. Also the allocation provisions referenced within Phlx Rule 1017 to Rule 1014, Phlx's allocation provisions, differ from the allocation methods referenced in ISE Rule

701, which specifically reference ISE Rule 713. The allocation methods in these Opening Process rules reference the allocation model utilized on that specific market and therefore vary. Finally, the use of market maker terms varies among the two markets.

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 Change 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-2017-40)

May __, 2017

Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Openings in Options Rule

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 May 22, 2017, NASDAQ 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 Rule 1017, Openings in Options, to conform this rule to recently filed Nasdaq ISE, LLC ("ISE") Rule 701.

The text of the proposed rule change is available on the Exchange's Website at http://nasdaqphlx.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 is proposing to amend its rules relating to its opening process to conform the rule to a recently filed ISE rule change.[3]

Conform Rule Text to ISE Rule

ISE recently filed to adopt Phlx's Opening Process.[4] In adopting this rule, certain non-substantive modifications were made to the ISE rule text to further clarify the manner in which the Opening Process occurs. At this time, the Exchange proposes to amend Phlx Rule 1017 to conform certain rule text to ISE Rule 701.

With respect to the definitions at Rule 1017(a), ISE alphabetized the definitions. Phlx proposes to reorder the definitions to alphabetize them as well, so they are ordered in the same manner as ISE Rule 701, where applicable.[5] Please note that the Phlx definitions remain the same referring to Phlx specific definitions and the applicable cross-references except for the changes noted hereafter. The definition of Quality Opening Market at proposed Rule 1017(a)(viii) is being expanded to conform to ISE's Rule. The Exchange proposes to add more information in this definition about what the calculation

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3 See Securities Exchange Act Release No. 80225 (March 13, 2017), 82 FR 14243 (March 17, 2017)(SR-ISE-2017-02).

4 See note 3 above.

5 Phlx market makers have different titles as compared to ISE market makers.

for Quality Opening Market is based on, namely the best bid and offer of Valid Width Quotes. Also, the Exchange notes that the differential between the best bid and offer are compared to reach this determination. The Exchange makes clear that the allowable differential, as determined by the Exchange, takes into account the type of security (for example, Penny Pilot versus non-Penny Pilot issue), volatility, option premium, and liquidity. The Exchange notes that the Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions. This proposal does not change the calculation of Quality Opening Market, but provides more context to market participants to understand the manner in which the Exchange arrives at a Quality Opening Market for further clarity.

Rule 1017(b) proposes to amend text explaining what interest is included in the Opening Process. The rule today specifies what may be submitted, the elimination of redundant text simply makes clear what will not be included in the Opening Process. Quotes other than Valid Width Quotes will not be included in the Opening Process. The purpose of this change was to make the rule text simple and clear. The rule continues to make clear what interest will be included within the Opening Process. Phlx Rule 1017(b)(ii) is adding a reference to Rule 1014 for allocation purposes similar to ISE Rule 713.

Rule 1017(d)(i) proposes to amend the rule text to clarify that any of the options for opening with a Valid Width Quote in Rule 1017(d)(i)(A) – (C) may apply. The word 'either' was not as clear that there were three choices for opening the market. In addition, the Exchange proposes to add the words "for the underlying currency" to describe that for U.S. dollar-settled foreign currency options it would be within two minutes of the market opening for the underlying currency. The reference should help readers understand which security is being discussed for the opening. Finally within this paragraph the Exchange is removing the capitalization from “Opening Price” because the opening price being referenced is the opening price for the undelying index, not the Opening Price as defined in Rule 1017.

Rule 1017(d)(ii) proposes to rearrange the rule text for clarity to make clear that for all options, for the Opening Process to commence the underlying security must be open on the primary market. The Exchange is not proposing to substantively amend the process. The proposed text changes make clear the purpose of the paragraph by explaining that the text explains a prerequisite for the Opening Process.

Rule 1017(d)(iv) proposes to add a “this” before Rule 1017 for emphasis. The Exchange proposes to segregate Rule 1017(d)(v) rule text to explain when an ABBO becomes crossed. Other minor changes are proposed to this section to simply clarify the rule text.

Rule 1017(f) proposes to amend the rule text to account for three conditions that must all exist to open with a PBBO. The change emphasizes the conditions, three of them, that must be met to open with a PBBO.

Rule 1017(h) proposes to amend the rule text to clarify that orders include Opening Sweeps. Opening Sweeps is already mentioned in the rule text, the placement of its mention is changed so that it is subcategorized in thinking about orders. The rule text also cross-references to Potential Opening Price to provide a roadmap within the rule.

Rule 1017(h)(C) proposes to add clarifying text to specify the Potential Opening Price is bounded by the better away market. The word "limited" was previously used and is being replaced by another word "bounded" to describe the same process. The "better" is added to clarify that it is the away market that is being considered.

Rule 1017(i) proposes to clarify the rule text with respect to the manner in which Opening with a Trade will occur. The proposed rule text simplifies the language in the rule. Rule 1017(i)(B)(2) proposes to insert the words "would cross" in place of "that crosses." Also, additional language is proposed to be added to Rule 1017(i)(B)(2)(b) regarding the mid-point calculation. The current text simply notes that Exchange would open the option series for trading with an execution and use the best price which the Potential Opening Price crosses as a boundary price for the purposes of the mid-point calculation. The new text is more explicit, and makes clear that in order to calculate the midpoint, the Exchange will use the better of the Pre-Market BBO or ABBO as a boundary price, which is more specific than simply "best price." Instead of stating the Exchange will open the option series for trading with an execution, the amendment adds "at the resulting Potential Opening Price," which makes clear what price it would open with when opening with a trade. The current text does not explain what happens if the conditions described in Rule 1017(i)(B)(2) are not met. The proposed text once again provides a guidepost within the rule to make clear that if the conditions are not met, the text leads to paragraph (j) which describes the Opening Quote Range and thereafter, the Price Discovery Mechanism in paragraph (k).

Rule 1017(j) proposes to amend to clarify that the system will calculate an Opening Quote Range if the Exchange has not opened under any of the provisions from

1017(a) – (i). The word “sub” is proposed to be removed before the word “paragraph” in certain places throughout Rule 1017 because it is unnecessary.

Rule 1017(j)(3) proposes to amend the rule text to add more context to this paragraph. Currently, the rule text provides that if one or more away markets have disseminated opening quotes that are not crossed and there are Valid Width Quotes on the Exchange that cross each other or that cross away market quotes then the information in subparagraph (a) and (b) below would apply. The proposed new text uses the word “disseminating” for accuracy, because quotes are disseminated and instead of “opening quotes” the more precise “BBO” is utilized. A parenthetical is added to note that the Opening Process stops, because the market is crossed, and the series will not open if the ABBO becomes crossed as previously noted in Rule 1017(d)(v)). This is another guidepost, in this case to emphasize again that the Exchange will not open with an ABBO that is crossed. The BBO cannot be crossed because it is indicative of uncertainty in the marketplace of where the option series should be valued. In this case, the Exchange will wait for the ABBO to become uncrossed before initiating the Opening Process to ensure that there is stability in the marketplace in order to assist the Exchange in determining the Opening Price. Rule 1017(j) indicates that the existence of all three conditions in Rule 1017(j)(1) – (3) warrant further price discovery to validate or perhaps update the Potential Opening Price and to attract additional interest to perhaps render an opening trade possible, because in the case of paragraph (2) specifically, the lack of an ABBO means there is no external check on the Exchange’s market for that options series. If there are Valid Width Quotes on the Exchange that are executable against (which language replaces the word “cross” which the Exchange believes has the same meaning as “executable against”) each other or the ABBO (the ABBO is added for clarity in place of “that cross away market quotes”) then subparagraphs (a) and (b) apply to determine an Opening Quote Range for a particular options series. These additions are intended to provide additional detail to the rule that the Exchange believes will be helpful to the reader.

Furthermore, the words “away bid” and “away offer” are replacements for the concepts of quote bid/offer among quotes on away markets in Rules 1017(j)(3)(a) and (b). The Exchange does not believe there is any difference in those words, simply a more efficient word usage choice.

Rule 1017(j)(4) proposes to replace the word “opening quotes” with the more specific defined term “Valid Width Quotes.” The Exchange recognizes that opening quotes was intended to have the meaning that is intended in Valid Width Quotes and incorrectly did not utilize the definition in the initial filing. The term Valid Width Quote is what was intended when the Exchange utilized the more general term “opening quote.” The word cross is being replaced with “are executable against.” The Exchange used the term cross in the Phlx original filing and is now conforming these words to the approved words in the ISE rule change “are executable against” to signify that no difference was intended. The Exchange believes that this is an example of different word choice. The words “disseminating a BBO” are being added in this paragraph to more clearly express that each exchange disseminates a BBO. An exchange broadcasts its market’s best bid or offer by disseminating it publically so that other exchanges are aware of what is the away market BBO. This more specific language simply provides more context to the sentence.

Rule 1017(j)(5) proposes to replace certain language in that rule text with more clarifying language. The new rule text replaces the words "through the" OQR with "wider than the" OQR. The words were intended to mean that the OQR must be exceeded. The word choice was amended to "wider than" in the ISE filing to make this point. The same language is being amended in this rule for consistency. Also, the Exchange notes in this paragraph that "If there is more than one Potential Opening Price possible where no contracts would be left unexecuted, any price used for the mid-point calculation (which is described in subparagraph (h) above) that is wider than the OQR will be restricted to the OQR price on that side of the market for the purposes of the mid-point calculation." The calculation is now being more specifically defined as the "mid-point" calculation to be clear at this point in the rule the mid-point is the calculation being discussed.

Rule 1017(j)(6) is being amended to add clarifying language. Currently the paragraph states "[i]f there is more than one Potential Opening Price possible where no contracts would be left unexecuted and any price used for the mid-point calculation (which is described in subparagraph (h) above) an away market price when contracts will be routed, the system will use the away market price as the Potential Opening Price." The Exchange proposes to instead remove the reference "and any price used for the mid-point calculation (which is described in subparagraph (h) above)" and instead simply state "pursuant to paragraph (h)(C)" which describes the Potential Opening Price. The Exchange believes that the replacement language avoids confusion to the reader because as proposed it would reference the specific language in the rule.

Rule 1017(j)(7) is being amended to add clarifying language. Currently the paragraph states, "If non-routable interest can be maximum executable against Exchange interest after routable interest has been determined by the system to satisfy the away market…" The purpose of this sentence was intended to convey that the Exchange will attempt to execute as much interest as possible at the opening. It was suggested in the ISE filing that another way to state this concept was "If the Exchange determines that non-routable interest can execute the maximum number of contracts against Exchange interest, after routable interest has been determined by the system to satisfy the away market…" The Exchange amended the language in the ISE filing to be clear. The Exchange proposes the same revision in the Phlx rule text. This is not a substantive change. The current sentence goes on to state, "then the Potential Opening Price is the price at which the maximum volume, excluding the volume which will be routed to an away market…" The ISE rule change removed the references to "volume" and instead replaced the concept of volume as follows, "then the Potential Opening Price is the price at which the maximum number of contacts can execute, excluding the interest which will be routed to an away market…" The Exchange notes that the new language is more specific because instead of volume in the first instance, the concept is expanded to the number of contracts executed and instead of volume in the second instance, the concept of interest is more accurate.

Rule 1017(k)(A) proposes to add language for clarity. The paragraph starts, "First, the system will broadcast an Imbalance Message." It was noted in the ISE filing that adding "for the affected series" would be more specific, because the message concerns a certain series. The sentence then states, "(which includes the symbol, side of the imbalance (unmatched contracts), size of matched contracts, size of the imbalance, and price of the affected series which must be within the Pre-Market BBO)…" Instead of just stating price, the revision includes the more specific reference to the defined term "Potential Opening Price," which is the actual price being discussed in the paragraph. Because "the affected series" was added to the beginning of the sentence, where it was relocated, it is no longer needed at this point in the sentence. Finally, a sentence is being added to the end of the paragraph to simply make clear in the rule text, as was explained in the 19b-4, that each Imbalance Message is subject to an Imbalance Timer.

Rule 1017(k)(B) proposes to replace certain language in that rule text with more clarifying language. The current rule text states, "If during or at the end of the Imbalance Timer, the Opening Price is at or within the OQR, the Imbalance Timer will execute at the Opening Price…" The ISE filing replaces the words "execute at" with more explicit language "open with a trade at" to convey that the trade is the manner in which the Phlx opens the market. This is not a substantive change, but different word usage. The current rule text continues later, "If no new interest comes in during the Imbalance Timer and the Opening Price is at or within OQR, the Exchange will open at the end of the Imbalance Timer." The "Opening Price" is again being more specifically changed to the defined term "Potential Opening Price" here and the concept is again added to the end of the sentence to make clear that the Exchange will open with a trade at the end of the Imbalance Timer at the Potential Opening Price. The new language makes clear again that the trade is the manner in which the Phlx opens the market at the Potential Opening Price.

Rule 1017(k)(C)(1) proposes to replace the words “without trading” with “and would not trade” for clarity. This is simply a change in word choice and is not a substantive change.

Rule 1017(k)(C)(2) replaces the word “other” with “away” to describe a market other than Phlx. The word “simultaneously” is added to describe the order in which the trade will occur and the timer will end. The word “Potential Opening Price” was added to demonstrate the effect on this price more clearly as described herein in Rule 1017(k)(B). The Exchange also proposes to amend language that references “will trade” to instead more accurately states “will open with trades” to more precisely express that the system will open with the trade.

Rule 1017(k)(C)(3) proposes to add a clause at the beginning of the text “If no trade occurred pursuant to (2) above” as a roadmap to connect the rule. The words “without trading” are proposed to be replaced with “and would not trade” for clarity. Also, the word “series” is being added after the word “options” for more specificity.

Rule 1017(k)(C)(3)(i) proposes to add the words “better priced away” to the beginning of the sentence. Currently, the sentence reads, “If the total number of displayed contracts at better prices than the Exchange's Potential Opening Price on away markets (“better priced away contracts”)…” The ISE filings just noted “better priced away contracts” rather than the more in depth explanation of displayed at better prices than the Exchange's Potential Opening Price on away markets (“better priced away contracts”), for simplicity. The language is being relocated to modify the term contract at the beginning of the sentence rather than at the end of the sentence. Finally, the language in the last sentence of this paragraph is being amended to replace “routed to other away markets" to "routed to away markets." This is simply a verbiage change to match the ISE rule.

Rule 1017(k)(C)(3)(ii) proposes to amend the rule text to add a clause "based on price/time priority of routable interest" for clarity as to the allocation method being utilized in this instance to route the orders. By adding the allocation method to the rule text, it makes it clear to market participants the order in which the Exchange will route orders. Further, the term "other" is proposed to be replaced by "away" to describe markets other than "Phlx". References to "Phlx" and "at the Exchange Opening Price" is proposed to be removed as unnecessary and superfluous.

Rule 1017(k)(C)(3)(iii) proposes to amend the rule text to add a clause "based on price/time priority of routable interest" for clarity, as described in Rule 1017(k)(C)(3)(ii). Further, the term "other" is proposed to be replaced by "away" to describe markets other than "Phlx".

Rule 1017(k)(C)(5) proposes to add a term "paragraph" to provide more context to the reference to "(4) above." Also, the words "the series by executing" is proposed to be added to the rule text to refer to what is being opened, which is the open series and the manner in which that will happen is with an execution. The language is more explicit. The term "other" is proposed to be replaced by "away" to describe markets other than "Phlx". A sentence is proposed to be added to the end of this rule text, "All other interest will be eligible for trading after opening" to provide context to the manner in which interest will be handled by the system.

Rule 1017(k)(D) proposes to remove the numbering as unnecessary and superfluous.

Rule 1017(k)(E) proposes to reword this rule text to add more clarity by adding the phrase, "During the opening of the option series, where there is an execution possible," to give context to what follows, which is the manner in which the system will allocate order. The rule states the system will give priority to market orders first, in time priority. The words "in time priority" were removed as unnecessary because the Exchange references the specific allocation provision in Rule 1014(g)(vii). Quotes are added to the rule text because only limit orders were mentioned and quotes should have also been included to complete the interest that is available to trade.

Finally, Rule 1017(k)(F) proposes to reword the text to state, "Upon opening of an option series", instead of "When the open series opens" to provide a more accurate representation of the timing of that process. Also, the Exchange proposes to insert the phrase "regardless of an execution" to explain that an opening can occur with or without a trade. This language matches the ISE language.

As noted, the Exchange believes that these proposed amendments add clarity to the rule text, but the proposed amendments do not substantively amend the manner in which the Opening Process occurs.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[6] in general, and furthers the objectives of Section 6(b)(5) of the Act,[7] 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

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6 15 U.S.C. 78f(b).

7 15 U.S.C. 78f(b)(5).

market system, and, in general to protect investors and the public interest by conforming Phlx Rule 1017 to ISE Rule 701. The proposed language is non-substantive in nature and does not amend the manner in which Phlx's Opening Process occurs. Rather, the proposed language clarifies the existing language and provides more context to the manner in which the rule operates which amendments provide investors and the public interest with greater clarity as to the operation of the Opening Process.

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. Conforming Phlx's Rule to that of ISE is not a substantive amendment, the Phlx Opening Process will continue to operate in the same manner as today. The proposal does not change the intense competition that exists among the options markets for options business including on the opening. Nor does the Exchange believe that the proposal will impose any burden on intra-market competition; the Opening Process involves many types of participants and interest.

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[8] and subparagraph (f)(6) of Rule 19b-4 thereunder.[9]

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-2017-40 on the subject line.

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8 15 U.S.C. 78s(b)(3)(A)(iii).

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

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-2017-40. 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-2017-40 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.[10]

Robert W. Errett
Deputy Secretary

[10] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new text is underlined; deleted language in brackets.

NASDAQ PHLX Rules

Rules of the Exchange

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Options Rules

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Rule 1017.Openings In Options

(a) Definitions. The Exchange conducts an electronic opening for all option series traded on Phlx using its trading system ("system").

[(i) The Opening Process is described herein in section (d).

(ii) The Opening Price is described herein in sections (i) and (k).

(iii) Potential Opening Price is described herein in section (h).

(iv) The ABBO is the Away Best Bid or Offer.

(v) The market for the underlying security is either the primary listing market or the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), as determined by the Exchange by underlying and announced to the membership on the Exchange's web site.

(vi) A Phlx Electronic Market Maker is a Specialist, Streaming Quote Trader ("SQT") or Remote SQT ("RSQT") who is required to submit continuous two-sided electronic quotations pursuant to Rule 1014(b)(ii)(D).]

(i) The ABBO is the Away Best Bid or Offer.

(ii) The “market for the underlying security” is either the primary listing market or the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), as determined by the Exchange by underlying and announced to the membership on the Exchange's web site.

(iii) The Opening Price is described herein in sections (i) and (k).

(iv) The Opening Process is described herein in section (d).

(v) A Phlx Electronic Market Maker is a Specialist, Streaming Quote Trader ("SQT") or Remote SQT ("RSQT") who is required to submit continuous two-sided electronic quotations pursuant to Rule 1014(b)(ii)(D).

(vi) Potential Opening Price is described herein in section (h).

(vii) The Pre-Market BBO is the highest bid and the lowest offer among Valid Width Quotes.

(viii) A Quality Opening Market is a bid/ask differential applicable to the best bid and offer from all Valid Width Quotes defined in a table to be determined by the Exchange and published on the Exchange's web site. The calculation of Quality Opening Market is based on the best bid and offer of Valid Width Quotes. The differential between the best bid and offer are compared to reach this determination. The allowable differential, as determined by the Exchange, takes into account the type of security (for example, Penny Pilot versus non-Penny Pilot issue), volatility, option premium, and liquidity. The Quality Opening Market differential is intended to ensure the price at which the Exchange opens reflects current market conditions.

(ix) A Valid Width Quote is a two-sided electronic quotation submitted by a Phlx Electronic Market Maker that consists of a bid/ask differential that is compliant with Rule 1014(c)(i)(A)(1)(a).

(x) A Zero Bid Market is where the best bid for an options series is zero.

(b) Eligible interest during the Opening Process includes Valid Width Quotes, Opening Sweeps and orders. [Phlx Electronic Market Makers may submit quotes, Opening Sweeps and orders but q]Quotes other than Valid Width Quotes will not be included in the Opening Process. Non-SQT Registered Options Traders ("ROTs") may submit orders. All-or-none interest that can be satisfied is considered for execution and in determining the Opening Price throughout the Opening Process.

(i) No change.

(ii) The system will aggregate the size of all eligible interest for a particular participant category at a particular price level for trade allocation purposes pursuant to Rule 1014.

(c) No change.

(d) Phlx Electronic Market Maker Valid Width Quotes and Opening Sweeps received starting at 9:25 AM are included in the Opening Process. Orders entered at any time before an option series opens are included in the Opening Process.

(i) The Opening Process for an option series will be conducted pursuant to paragraphs (f) - (k) below on or after 9:30 AM if: the ABBO, if any, is not crossed; and the system has received, within two minutes (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the [O]opening [P]price in the underlying index (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site), or within two minutes of market opening for the underlying currency in the case of U.S. dollar-settled FCO (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) [either]any of the following:

(A) – (C) No change.

(ii) For all options, [T]the underlying security, including indexes, must be open on the primary market for a certain time period [for all options]as determined by the Exchange for the Opening Process to commence. The time period shall be no less than 100 milliseconds and no more than 5 seconds.

(iii) No change.

(iv) A Phlx Electronic Market Maker other than a Specialist that submits a quote pursuant to this Rule 1017 in any option series when the Specialist's quote has not been submitted shall be required to submit continuous, two-sided quotes in such option series until such time as the Specialist submits his/her quote, after which the Phlx Electronic Market Maker that submitted such quote shall be obligated to submit quotations pursuant to Rule 1014(b)(ii)(D).

(v) The Opening Process will stop and an option series will not open if the ABBO becomes crossed or when a [the requisite number of]Valid Width Quote(s) pursuant to Rule 1017(d)(i) [are]is no longer present. Once each of these conditions no longer exist, the Opening Process in the affected option series will start again pursuant to paragraphs (f) - (k) below.

(e) No change.

(f) Opening with a PBBO (No Trade). If there are no opening quotes or orders that lock or cross each other and no routable orders locking or crossing the ABBO, the system will open with an opening quote by disseminating the Exchange's best bid and offer among quotes and orders ("PBBO") that exist in the system at that time, unless all three of the following[three] conditions exist: (i) a Zero Bid Market; (ii) no ABBO; and (iii) no Quality Opening Market. If all of these conditions exist, the Exchange will calculate an Opening Quote Range pursuant to paragraph (j) and conduct the Price Discovery Mechanism pursuant to paragraph (k) below.

(g) No change.

(h) Potential Opening Price. To calculate the Potential Opening Price, the system will take into consideration all Valid Width Quotes[, Opening Sweeps] and orders (including Opening Sweeps), except all-or-none interest that cannot be satisfied, for the option series and identify the price at which the maximum number of contracts can trade ("maximum quantity criterion"). In addition, paragraphs (i)(iii) and (j)(5) - (7) below contain additional provisions related to Potential Opening Price.

(A) and (B) No change.

(C) The Potential Opening Price calculation is bounded [limited] by the better away market price that may not be satisfied with the Exchange routable interest.

(i) Opening with Trade. (A) The Exchange will open the option series for trading with a trade on Exchange interest only at the [at the following] Opening Price, if any of these conditions occur:

(i) – (iii) No change.

(B) If there is more than one Potential Opening Price which meets the conditions set forth in (A) above where:

(1) no contracts would be left unexecuted and

(2) any value used for the mid-point calculation (which is described in subparagraph (g) above) [that]would cross[es] either:

(a) the Pre-Market BBO, or

(b) the ABBO,

then, for the purposes of calculating the midpoint the Exchange will use the better of the Pre-Market BBO or ABBO as a boundary price and will open the option series for trading with an execution at the resulting Potential Opening Price. If these conditions are not met, an Opening Quote Range will be calculated pursuant to paragraph (j) below and thereafter, the Price Discovery Mechanism in paragraph (k) below will commence. [use the best price which the Potential Opening Price crosses as a boundary price for the purposes of the mid-point calculation.]

(j) The system will calculate an Opening Quote Range ("OQR") for a particular option series that will be utilized in the Price Discovery Mechanism described below, if the Exchange has not opened subject to any of the provisions above.

(1) Except as provided in [sub-]paragraphs (3) and (4) below, to determine the minimum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be subtracted from the highest quote bid among Valid Width Quotes on the Exchange and on the away market(s), if any.

(2) Except as provided in [sub-]paragraphs (3) and (4) below, to determine the maximum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be added to the lowest quote offer among Valid Width Quotes on the Exchange and on the away market(s), if any.

(3) If one or more away markets are [have] disseminating[ed] a BBO that is not [opening quotes that are not] crossed (the Opening Process will stop and an options series will not open if the ABBO becomes crossed pursuant to (d)(v)) and there are Valid Width Quotes on the Exchange that are executable against [cross] each other or the ABBO[that cross away market quotes]:

(a) The minimum value for the OQR will be the highest away bid[quote bid among quotes on away market(s)].

(b) The maximum value for the OQR will be the lowest away offer [quote offer among quotes on away market(s)].

(4) If there are [opening quotes]Valid Width Quotes on the Exchange that are executable against [cross] each other, and there is no away market disseminating a BBO in the affected option series:

(a) and (b) No change.

(5) If there is more than one Potential Opening Price possible where no contracts would be left unexecuted, any price used for the mid-point calculation (which is described in subparagraph (h) above) that is wider than the [through the]OQR will be restricted to the OQR price on that side of the market for the purposes of the[is] mid-point calculation.

(6) If there is more than one Potential Opening Price possible where no contracts would be left unexecuted [and any price used for the mid-point calculation (which is described in subparagraph (h) above)]pursuant to paragraph (h)(C) above [an away market price] when contracts will be routed, the system will use the away market price as the Potential Opening Price.

(7) If the Exchange determines that non-routable interest can execute the maximum number of contracts [be maximum executable] against Exchange interest, after routable interest has been determined by the system to satisfy the away market, then the Potential Opening Price is the price at which the maximum number of contracts can execute[volume], excluding the [volume]interest which will be routed to an away market, which may be executed on the Exchange as described

in paragraph (h) above. The system will consider routable Customer interest in price/time priority to satisfy the away market.

(k) Price Discovery Mechanism. If the Exchange has not opened pursuant to paragraphs (f) or (i) above, after the OQR calculation in paragraph (j), the Exchange will conduct the following Price Discovery Mechanism.

(A) First, the system will broadcast an Imbalance Message for the affected series (which includes the symbol, side of the imbalance (unmatched contracts), size of matched contracts, size of the imbalance, and Potential Opening [p]Price bounded by [of the affected series which must be within] the Pre-Market BBO) to participants, and begin an "Imbalance Timer," not to exceed three seconds. The Imbalance Timer will be for the same number of seconds for all options traded on the Exchange. Each Imbalance Message is subject to an Imbalance Timer.

(B) Any new interest received by the system will update the Potential Opening Price. If during or at the end of the Imbalance Timer, the Opening Price is at or within the OQR, the Imbalance Timer will end and the system will [execute at]open with a trade at the Opening Price if the executions consist of Exchange interest only without trading through the ABBO and without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price. If no new interest comes in during the Imbalance Timer and the Potential Opening Price is at or within OQR and does not trade through the ABBO, the Exchange will open with a trade at the end of the Imbalance Timer at the Potential Opening Price.

(C) Next, provided the option series has not opened pursuant to (k)(B) above, the system will:

(1) send a second Imbalance Message with a Potential Opening Price that is bounded by the OQR ([without trading]and would not trade through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price) and includes away market volume in the size of the imbalance to participants; and concurrently

(2) initiate a Route Timer, not to exceed one second. The Route Timer operates as a pause before an order is routed to an away market. If during the Route Timer, interest is received by the system which would allow the Opening Price to be within OQR without trading through [other]away markets and without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price, the system will open with trades and the Route Timer will simultaneously end. The system will monitor quotes received during the Route Timer period and make ongoing corresponding changes to the permitted OQR and Potential Opening Price to reflect them.

(3) If no trade occurred pursuant to (2) above, [W]when the Route Timer expires, if the Potential Opening Price is within OQR (and would not trade [without trading] through the limit price(s) of interest within OQR that is unable to be fully executed at the Opening Price), the system will determine if the total number of contracts displayed at better prices than the Exchange's Potential Opening Price on away markets ("better priced away contracts") would satisfy the number of marketable contracts available on the Exchange. The Exchange will open the option series by routing and/or trading on the Exchange, pursuant to (i)-(iii) below.

(i) If the total number of better priced away contracts [displayed at better prices than the Exchange's Potential Opening Price on away markets ("better priced away contracts")] would satisfy the number of marketable contracts available on the Exchange on either the buy or sell side, the system will route all marketable contracts on the Exchange to such better priced away markets as an Intermarket Sweep Order ("ISO") designated as an Immediate-or-Cancel ("IOC") order(s), and determine an opening Phlx Best Bid/Offer ("PBBO") that reflects the interest remaining on the Exchange. The system will price any contracts routed to away[to other] markets at the Exchange's Opening Price; or

(ii) If the total number of better priced away contracts would not satisfy the number of marketable contracts the Exchange has, the system will determine how many contracts it has available at the Exchange Opening Price. If the total number of better priced away contracts plus the number of contracts available at the Exchange Opening Price would satisfy the number of marketable contracts on the Exchange on either the buy or sell side, the system will contemporaneously route, based on price/time priority of routable interest, a number of contracts that will satisfy interest at [other] away markets at prices better than the [Phlx]Opening Price and trade available contracts on the Exchange at the Exchange Opening Price. The system will price any contracts routed to [other]away markets at the better of the Exchange Opening Price or the order's limit price pursuant to this sub-paragraph [at the Exchange Opening Price]; or

(iii) If the total number of better priced away contracts plus the number of contracts available at the Exchange Opening Price plus the contracts available at [other]away markets at the Exchange Opening Price would satisfy the number of marketable contracts the Exchange has on either the buy or sell side, the system will contemporaneously route, based on price/time priority of routable interest, a number of contracts that will satisfy interest at [other]away markets at prices better than the Exchange Opening Price (pricing any contracts routed to [other]away markets at the better of the Exchange Opening Price or the order's limit price), trade available contracts on the Exchange at the Exchange Opening Price, and route a number of contracts that will satisfy interest at [other]away markets at prices equal to the Exchange Opening Price.

(4) The system may send up to two additional Imbalance Messages (which may occur while the Route Timer is operating) bounded by OQR and reflecting away market interest in the volume. After the Route Timer has expired, the processes in [sub]paragraph (3) will repeat (except no new Route Timer will be initiated).

(5) Forced Opening. After all additional Imbalance Messages have occurred pursuant to paragraph (4) above, the system will open the series by executing as many contracts as possible by routing to [other]away markets at prices better than the Exchange Opening Price for their disseminated size, trading available contracts on the Exchange at the Exchange Opening Price bounded by OQR (without trading through the limit price(s) of interest within OQR which is unable to be fully executed at the Opening Price), and routing contracts to [other]away markets at prices equal to the Exchange Opening Price at their disseminated size. In this situation, the system will price any contracts routed to [other]away markets at the better of the Exchange Opening Price or the order's limit price. Any unexecuted contracts from the imbalance not traded or routed will be cancelled back to the entering participant if they remain unexecuted and priced through the Opening Price, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. All other interest will be eligible for trading after opening.

(6) No change.

(D) The system will[: (1)] re-price Do Not Route orders (that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to a price that is one minimum trading increment inferior to the ABBO, and [(2)] disseminate the re-priced DNR Order as part of the new PBBO.

(E) During the opening of the option series, where there is an execution possible, [T]the system will give priority to market orders first, [in time priority,] then to resting limit orders and quotes. The allocation provisions of Rule 1014(g)(vii) will apply.

(F) Upon opening of an [When the] option series[opens], regardless of an execution, the system disseminates the price and size of the Exchange's best bid and offer (PBBO).

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