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

File No.* SR - 2019 - * 07
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) *
☑	☐	☐	☐	☑	☐

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

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 and relocate Qualified Contingent Cross Orders which are submitted electronically and QCC Orders which are transacted on the Floor.

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 03/26/2019

By Edward S. Knight

(Name *)

(Title *)

Global Chief Legal and Policy Officer

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 relocate Qualified Contingent Cross ("QCC") Orders which are submitted electronically ("Electronic QCC Orders")[3] and QCC Orders which are transacted on the Floor ("Floor QCC Orders")[4] (collectively "QCC Orders"). The Electronic QCC Orders would be relocated from Phlx Rule 1080(o) to new Phlx Rule 1088. The Floor QCC Orders are located at Rule 1064(e). Also, the Exchange proposes to amend the current rule text at Phlx Rule 1080(o) as well as the current rule text in Phlx Rule 1064(e) to more accurately reflect the manner in which contingency orders are handled with regard to stop orders and revise the Exchange's functionality with regard to how QCC Orders are handled with regard to All-or-None Orders. Finally, the Exchange proposes to update cross-references to Rule 1080(o) to reflect proposed Rule 1088.

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.

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

2 17 CFR 240.19b-4.

3 Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. See Rule 1080(o).

4 A Floor Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, coupled with a contra-side order or orders totaling an equal number of contracts. See Rule 1064(e).

(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 July 25, 2016. 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

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

a. Purpose

The Exchange proposes to: (i) relocate Electronic QCC Orders, currently located at Phlx Rule 1080(o), to new Phlx Rule 1088; (ii) amend the current rule text at Phlx Rule 1080(o) and Phlx Rule 1064 to more accurately reflect the manner in which contingency orders are handled with regard to stop orders and revise the Exchange's functionality with regard to how QCC Orders are handled with regard to All-or-None Orders; and (iii) update cross-references to Rule 1080(o) to reflect proposed Rule 1088. The Exchange also proposes to delete "(p)" within Rule 1080, which is currently reserved.[5]

[5] The Exchange is removing Rule 1080(o) and therefore proposes to remove (p) which is simply reserved.

Background

In 2011, Phlx adopted an Electronic QCC Order type[6] for execution of orders within the System.[7] The QCC order type facilitates the execution of stock/option Qualified Contingent Trades that satisfy the requirements of the trade through exemption in connection with Rule 611(d) of Regulation NMS ("QCT Trade Exemption").[8] Specifically, Phlx Rule 1080(o) provides that a Phlx Order Entry Firm effectuating a trade in the System pursuant to the Regulation NMS QCT Trade Exemption to Rule 611(a) can cross the options leg of the trade on Phlx as a QCC Order immediately upon entry and without order exposure if no Customer orders[9] exist on the Exchange's order book at the same price. As set forth in Rule 1080(o), the Electronic QCC Order must: (i) be for at least 1,000 contracts, (ii) meet the six requirements of Rule 1080(o)(3) which are modeled on the QCT Trade Exemption, (iii) be executed at a price at or between the National Best Bid and Offer ("NBBO"); and (iv) be rejected if a Customer order is

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6 See Securities and Exchange Act Release No. 64249 (April 7, 2011), 76 FR 20773, 20774 (April 13, 2011) (SR-Phlx-2011-47).

7 System is defined at Phlx Rule 1000(b)(45).

8 See Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829 (September 7, 2006); Securities Exchange Act Release No. 57620 (April 4, 2008) 73 FR 19271 (April 9, 2008).

9 Phlx will reject a QCC Order that attempts to execute when any Customer orders are resting on the Exchange limit order book at the same price. The Exchange proposes to amend the term "customer" to "public customer." For purposes of this rule change the term "public customer" shall mean a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14).

resting on the Exchange book at the same price.[10] Separately, the Exchange received approval to permit market participants to effectuate Floor QCC Orders.[11]

Relocation

The Exchange is proposing to relocate the text relating to Electronic QCC Orders, currently located at Phlx Rule 1080(o), to new Phlx Rule 1088. The Exchange believes that this relocation will aid market participants in locating Phlx's Rule regarding Electronic QCC Orders which is currently within a much larger rule.

Amendments

The Exchange proposes to amend the rule text related to Electronic QCC Orders, currently contained in Rule 1080(o), which text is being relocated to Rule 1088, as well as the rule text related to Floor QCC Orders in Rule 1064(e) as noted below. Specifically, with respect to the current text of Rule 1080(o), which applies to Electronic QCC Orders, the Exchange proposes to amend the rule text which is being relocated to Rule 1088 to specifically note that an Electronic QCC Order is comprised of an originating *electronic* order. This will serve to further distinguish proposed Rule 1088, which applies to Electronic QCC Orders, from Rule 1064(e), which applies to Floor QCC

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10 While the Electronic QCC Order would not provide exposure for price improvement for the options leg of a stock-option order, the options leg must be executed at the NBBO or better.

11 See Securities Exchange Act Release No. 64688 (June 16, 2011), 76 FR 36606 (June 22, 2011) (SR-Phlx-2011-56) (a rule change to establish a qualified contingent cross order for execution on the floor of the Exchange). A Floor QCC Order must: (i) be for at least 1,000 contracts, (ii) meet the six requirements of Rule 1080(o)(3) which are modeled on the QCT Trade Exemption, (iii) be executed at a price at or between the NBBO and (iv) be rejected if a Customer order is resting on the Exchange book at the same price. In order to satisfy the 1,000-contract requirement, a Floor QCC Order must be for 1,000 contracts and could not be, for example, two 500-contract orders or two 500-contract legs. See Phlx Rule 1064(e).

Orders. Also, the Exchange proposes to remove the word "PHLX" from the current rule text in Rule 1080(o) before the word "System" when relocating the text to proposed Rule 1088(a)(2). The Exchange uses the defined term "System" elsewhere in the rule.[12]

The Exchange proposes to add new rule text, which is currently not contained in Rule 1080(o) or Rule 1064(e), to make clear the handling of contingency orders with respect to QCC Orders. The Exchange proposes to add a new Commentary .01 to proposed Rule 1088, which contains the relocated text from Rule 1080(o) and also proposes to add a new Commentary .03 to Rule 1064 to provide for the interaction of certain contingency orders as they relate to QCC Orders. The new commentary seeks to address: (i) certain order types on Phlx, which unlike other order types, are not displayed as part of Phlx's best bid or offer ("PBBO"); and (ii) repricing on the order book.

Non-Displayed Contingency Orders

The Phlx contingency orders, which are non-displayed are exclusively: (i) All-or-None Orders[13] and (ii) stop orders[14] (collectively "Non-Displayed Contingency Orders"). These Non-Displayed Contingency Orders are not protected orders generally. An All-or-

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[12] See footnote 7 above.

[13] An All-or None Order may only be submitted by a public customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all public customer orders if the size contingency can be met. The Acceptable Trade Range protection in Rule 1099(a) is not applied to All-Or-None Orders. See Phlx Rule 1078.

[14] A stop order is a limit or market order to buy or sell at a limit price when a trade or quote on the Exchange for a particular option contract reaches a specified price. A stop-market or stop-limit order shall not be triggered by a trade that is reported late or out of sequence or by a complex order trading with another complex order.

None Order would not be protected, unless the size of the contingency may be satisfied.[15] Similar to other markets, a stop order would be unprotected until such order is triggered by either the occurrence of a transaction or posting on the order book.[16]. The Exchange notes that these Non-Displayed Contingency Orders are distinct from other order types. As provided for in current Rule 1080(o)(1), QCC Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the better of the NBBO. The "NBBO" is the best Protected Bid and Protected Offer as defined in the Options Order Protection and Locked/Crossed Markets Plan; Protected Bids and Protected Offers that are displayed at a price but available on the Exchange at a better non-displayed price shall be included in the NBBO at their better non-displayed price for purposes of this rule.[17] Rule 1083(o) defines a "Protected Bid" or "Protected

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15 A "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the Options Price Reporting Authority ("OPRA") Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. See Phlx Rule 1083(o). Phlx Rule 1083 defines a "Protected Bid" or "Protected Offer" as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the Options Price Reporting Authority ("OPRA") Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. Once triggered, stop orders are treated as any other disseminated orders and would be displayed on OPRA.

16 See NYSE Arca, Inc. Rule 6.62-O. Stop Orders (including Stop Limit Orders) shall not have standing in any Order Process in the Consolidated Book and shall not be displayed. A QCC Order could trigger a Stop Order.

17 See Reg. NMS Rule 600(a)(42). National best bid and national best offer means, with respect to quotations for an NMS security, the best bid and best offer for such security that are calculated and disseminated on a current and continuing basis by a plan processor pursuant to an effective national market system plan; provided, that in the event two or more market centers transmit to the plan processor pursuant to such plan identical bids or offers for an NMS security, the best bid or best offer (as the case may be) shall be determined by ranking all such identical bids or offers (as the case may be) first by size (giving the highest

Offer" as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan;[18] and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. Non-Displayed Contingency Orders are not disseminated to OPRA and not part of the displayed PBBO. The Exchange notes that a Non-Displayed Contingency Order would never trade with the paired QCC Order. A stop order would not impact the execution of a QCC Order until the stop order is elected[19] by either the occurrence of a transaction or posting on the order book, at which point it would become a protected order and cause a rejection of the QCC Order provided it is a public customer order at the same price as the QCC Order and the price is at or between the NBBO. Today, an All-or-None Order would not cause a paired QCC Order to be automatically cancelled. The Exchange proposes to amend its current operation with respect to All-or-None Orders such that an All-or-None Order would cause a QCC Order to be automatically cancelled provided that the size of a QCC Order is greater than or equal to the size of the public customer All-or-None Order on the Exchange's limit order book and provided that the price of the public customer All-or-None Order locks or

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ranking to the bid or offer associated with the largest size), and then by time (giving the highest ranking to the bid or offer received first in time).

18 "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.

19 Stop orders are inactive until they are "elected." Stop orders are elected when either the bid (offer) is updated to a price equal to or greater (less) than the stop price of a Buy (Sell) Stop order or an execution on the Exchange occurs at a price equal to or greater (less) than the stop price of a Buy(Sell) stop order. Stop order election takes place at the end of the transaction that caused the election and at that time the stop order enters the book as a new market or limit order depending on the participant instructions. Note: stop orders that are "electable" upon entry are rejected.

crosses the QCC Order. Below are some examples:

Example 1: QCC cancels back when QCC size is greater than public customer all-or-none (represented as "AON" for purposes of the below examples)

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

Minimum Price Variation ("MPV"): Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer Order to Sell 5 @ $1.18

PBBO remains: $1.00 (10) x $1.20 (10)
PBBO (with AON): $1.00 (10) x $1.18 (5)

Enter single QCC for 1000 @ $1.19

QCC cancels back to participant due to public customer AON @ $1.18

Example 2: QCC trades through AON when QCC size is less than AON

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer order to Sell 5000 @ $1.18

PBBO remains: $1.00 (10) x $1.20 (10)
PBBO (with AON): $1.00 (10) x $1.18 (5000)

Enter single QCC for 1000 @ $1.19

QCC prints @ $1.19 (Note, the 5000 lot public customer AON cannot be satisfied by the 1000 lot QCC)

Example 3: QCC blocked by public customer order behind AON that could not be satisfied by QCC

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer order to Sell 5000 @ $1.18
Enter public customer Order to sell 1 @ $1.19

PBBO adjusts: $1.00 (10) x $1.19 (1)
PBBO (with AON): $1.00 (10) x $1.18 (5000)

Enter single QCC for 1000 @ $1.19

QCC cancels back to participant due to public customer order @ $1.19 (Note, the 5000 lot public customer AON cannot be satisfied by the 1000 lot QCC and therefore this does not cause the cancel)

Example 4: QCC cancels back due to AON that could be satisfied by QCC

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer order to Sell 5@ $1.18
Enter public customer order to sell 1 @ $1.19

PBBO adjusts: $1.00 (10) x $1.19 (1)
PBBO (with AON): $1.00 (10) x $1.18 (5)

Enter single QCC for 1000 @ $1.19

QCC cancels back to participant due to public customer AON @ $1.18

Example 5: Stop Order triggered by incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter Stop-Limit order to sell 10 contracts with a Stop price of $1.18 and a limit price of $1.19

Enter single QCC for 1000 @ $1.18

QCC prints @ $1.18 since the QCC price is better than the NBBO. The $1.18 execution of the QCC causes the sell stop order to be elected. Election of the stop order causes the order to be entered onto the book offered at $1.19. PBBO updates to be $1.00 (10) x $1.19 (10).

With respect to stop orders, the Exchange's proposal does not expand how Non-Displayed Contingency Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to these non-protected order types. With the Exchange's proposal to amend the current handling of All-or-None Orders, if the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order, the QCC Order would be automatically cancelled[20] provided that the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order. A market participant that elects to enter an All-or-None Order is choosing to request that the order be executed only if a certain contingency is met. The Exchange provides market participants the opportunity to enter limit orders, which unlike All-or-None Orders, are protected and displayed. Market participants electing to utilize the All-or-None Order type will have no standing on the order book in relation to an incoming QCC Order because All-or-None Orders are not protected, unless the size of a public customer All-or-None Order could be satisfied by the size of the QCC Order, and provided that the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order. The Exchange believes that it provides market participants with an array of order types and allows market participants to determine the manner in which they would like to be executed.

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[20] The System would technically accept the order upon entry and then upon a review of the Order Book send a message to the market participant automatically cancelling an order because of the resting public customer All-or-None Order.

Repricing

Certain orders are repriced on Phlx because the order locks or crosses the ABBO.[21] With respect to Do-Not-Route or "DNR" Orders, where the best away market is at an inferior price level to the PBBO, the System will automatically re-price that order from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO.[22] With respect to the automatic re-pricing from its one minimum price variation inferior to the original away best bid/offer price the Exchange notes that other markets also re-price

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21 ABBO shall mean the away best bid or offer.

22 See Phlx Rule 1080(m)(iv)(A). Further, with respect to routable orders, the same repricing takes place for FIND and SRCH Orders.

A FIND Order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the PBBO price. If the FIND Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV away from the ABBO if locking or crossing the ABBO. See Phlx Rule 1080(m)(iv)(B).

A SRCH Order is a customer order that is routable at any time. A SRCH Order may trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the order book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. See Phlx Rule 1080(m)(iv)(C).

orders to avoid locked and/or crossed markets,[23] and such repricing impacts the execution price of a QCC Order. The Exchange may have a quote or order that will not be displayed at its actual better price. For example, an order limit price may lock an away market, in which case the order is displayed one minimum increment away from the away market price but remains part of the Exchange's internal BBO[24] at the locking price. The Exchange is proposing to add newly proposed Rule 1088(a)(1) and current Rule 1064(e)(1) to make clear that the price of the QCC Order must be at or between not just the NBBO, but the better of the PBBO and the NBBO to immediately execute. The Exchange notes that it protects re-priced orders that are part of the Exchange's internal BBO at the locked pricing with an away market. This preserves the priority of interest which may be available at an internal price, internal BBO, which is better than the displayed PBBO and NBBO and permits executions only at prices which are at or better than the best price available. Repricing does not expand how QCC Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to how QCC Orders are handled when there are re-priced orders on the book which are available at a price better than the displayed PBBO and NBBO.

Public Customer

Specifying the term "public customer" in place of the term "customer" within the

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[23] See Miami International Securities Exchange LLC ("MIAX") Rule 515(h)(2) which provides that if trading interest exists on the MIAX Book that is subject to the liquidity refresh pause or managed interest process pursuant to Rule 515(c), or a route timer pursuant to Rule 529 when the Exchange receives a Qualified Contingent Cross Order, the System will reject the Qualified Contingent Cross Order.

[24] The words "internal BBO" refer to the actual better price of an order resting on Phlx's order book which is not displayed, but available for execution.

rule text will make clear the meaning of that term. For purposes of this rule change the term "public customer" shall mean a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14).

Cross-References

The Exchange proposes to update cross-references to Electronic QCC Orders within Rule 1080(o) within other Exchange rules to cite the new electronic rule.[25]

Implementation

The Exchange would implement the changes proposed herein prior to May 31, 2019. The Exchange would issue an Options Trader Alert announcing the exact date of implementation in advance.[26]

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[27] in general, and furthers the objectives of Section 6(b)(5) of the Act,[28] in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by amending the rule text relating to QCC Orders to correct and make clear the current rule text.

The Exchange believes that the amendments to add the word "electronic" in proposed Rule 1088(a) and the deletion of the word "PHLX" in proposed Rule 1088(a)(2) are non-substantive amendments which simply add specificity and conform

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25 See Phlx's Pricing Schedule at Section B and Phlx Rule 1064.

26 See Options Trader Alert 2018-47.

27 15 U.S.C. 78f(b).

28 15 U.S.C. 78f(b)(5).

the rule text, respectively. Further, the proposals to update the cross-references to Rule 1080(o) to proposed Rule 1088 will correct the citations within the Rulebook for accuracy.

The Exchange's proposal to add new Commentary .01 to Rule 1088 and new Commentary .03 to Rule 1064 for QCC Orders is consistent with the Act because the proposed functionalities are consistent with the public customer protection provisions Phlx provides when a QCC order is submitted to the System. The Exchange notes that Non-Displayed Contingency Order Types are distinct from other order types. The Exchange offers an array of order types which do not have similar limitations and would be protected orders and are displayed. Other markets have stop orders which require a triggering (or "electing") event prior to being protected.[29]

With respect to stop orders, the Exchange's proposal does not expand how Non-Displayed Contingency Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to these non-protected order types. The proposal would clarify that stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of QCC Orders. With respect to All-or-None Orders, the Exchange's proposal to automatically cancel a QCC Order, provided the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order and the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order, is consistent with Act. Today, QCC Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's

[29] See note 16 above.

limit order book and (ii) the price is at or between the better of the NBBO for all other order types, with the exception of All-or-None Orders. The Exchange is extending the same level of protection to public customer All-or-None Orders in the case of QCC Orders that today is provided to all other order types submitted by public customers.[30] By automatically cancelling a QCC Order with a size greater than or equal to the size of a resting public customer All-or-None Order, provided the QCC price locks or crosses the All-or-None Order, will cause those public customer All-or-None orders to be prioritized.

The Exchange's proposal to add rule text to make clear that with respect to Non-Displayed Contingency Orders, the price of the QCC Order must be at or between not just the NBBO, but the better of the internal PBBO and the NBBO to immediately execute adds more transparency to the Exchange's Rules. The Exchange notes that other markets also re-price orders to avoid locked and/or crossed markets,[31] and such repricing impacts the execution price of a QCC Order. The Exchange protects re-priced orders at their "actual" price rather than their displayed price which preserves the priority of interest which may be available at an internal price, internal BBO, which is better than the displayed PBBO and NBBO and permits executions only at prices which are at or better than the best price available and continues to facilitate the execution of qualified contingent trades, thereby benefitting the market as a whole. Repricing does not expand how QCC Orders are handled by the System. The proposed text adds transparency with respect to how QCC Orders are handled when there are re-priced orders on the book which are available at a price better than the displayed PBBO and NBBO.

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30 See note 6 above. Public customer priority existed at the adoption of Phlx's QCC Order functionality.

31 See note 23 above.

Finally, specifying the term “public customer” in place of the term “customer” within the rule text will make clear the meaning of that term.

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 proposals to add the word “electronic” in proposed Rule 1088(a) and delete the word “PHLX” in proposed Rule 1088(a)(2) are non-substantive amendments which simply add specificity and conforms the rule text. The Exchange’s proposal to amend cross-references will bring greater clarity to the Exchange’s rules.

The Exchange’s proposal to describe how Non-Displayed Contingency Orders are handled by the System does not impose an undue burden on competition, rather the rule text adds transparency to the rules because it describes how these non-protected order types are handled. The Exchange’s proposal to automatically cancel a QCC Order, provided the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order and the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order, does not impose an undue burden on competition because the Exchange will uniformly cancel all QCC Orders if there is a public customer All-or-None Order resting on the order book with eligible size. The Exchange is extending the same level of protection to public customer All-or-None Orders in the case of QCC Orders that today is provided to all other order types submitted by public customers and therefore uniformly prioritizing all public customer orders.

The Exchange’s proposal to add rule text to make clear that with respect to Non-Displayed Contingency Orders, the price of the QCC Order must be at or between not just the NBBO, but the better of the internal PBBO and the NBBO to immediately execute does not impose an undue burden on competition. This rule text adds more transparency to the Exchange's Rules. The Exchange notes that other markets also re-price orders to avoid locked and/or crossed markets,[32] and such repricing impacts the execution price of a QCC Order. Repricing does not expand how QCC Orders are handled by the System. The Exchange's proposal would add transparency to its rules with respect to how QCC Orders are handled when there are re-priced orders on the order book which are available at a price better than the displayed PBBO and NBBO. The Exchange uniformly reprices orders within the System. Specifying the term "public customer" in place of the term "customer" within the rule text will make clear the meaning of that term.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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)[33] of the Act and Rule 19b-4(f)(6) thereunder[34] in that it effects a change

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32 See note 23 above.

33 15 U.S.C. 78s(b)(3)(A)(iii).

34 17 CFR 240.19b-4(f)(6).

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.

Adding the word "electronic" in proposed Rule 1088(a) and the deletion of the word "PHLX" in proposed Rule 1088(a)(2) are non-substantive amendments which simply add specificity and conform the rule text, respectively. Further, the proposals to update the cross-references to Rule 1080(o) to proposed Rule 1088 will correct the citations within the Rulebook for accuracy. The proposal to clarify how Non-Displayed Contingency Orders are handled by the System does not significantly affect the protection of investors or the public interest, rather the addition of rule text adds transparency to the rules with respect to these non-protected order types. The Exchange's proposal to automatically cancel a QCC Order, provided the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order and the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order, does not significantly affect the protection of investors or the public interest because the Exchange is extending the same level of protection to public customer All-or-None Orders in the case of QCC Orders that today is provided to all other order types submitted by public customers. The Exchange's proposal to add rule text to make clear that with respect to Non-Displayed Contingency Orders, the price of the QCC Order must be at or between not just the NBBO, but the better of the internal PBBO and the NBBO to immediately execute adds more transparency to the Exchange's

Rules. The Exchange notes that other markets also re-price orders to avoid locked and/or crossed markets,[35] and such repricing impacts the execution price of a QCC Order. Finally, specifying the term "public customer" in place of the term "customer" within the rule text will make clear the meaning of that term. The Exchange's proposal to describe how Non-Displayed Contingency Orders are handled by the System does not impose any significant burden on competition, rather the rule text adds transparency to the rules because it describes how these non-protected order types are handled. The Exchange's proposal to automatically cancel a QCC Order, provided the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order and the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order, does not impose any significant burden on competition because the Exchange will uniformly cancel all QCC Orders if there is an All-or-None Order resting on the order book with eligible size. The Exchange is extending the same level of protection to public customer All-or-None Orders in the case of QCC Orders that today is provided to all other order types submitted by public customers and therefore uniformly prioritizing all public customer orders. The Exchange's proposal to add rule text to make clear that with respect to Non-Displayed Contingency Orders, the price of the QCC Order must be at or between not just the NBBO, but the better of the internal PBBO and the NBBO to immediately execute adds more transparency to the Exchange's Rules. The Exchange notes that other markets also re-price orders to avoid locked and/or crossed markets,[36] and such repricing impacts the execution price of a QCC Order. Repricing

[35] See note 23 above.

[36] Id.

does not expand how QCC Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to how QCC Orders are handled when there are re-priced orders on the book which are available at a price better than the displayed PBBO and NBBO. The Exchange uniformly reprices orders within the System. Specifying the term "public customer" in place of the term "customer" within the rule text adds clarity to the meaning of the term.

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 Exchange notes that its handling of stop orders is similar to NYSE American.[37]

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

Not applicable.

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[37] See NYSE American Rule 900.3NY(d).

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-2019-07)

March __, 2019

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend and Relocate the Qualified Contingent Cross Orders Rules

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 March 26, 2019, 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 relocate Qualified Contingent Cross ("QCC") Orders which are submitted electronically ("Electronic QCC Orders")[3] and QCC Orders which are transacted on the Floor ("Floor QCC Orders")[4] (collectively "QCC Orders"). The

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

2 17 CFR 240.19b-4.

3 Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. See Rule 1080(o).

4 A Floor Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, coupled with a contra-side order or orders totaling an equal number of contracts. See Rule 1064(e).

Electronic QCC Orders would be relocated from Phlx Rule 1080(o) to new Phlx Rule 1088. The Floor QCC Orders are located at Rule 1064(e). Also, the Exchange proposes to amend the current rule text at Phlx Rule 1080(o) as well as the current rule text in Phlx Rule 1064(e) to more accurately reflect the manner in which contingency orders are handled with regard to stop orders and revise the Exchange's functionality with regard to how QCC Orders are handled with regard to All-or-None Orders. Finally, the Exchange proposes to update cross-references to Rule 1080(o) to reflect proposed Rule 1088.

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 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: (i) relocate Electronic QCC Orders, currently located at Phlx Rule 1080(o), to new Phlx Rule 1088; (ii) amend the current rule text at Phlx Rule 1080(o) and Phlx Rule 1064 to more accurately reflect the manner in which contingency orders are handled with regard to stop orders and revise the Exchange's functionality with regard to how QCC Orders are handled with regard to All-or-None Orders; and (iii) update cross-references to Rule 1080(o) to reflect proposed Rule 1088. The Exchange also proposes to delete "(p)" within Rule 1080, which is currently reserved.[5]

Background

In 2011, Phlx adopted an Electronic QCC Order type[6] for execution of orders within the System.[7] The QCC order type facilitates the execution of stock/option Qualified Contingent Trades that satisfy the requirements of the trade through exemption in connection with Rule 611(d) of Regulation NMS ("QCT Trade Exemption").[8] Specifically, Phlx Rule 1080(o) provides that a Phlx Order Entry Firm effectuating a trade in the System pursuant to the Regulation NMS QCT Trade Exemption to Rule 611(a) can cross the options leg of the trade on Phlx as a QCC Order immediately upon entry and without order exposure if no Customer orders[9] exist on the Exchange's order book at the same price. As set forth in Rule 1080(o), the Electronic QCC Order must: (i) be for at least 1,000 contracts, (ii) meet the six requirements of Rule 1080(o)(3) which are modeled on the QCT Trade Exemption, (iii) be executed at a price at or between the

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5 The Exchange is removing Rule 1080(o) and therefore proposes to remove (p) which is simply reserved.

6 See Securities and Exchange Act Release No. 64249 (April 7, 2011), 76 FR 20773, 20774 (April 13, 2011) (SR-Phlx-2011-47).

7 System is defined at Phlx Rule 1000(b)(45).

8 See Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829 (September 7, 2006); Securities Exchange Act Release No. 57620 (April 4, 2008) 73 FR 19271 (April 9, 2008).

9 Phlx will reject a QCC Order that attempts to execute when any Customer orders are resting on the Exchange limit order book at the same price. The Exchange proposes to amend the term "customer" to "public customer." For purposes of this rule change the term "public customer" shall mean a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14).

National Best Bid and Offer ("NBBO"); and (iv) be rejected if a Customer order is resting on the Exchange book at the same price.[10] Separately, the Exchange received approval to permit market participants to effectuate Floor QCC Orders.[11]

Relocation

The Exchange is proposing to relocate the text relating to Electronic QCC Orders, currently located at Phlx Rule 1080(o), to new Phlx Rule 1088. The Exchange believes that this relocation will aid market participants in locating Phlx's Rule regarding Electronic QCC Orders which is currently within a much larger rule.

Amendments

The Exchange proposes to amend the rule text related to Electronic QCC Orders, currently contained in Rule 1080(o), which text is being relocated to Rule 1088, as well as the rule text related to Floor QCC Orders in Rule 1064(e) as noted below. Specifically, with respect to the current text of Rule 1080(o), which applies to Electronic QCC Orders, the Exchange proposes to amend the rule text which is being relocated to Rule 1088 to specifically note that an Electronic QCC Order is comprised of an originating *electronic* order. This will serve to further distinguish proposed Rule 1088,

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10 While the Electronic QCC Order would not provide exposure for price improvement for the options leg of a stock-option order, the options leg must be executed at the NBBO or better.

11 See Securities Exchange Act Release No. 64688 (June 16, 2011), 76 FR 36606 (June 22, 2011) (SR-Phlx-2011-56) (a rule change to establish a qualified contingent cross order for execution on the floor of the Exchange). A Floor QCC Order must: (i) be for at least 1,000 contracts, (ii) meet the six requirements of Rule 1080(o)(3) which are modeled on the QCT Trade Exemption, (iii) be executed at a price at or between the NBBO and (iv) be rejected if a Customer order is resting on the Exchange book at the same price. In order to satisfy the 1,000-contract requirement, a Floor QCC Order must be for 1,000 contracts and could not be, for example, two 500-contract orders or two 500-contract legs. See Phlx Rule 1064(e).

which applies to Electronic QCC Orders, from Rule 1064(e), which applies to Floor QCC Orders. Also, the Exchange proposes to remove the word "PHLX" from the current rule text in Rule 1080(o) before the word "System" when relocating the text to proposed Rule 1088(a)(2). The Exchange uses the defined term "System" elsewhere in the rule.[12]

The Exchange proposes to add new rule text, which is currently not contained in Rule 1080(o) or Rule 1064(e), to make clear the handling of contingency orders with respect to QCC Orders. The Exchange proposes to add a new Commentary .01 to proposed Rule 1088, which contains the relocated text from Rule 1080(o) and also proposes to add a new Commentary .03 to Rule 1064 to provide for the interaction of certain contingency orders as they relate to QCC Orders. The new commentary seeks to address: (i) certain order types on Phlx, which unlike other order types, are not displayed as part of Phlx's best bid or offer ("PBBO"); and (ii) repricing on the order book.

<u>Non-Displayed Contingency Orders</u>

The Phlx contingency orders, which are non-displayed are exclusively: (i) All-or-None Orders[13] and (ii) stop orders[14] (collectively "Non-Displayed Contingency Orders"). These Non-Displayed Contingency Orders are not protected orders generally. An All-or-

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12 <u>See</u> footnote 7 above.

13 An All-or None Order may only be submitted by a public customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all public customer orders if the size contingency can be met. The Acceptable Trade Range protection in Rule 1099(a) is not applied to All-Or-None Orders. <u>See</u> Phlx Rule 1078.

14 A stop order is a limit or market order to buy or sell at a limit price when a trade or quote on the Exchange for a particular option contract reaches a specified price. A stop-market or stop-limit order shall not be triggered by a trade that is reported late or out of sequence or by a complex order trading with another complex order.

None Order would not be protected, unless the size of the contingency may be satisfied.[15] Similar to other markets, a stop order would be unprotected until such order is triggered by either the occurrence of a transaction or posting on the order book.[16]. The Exchange notes that these Non-Displayed Contingency Orders are distinct from other order types. As provided for in current Rule 1080(o)(1), QCC Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the better of the NBBO. The "NBBO" is the best Protected Bid and Protected Offer as defined in the Options Order Protection and Locked/Crossed Markets Plan; Protected Bids and Protected Offers that are displayed at a price but available on the Exchange at a better non-displayed price shall be included in the NBBO at their better non-displayed price for purposes of this rule.[17] Rule 1083(o) defines a "Protected Bid" or "Protected

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15 A "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the Options Price Reporting Authority ("OPRA") Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. See Phlx Rule 1083(o). Phlx Rule 1083 defines a "Protected Bid" or "Protected Offer" as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the Options Price Reporting Authority ("OPRA") Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. Once triggered, stop orders are treated as any other disseminated orders and would be displayed on OPRA.

16 See NYSE Arca, Inc. Rule 6.62-O. Stop Orders (including Stop Limit Orders) shall not have standing in any Order Process in the Consolidated Book and shall not be displayed. A QCC Order could trigger a Stop Order.

17 See Reg. NMS Rule 600(a)(42). National best bid and national best offer means, with respect to quotations for an NMS security, the best bid and best offer for such security that are calculated and disseminated on a current and continuing basis by a plan processor pursuant to an effective national market system plan; provided, that in the event two or more market centers transmit to the plan processor pursuant to such plan identical bids or offers for an NMS security, the best bid or best offer (as the case may be) shall be determined by ranking all such identical bids or offers (as the case may be) first by size (giving the highest

Offer" as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan;[18] and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. Non-Displayed Contingency Orders are not disseminated to OPRA and not part of the displayed PBBO. The Exchange notes that a Non-Displayed Contingency Order would never trade with the paired QCC Order. A stop order would not impact the execution of a QCC Order until the stop order is elected[19] by either the occurrence of a transaction or posting on the order book, at which point it would become a protected order and cause a rejection of the QCC Order provided it is a public customer order at the same price as the QCC Order and the price is at or between the NBBO. Today, an All-or-None Order would not cause a paired QCC Order to be automatically cancelled. The Exchange proposes to amend its current operation with respect to All-or-None Orders such that an All-or-None Order would cause a QCC Order to be automatically cancelled provided that the size of a QCC Order is greater than or equal to the size of the public customer All-or-None Order on the Exchange's limit order book and provided that the price of the public customer All-or-None Order locks or

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ranking to the bid or offer associated with the largest size), and then by time (giving the highest ranking to the bid or offer received first in time).

18 "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.

19 Stop orders are inactive until they are "elected." Stop orders are elected when either the bid (offer) is updated to a price equal to or greater (less) than the stop price of a Buy (Sell) Stop order or an execution on the Exchange occurs at a price equal to or greater (less) than the stop price of a Buy(Sell) stop order. Stop order election takes place at the end of the transaction that caused the election and at that time the stop order enters the book as a new market or limit order depending on the participant instructions. Note: stop orders that are "electable" upon entry are rejected.

crosses the QCC Order. Below are some examples:

Example 1: QCC cancels back when QCC size is greater than public customer all-or-none (represented as "AON" for purposes of the below examples)

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

Minimum Price Variation ("MPV"): Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer Order to Sell 5 @ $1.18

PBBO remains: $1.00 (10) x $1.20 (10)
PBBO (with AON): $1.00 (10) x $1.18 (5)

Enter single QCC for 1000 @ $1.19

QCC cancels back to participant due to public customer AON @ $1.18

Example 2: QCC trades through AON when QCC size is less than AON

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer order to Sell 5000 @ $1.18

PBBO remains: $1.00 (10) x $1.20 (10)
PBBO (with AON): $1.00 (10) x $1.18 (5000)

Enter single QCC for 1000 @ $1.19

QCC prints @ $1.19 (Note, the 5000 lot public customer AON cannot be satisfied by the 1000 lot QCC)

Example 3: QCC blocked by public customer order behind AON that could not be satisfied by QCC

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer order to Sell 5000 @ $1.18
Enter public customer Order to sell 1 @ $1.19

PBBO adjusts: $1.00 (10) x $1.19 (1)
PBBO (with AON): $1.00 (10) x $1.18 (5000)

Enter single QCC for 1000 @ $1.19

QCC cancels back to participant due to public customer order @ $1.19 (Note, the 5000 lot public customer AON cannot be satisfied by the 1000 lot QCC and therefore this does not cause the cancel)

Example 4: QCC cancels back due to AON that could be satisfied by QCC

The PBBO used in QCC entry price validation does include resting AON orders when they could be satisfied by size of the incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter AON public customer order to Sell 5@ $1.18
Enter public customer order to sell 1 @ $1.19

PBBO adjusts: $1.00 (10) x $1.19 (1)
PBBO (with AON): $1.00 (10) x $1.18 (5)

Enter single QCC for 1000 @ $1.19

QCC cancels back to participant due to public customer AON @ $1.18

Example 5: Stop Order triggered by incoming QCC

MPV: Penny
PBBO: $1.00 (10) x $1.20 (10)

Enter Stop-Limit order to sell 10 contracts with a Stop price of $1.18 and a limit price of $1.19

Enter single QCC for 1000 @ $1.18

QCC prints @ $1.18 since the QCC price is better than the NBBO. The $1.18 execution of the QCC causes the sell stop order to be elected. Election of the stop order causes the order to be entered onto the book offered at $1.19. PBBO updates to be $1.00 (10) x $1.19 (10).

With respect to stop orders, the Exchange's proposal does not expand how Non-Displayed Contingency Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to these non-protected order types. With the Exchange's proposal to amend the current handling of All-or-None Orders, if the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order, the QCC Order would be automatically cancelled[20] provided that the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order. A market participant that elects to enter an All-or-None Order is choosing to request that the order be executed only if a certain contingency is met. The Exchange provides market participants the opportunity to enter limit orders, which unlike All-or-None Orders, are protected and displayed. Market participants electing to utilize the All-or-None Order type will have no standing on the order book in relation to an incoming QCC Order because All-or-None Orders are not protected, unless the size of a public customer All-or-None Order could be satisfied by the size of the QCC Order, and provided that the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order. The Exchange believes that it provides market participants with an array of order types and allows market participants to determine the manner in which they would like to be executed.

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[20] The System would technically accept the order upon entry and then upon a review of the Order Book send a message to the market participant automatically cancelling an order because of the resting public customer All-or-None Order.

Repricing

Certain orders are repriced on Phlx because the order locks or crosses the ABBO.[21] With respect to Do-Not-Route or "DNR" Orders, where the best away market is at an inferior price level to the PBBO, the System will automatically re-price that order from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO.[22] With respect to the automatic re-pricing from its one minimum price variation inferior to the original away best bid/offer price the Exchange notes that other markets also re-price

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21 ABBO shall mean the away best bid or offer.

22 See Phlx Rule 1080(m)(iv)(A). Further, with respect to routable orders, the same repricing takes place for FIND and SRCH Orders.

A FIND Order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the PBBO price. If the FIND Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV away from the ABBO if locking or crossing the ABBO. See Phlx Rule 1080(m)(iv)(B).

A SRCH Order is a customer order that is routable at any time. A SRCH Order may trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the order book, the SRCH Order is eligible for routing if it is locked or crossed by an away market. See Phlx Rule 1080(m)(iv)(C).

orders to avoid locked and/or crossed markets,[23] and such repricing impacts the execution price of a QCC Order. The Exchange may have a quote or order that will not be displayed at its actual better price. For example, an order limit price may lock an away market, in which case the order is displayed one minimum increment away from the away market price but remains part of the Exchange's internal BBO[24] at the locking price. The Exchange is proposing to add newly proposed Rule 1088(a)(1) and current Rule 1064(e)(1) to make clear that the price of the QCC Order must be at or between not just the NBBO, but the better of the PBBO and the NBBO to immediately execute. The Exchange notes that it protects re-priced orders that are part of the Exchange's internal BBO at the locked pricing with an away market. This preserves the priority of interest which may be available at an internal price, internal BBO, which is better than the displayed PBBO and NBBO and permits executions only at prices which are at or better than the best price available. Repricing does not expand how QCC Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to how QCC Orders are handled when there are re-priced orders on the book which are available at a price better than the displayed PBBO and NBBO.

Public Customer

Specifying the term "public customer" in place of the term "customer" within the

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23 See Miami International Securities Exchange LLC ("MIAX") Rule 515(h)(2) which provides that if trading interest exists on the MIAX Book that is subject to the liquidity refresh pause or managed interest process pursuant to Rule 515(c), or a route timer pursuant to Rule 529 when the Exchange receives a Qualified Contingent Cross Order, the System will reject the Qualified Contingent Cross Order.

24 The words "internal BBO" refer to the actual better price of an order resting on Phlx's order book which is not displayed, but available for execution.

rule text will make clear the meaning of that term. For purposes of this rule change the term "public customer" shall mean a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14).

Cross-References

The Exchange proposes to update cross-references to Electronic QCC Orders within Rule 1080(o) within other Exchange rules to cite the new electronic rule.[25]

Implementation

The Exchange would implement the changes proposed herein prior to May 31, 2019. The Exchange would issue an Options Trader Alert announcing the exact date of implementation in advance.[26]

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[27] in general, and furthers the objectives of Section 6(b)(5) of the Act,[28] in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by amending the rule text relating to QCC Orders to correct and make clear the current rule text.

The Exchange believes that the amendments to add the word "electronic" in proposed Rule 1088(a) and the deletion of the word "PHLX" in proposed Rule 1088(a)(2) are non-substantive amendments which simply add specificity and conform

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25 See Phlx's Pricing Schedule at Section B and Phlx Rule 1064.

26 See Options Trader Alert 2018-47.

27 15 U.S.C. 78f(b).

28 15 U.S.C. 78f(b)(5).

the rule text, respectively. Further, the proposals to update the cross-references to Rule 1080(o) to proposed Rule 1088 will correct the citations within the Rulebook for accuracy.

The Exchange's proposal to add new Commentary .01 to Rule 1088 and new Commentary .03 to Rule 1064 for QCC Orders is consistent with the Act because the proposed functionalities are consistent with the public customer protection provisions Phlx provides when a QCC order is submitted to the System. The Exchange notes that Non-Displayed Contingency Order Types are distinct from other order types. The Exchange offers an array of order types which do not have similar limitations and would be protected orders and are displayed. Other markets have stop orders which require a triggering (or "electing") event prior to being protected.[29]

With respect to stop orders, the Exchange's proposal does not expand how Non-Displayed Contingency Orders are handled by the System, rather the Exchange is proposing to add transparency to its rules with respect to these non-protected order types. The proposal would clarify that stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of QCC Orders. With respect to All-or-None Orders, the Exchange's proposal to automatically cancel a QCC Order, provided the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order and the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order, is consistent with Act. Today, QCC Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's

29 See note 16 above.

limit order book and (ii) the price is at or between the better of the NBBO for all other order types, with the exception of All-or-None Orders. The Exchange is extending the same level of protection to public customer All-or-None Orders in the case of QCC Orders that today is provided to all other order types submitted by public customers.[30] By automatically cancelling a QCC Order with a size greater than or equal to the size of a resting public customer All-or-None Order, provided the QCC price locks or crosses the All-or-None Order, will cause those public customer All-or-None orders to be prioritized.

The Exchange's proposal to add rule text to make clear that with respect to Non-Displayed Contingency Orders, the price of the QCC Order must be at or between not just the NBBO, but the better of the internal PBBO and the NBBO to immediately execute adds more transparency to the Exchange's Rules. The Exchange notes that other markets also re-price orders to avoid locked and/or crossed markets,[31] and such repricing impacts the execution price of a QCC Order. The Exchange protects re-priced orders at their "actual" price rather than their displayed price which preserves the priority of interest which may be available at an internal price, internal BBO, which is better than the displayed PBBO and NBBO and permits executions only at prices which are at or better than the best price available and continues to facilitate the execution of qualified contingent trades, thereby benefitting the market as a whole. Repricing does not expand how QCC Orders are handled by the System. The proposed text adds transparency with respect to how QCC Orders are handled when there are re-priced orders on the book which are available at a price better than the displayed PBBO and NBBO.

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30 See note 6 above. Public customer priority existed at the adoption of Phlx's QCC Order functionality.

31 See note 23 above.

Finally, specifying the term “public customer” in place of the term “customer” within the rule text will make clear the meaning of that term.

B. <u>Self-Regulatory Organization’s Statement on Burden on Competition</u>

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 proposals to add the word “electronic” in proposed Rule 1088(a) and delete the word “PHLX” in proposed Rule 1088(a)(2) are non-substantive amendments which simply add specificity and conforms the rule text. The Exchange’s proposal to amend cross-references will bring greater clarity to the Exchange’s rules.

The Exchange’s proposal to describe how Non-Displayed Contingency Orders are handled by the System does not impose an undue burden on competition, rather the rule text adds transparency to the rules because it describes how these non-protected order types are handled. The Exchange’s proposal to automatically cancel a QCC Order, provided the size of a QCC Order is greater than or equal to the size of the resting public customer All-or-None Order and the price of the public customer All-or-None Order is the same as, or better than, the price of the QCC Order, does not impose an undue burden on competition because the Exchange will uniformly cancel all QCC Orders if there is a public customer All-or-None Order resting on the order book with eligible size. The Exchange is extending the same level of protection to public customer All-or-None Orders in the case of QCC Orders that today is provided to all other order types submitted by public customers and therefore uniformly prioritizing all public customer orders.

The Exchange’s proposal to add rule text to make clear that with respect to Non-Displayed Contingency Orders, the price of the QCC Order must be at or between not just the NBBO, but the better of the internal PBBO and the NBBO to immediately execute does not impose an undue burden on competition. This rule text adds more transparency to the Exchange's Rules. The Exchange notes that other markets also re-price orders to avoid locked and/or crossed markets,[32] and such repricing impacts the execution price of a QCC Order. Repricing does not expand how QCC Orders are handled by the System. The Exchange's proposal would add transparency to its rules with respect to how QCC Orders are handled when there are re-priced orders on the order book which are available at a price better than the displayed PBBO and NBBO. The Exchange uniformly reprices orders within the System. Specifying the term "public customer" in place of the term "customer" within the rule text will make clear the meaning of that term.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

[32] See note 23 above.

to Section 19(b)(3)(A)(iii) of the Act[33] and subparagraph (f)(6) of Rule 19b-4 thereunder.[34]

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 necessary or appropriate in the public interest, for the protection of investors, or 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-2019-07 on the subject line.

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33 15 U.S.C. 78s(b)(3)(A)(iii).

34 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 Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2019-07. 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-2019-07 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.[35]

Eduardo A. Aleman
Assistant Secretary

[35] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX Rules

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Rule 1064. Crossing, Facilitation and Solicited Orders

(a) – (d) No change.

(e)*Floor Qualified Contingent Cross*. A Floor Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Floor Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Options Floor Broker provided that (i) no public [C]customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the better of the PBBO and the NBBO.

(a) Floor Qualified Contingent Cross Orders shall be submitted into the System by Floor Brokers on the Floor via the Floor Broker Management System.

(b) Floor Qualified Contingent Cross Orders will be automatically [rejected]cancelled if they cannot be executed.

(c) Floor Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.

(2) Options Floor Brokers shall not enter Floor Qualified Contingent Cross Orders for their own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion. Options Floor Brokers must maintain books and records demonstrating that each Floor Qualified Contingent Cross Order was not entered for a prohibited account. Any Floor Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered for a prohibited account in violation of this Rule.

(3) The term “qualified contingent trade" shall have the same meaning set forth in Rule [1080(o)]1088(a)(3).

• • • ***Commentary:*** ------------------

.01 and **.02** No change.

.03 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of Floor QCC Orders. All-or-None Orders are not protected orders and are thus not considered for the acceptance or execution of Floor QCC Orders, except that an incoming Floor QCC Order with a size greater than or equal to the size of a resting public customer All-or-None Order would cause the QCC Order to be automatically cancelled provided the QCC price locks or crosses the All-or-None Order.

* * * * *

Rule 1080. Phlx

(a) – (n)

[(o) **Qualified Contingent Cross Order.**

A Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the NBBO.

(a) Qualified Contingent Cross Orders will be automatically rejected if they cannot be executed.

(b) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.

(2) Qualified Contingent Cross Orders shall only be submitted electronically from off the Floor to the PHLX System. Order Entry Firms must maintain books and records demonstrating that each Qualified Contingent Cross Order was routed to the Exchange System from off of the Floor. Any Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered from on the Floor in violation of this Rule.

(3) A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

(a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;

(b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(c) the execution of one component is contingent upon the execution of all other components at or near the same time;

(d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

(p) Reserved.]

••• ***Commentary:*** ------------------

.01 - .08 No change.

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Rule 1088. [Reserved]**<u>Qualified Contingent Cross Order</u>**

<u>(a) A Qualified Contingent Cross Order is comprised of an originating electronic order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.</u>

<u>(1) Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no public customer orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the better of the PBBO and the NBBO.</u>

<u>(A) Qualified Contingent Cross Orders will be automatically cancelled if they cannot be executed.</u>

<u>(B) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.</u>

(2) Qualified Contingent Cross Orders shall only be submitted electronically from off the Floor to the System. Order Entry Firms must maintain books and records demonstrating that each Qualified Contingent Cross Order was routed to the Exchange System from off of the Floor. Any Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered from on the Floor in violation of this Rule.

(3) A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

(A) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;

(B) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(C) the execution of one component is contingent upon the execution of all other components at or near the same time;

(D) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(E) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(F) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

••• ***Commentary:*** ------------------

.01 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of QCC Orders. All-or-None Orders are not protected orders and are thus not considered for the acceptance or execution of QCC Orders, except that an incoming QCC Order with a size greater than or equal to the size of a resting public customer All-or-None Order would cause the QCC Order to be automatically cancelled provided the QCC price locks or crosses the All-or-None Order.

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NASDAQ PHLX LLC PRICING SCHEDULE

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B. Customer Rebate Program

The Customer Rebate Tiers described below will be calculated by totaling Customer volume in Multiply Listed Options (including SPY) that are electronically-delivered and executed, except volume associated with electronic QCC Orders, as defined in Exchange Rule [1080(o)]1088. Rebates will be paid on Customer Rebate Tiers according to the below categories. Members and member organizations under Common Ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Affiliated Entities may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates.

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II. Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed)

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• QCC Transaction Fees for a Specialist, Market Maker, Firm and Broker-Dealer are $0.20 per contract. Customers and Professionals are not assessed a QCC Transaction Fee. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule [1080(o)]1088, and Floor QCC Orders, as defined in 1064(e). A rebate, as specified in the below QCC Rebate Schedule, will be paid for all qualifying executed QCC Orders, as defined in Exchange Rule [1080(o)]1088 and Floor QCC Orders, as defined in 1064(e), except where the transaction is either: (i) Customer-to- Customer; (ii) Customer-to-Professional, (iii) Professional-to-Professional or (iv) a dividend, merger, short stock interest or reversal or conversion strategy execution (as defined in Section II).

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