OMB APPROVAL	
OMB Number:	3235-0045
Estimated average burden hours per response............38	

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

File No.* SR - 2020 - * 20

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

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

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

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

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

Exhibit 2 Sent As Paper Document ▣

Exhibit 3 Sent As Paper Document ▣

Description

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

A proposal to amend Phlx Rules at Options 3, Section 8, titled Options Opening Process

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   04/14/2020

By   John Zecca

(Name *)

(Title *)

EVP and Chief Legal Counsel

john.zecca@nasdaq.com

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

[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 ("Commission") a proposal to amend Phlx

Rules at Options 3, Section 8, titled "Options Opening Process."

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 of the Exchange (the "Board")

on September 25, 2019. 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 proposes to amend Phlx Rules at Options 3, Section 8, titled "Options Opening Process." The proposal seeks to amend aspects of the current functionality of the Exchange's System regarding the opening of trading in an option series. Each amendment is described below.

Definitions

The Exchange proposes to define the term "imbalance" at proposed Options 3, Section 8(a)(xi) as the number of unmatched contracts priced through the Potential Opening Price. The Exchange believes that the addition of this defined term will bring greater clarity to the manner in which the term "imbalance" is defined within the System. This description is consistent with the current System operation. This is a non-substantive rule change. In conjunction with this rule change, the Exchange proposes to remove the text within Options 3, Section 8(k)(A) which seeks to define an imbalance as an unmatched contracts. The Exchange is proposing a description which is more specific than this rule text and is intended to bring greater clarity to the term "imbalance."

Eligible Interest

The Exchange proposes to amend Options 3, Section 8(b)(ii) to amend the current phrase, "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 Options 3, Section 10." The Exchange proposes to instead provide, "The System will allocate interest pursuant to Options 3, Section 10." The Exchange is proposing this amendment because Options 3, Section 10 explains how the Exchange will aggregate the

size of all eligible interest for a particular participant category at a particular price level

and the citation to that rule will provide that detail.

All-or-None Orders

The Exchange proposes to amend Options 3, Section 8(b) to remove the phrase

"that can be satisfied" in relation to All-or-None Orders.[3] The Exchange notes that all

All-or-None Orders are considered for execution and in determining the Opening Price

throughout the Opening Process. At this point in the Opening Process the Exchange

would be unable to determine which All-or-None Orders could be satisfied, so all All-or-

None Orders are eligible.

Similarly, the Exchange proposes to amend Options 3, Section 8(h) to remove the

phrase "except All-or-None interest that cannot be satisfied." The Exchange proposes to

instead provide, "To calculate the Potential Opening Price, the System will take into

consideration all Valid Width Quotes and orders (including Opening Sweeps, including

All-or-None interest, for the option series and identify the price at which the maximum

number of contracts can trade ("maximum quantity criterion")." Similarly, for purposes

of determining the Potential Opening Price, the Exchange will consider all All-or-None

interest because the Exchange would be unable to determine which All-or-None Orders

could be satisfied until the Opening Process concludes.

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[3]   An All-or-None Order is a limit order or market order that is to be executed in its
        entirety or not at all. 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 Options
        3, Section 15(a) is not applied to All-Or-None Orders. See Options 3, Section
        7(b)(5).

Valid Width Quotes

The Exchange proposes to amend the requirements for Phlx Electronic Market

Makers[4] to enter Valid Width Quotes within Options 3, Section 8(d). Today, a Lead

Market Maker is required to enter a Valid Width Quote 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 opening 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. Alternatively, the Valid Width Quote of at least two Phlx

Electronic Market Makers other than a Lead Market Maker entered within the above-

referenced timeframe would also open an option series. Finally, if neither the Lead

Market Maker's Valid Width Quote nor the Valid Width Quotes of two Phlx Electronic

Market Makers have been submitted within such timeframe, one Phlx Electronic Market

Maker may submit a Valid Width Quote to open the options series.

The Exchange proposes to amend the requirement to submit Valid Width Quotes

in an effort to streamline its current process. The Exchange proposes to continue to

require a Lead Market Maker to submit a Valid Width Quote, but also would permit the

Valid Width Quote of one Phlx Electronic Market Maker other than the Lead Market

Maker to open an option series without waiting for the two minute timeframe described

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[4]   Phlx Electronic Market Makers are defined with Options 3, Section 8 as a Lead
        Market Maker, Streaming Quote Trader ("SQT") or Remote SQT ("RSQT") who
        is required to submit two sided electronic quotations pursuant to Options 2,
        Section 5.

above to conclude. This effectively would take the 2 step process for accepting quotes to

a one step process. The Exchange believes this proposal would allow the market to open

more efficiently as well as enable greater participation by SQTs and RSQTs in the

Opening Process. As is the case today, Lead Market Makers are required to ensure each

option series to which it is appointed is opened each day by submitting a Valid Width

Quote.[5] Moreover, a Lead Market Maker has continuing obligations to quote intra-day

pursuant to Options 2, Section 5.

    Potential Opening Price

    The Exchange proposes to amend Options 3, Section 8(h) to add an introductory

sentence to the Potential Opening Process paragraph which provides, "The Potential

Opening Price indicates a price where the System may open once all other Opening

Process criteria is met." This paragraph is not intended to amend the function of the

Opening Process, rather it is intended to provide context to the process and describe a

Potential Opening Price within Options 3, Section 8(h). This is a non-substantive

amendment.

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[5]   Options 3, Section 8(d)(iii) provides, "The Lead Market Maker assigned in a
        particular equity or index option must enter a Valid Width Quote, in 90% of their
        assigned series, not later than one minute following the dissemination of a quote
        or trade by the market for the underlying security or, in the case of index options,
        following the receipt of the opening price in the underlying index. The Lead
        Market Maker assigned in a particular U.S. dollar-settled FCO must enter a Valid
        Width Quote, in 90% of their assigned series, not later than 30 seconds after the
        announced market opening. The Lead Market Maker must promptly enter a Valid
        Width Quote in the remainder of their assigned series, which did not open within
        one minute following the dissemination of a quote or trade by the market for the
        underlying security or, in the case of index options, following the receipt of the
        opening price in the underlying index or, with respect to a U.S. dollar-settled
        FCO, following the announced market opening."

An amendment is proposed to Options 3, Section 8(h)(C) to replace the words "Potential Opening Price calculation" with the more defined term "Opening Price." The Opening Price is defined within Options 3, Section 8(a)(iii) and provides, "The Opening Price is described herein in sections (i) and (k)." The Exchange notes that "Opening Price" is the more accurate terms that represents current System functionality as compared to Potential Opening Price. Options 3, Section 8(h)(C) provides that the Potential Opening Price calculation is bounded by the better away market price that may not be satisfied with the Exchange routable interest." In fact, the Opening Price is bounded by the better away market price that may not be satisfied with the Exchange routable interest pursuant to sections (i) and (k). The Potential Opening Price indicates a price where the System may open once all other Opening Process criteria is met. The Potential Opening Price is a less accurate term and the Exchange proposes to utilize the more precise term by changing the words in this sentence to "Opening Price" for specificity. This amendment is not substantive, rather it is clarifying.

Opening Quote Range

The Exchange proposes to add a sentence to Options 3, Section 8(j) to describe the manner in which the Opening Quote Range or "OQR" is bound. The Exchange proposes to provide, "OQR is constrained by the least aggressive limit prices within the broader limits of OQR. The least aggressive buy order or Valid Width Quote bid and least aggressive sell order or Valid Width Quote offer within the OQR will further bound the OQR." The Exchange previously described[6] the OQR as an additional type of boundary beyond the boundaries mentioned in Options 3, Section 8 at proposed

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[6]   See Securities Exchange Commission Release No. 78408 (July 25, 2016), 81 FR 50026 (July 29, 2016) (SR-Phlx-2016-76).

paragraph (i). OQR is intended to limit the Opening Price to a reasonable, middle ground

price and thus reduce the potential for erroneous trades during the Opening Process.

Although the Exchange applies other boundaries such as the Best Bid or Best Offer

("BBO"), the OQR is outside of the BBO. It is meant to provide a price that can satisfy

more size without becoming unreasonable. The Exchange proposes to add rule text

within Options 3, Section 8 to describe the manner in which today OQR is bound. This

proposed amendment does not change the manner in which Phlx's System operates

today. The Exchange believes that this rule text will bring greater transparency to the

manner in which the Exchange arrives at an Opening Price. Below is an example of the

manner in which OQR is constrained.

Assume the below pre-opening interest:

Lead Market Maker quotes 4.10 (100) x 4.20 (50)
Order1: Public Customer Buy 300 @ 4.39
Order2: Public Customer Sell 50 @ 4.13
Order3: Public Customer Sell 5 @ 4.37
Opening Quote Range configuration in this scenario is +/- 0.18

9:30 a.m. events occur, underlying opens
First imbalance message: Buy imbalance @ 4.20, 100 matched, 200 unmatched
Next 4 imbalance messages: Buy imbalance @ **4.37**, 105 matched, 195 unmatched
Potential Opening Price calculation would have been 4.20 + 0.18 = 4.38, but OQR is
further bounded by the least aggressive Sell order @ 4.37

Order1 executes against Order2 50 @ 4.37
Order1 executes against Lead Market Maker quote 50 @ 4.37
Order1 executes against Order3 5 @ 4.37
Remainder of Order1 cancels as it is through the Opening Price
Lead Market Maker quote purges as its entire offer side volume has been exhausted

Similarly, the Exchange proposes to amend Options 3, Section 8(j)(3) which

currently provides, "If one or more away markets are disseminating a BBO that is 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 each other or the ABBO:". The Exchange proposes to instead

state, "If one or more away markets are disseminating a BBO that is 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 *cross*

each other or are marketable against the ABBO:". The proposed language more

accurately describes the current Opening Process. Valid Width Quotes are not routable

and would not execute against the ABBO. This rule text is more specific than

"executable against each other." A similar change is also proposed to Options 3, Section

8(j)(4) to replace the words "are executable against" with "cross". The Exchange

believes that the amended rule text adds greater transparency to the Opening Process.

These are non-substantive amendments.

The Exchange proposes to make a non-substantive change to amend Options 3,

Section 8(j)(7) to amend the last sentence to change the phrase "consider routable" with

"route routable." The Exchange also proposes to replace the phrase "in price/time

priority to satisfy the away market" with the citation to Options 3, Section 10(a)(1)(A)

which describes price/time priority within Options 3, Section 8(j)(7). This is a non-

substantive amendment which is intended to bring greater clarity to the Exchange's

Rules.

Price Discovery Mechanism

The Exchange proposes to add new rule text to Options 3, Section 8(k)(A)(1) to

describe the information conveyed in an Imbalance Message. The Exchange proposes to

provide at Options 3, Section 8(k)(A)(1),

> An Imbalance Message will be disseminated showing a "0" volume and a
> $0.00 price if: (i) no executions are possible but routable interest is priced

at or through the ABBO; (ii) internal quotes are crossing each other; or (iii) there is a Valid Width Quote, but there is no Quality Opening Market. Where the Potential Opening Price is through the ABBO, an imbalance message will display the side of interest priced through the ABBO.

This rule text is consistent with the current operation of the System. The purpose of this proposed text is to provide greater information to market participants to explain the information that is being conveyed when an imbalance message indicates "0" volume. The Exchange believes that explaining the potential scenarios which led to the dissemination of a "0" volume, such as (i) when no executions are possible and routable interest is priced at or through the ABBO; (ii) internal quotes are crossing; and (iii) there is a Valid Width Quote, but there is no Quality Opening Market, will provide greater detail to the potential state of the interest available. The Exchange further clarifies in this new rule text, "Where the Potential Opening Price is through the ABBO, an imbalance message will display the side of interest priced through the ABBO." The Exchange believes that this proposed text will bring greater transparency to the information available to market participants during the Opening Process.

The Exchange proposes to amend Options 3, Section 8(k)(C)(2) to remove the phrase "at the Opening Price" within the paragraph. The current second sentence of paragraph 8(j)(3)(B) states, "If during the Route Timer, interest is received by the System which would allow the Opening Price to be within OQR without trading through 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 at the Opening Price and the Route Timer will simultaneously end." The Exchange proposes to remove the words "at the Opening Price" because while anything traded on Phlx would be at the Opening Price, the trades that are routed away would be at an ABBO price

which may differ from the Phlx Opening Price. To avoid any confusion, the Exchange is amending the sentence to remove the reference to the Opening Price. In addition, the Exchange proposes to add the phrase "and orders" to Options 3, Section 8(k)(C)(2) which currently only references quotes. During the Price Discovery Mechanism, both quotes and orders are considered.

The Exchange proposes to amend the last sentence of Options 3, Section 8(k)(C)(5) to add the phrase "if consistent with the Member's instructions" to the end of the paragraph at Options 3, Section 8(k)(C)(5) to make clear that the instructions provided by a member in terms of order types and routing would be applicable to interest entered during the Opening Process which remains eligible for intra-day trading. This amendment brings greater clarity to the Exchange's Rules.

The Exchange proposes to add an introductory phrase to Options 3, Section 8(k)(D) which provides, "Pursuant to Options 3, Section 8(k)(C)(6)…" the System will 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 disseminate the re-priced DNR Order as part of the new PBBO." The addition of this sentence is intended to provide a transition from the prior paragraph relating to the routing of orders. The Exchange opens and routes simultaneously during its Opening Process. This sentence is being added to indicate that at this stage in the Opening Process, routable interest would have routed. The manner in which the System will handle orders marked with the instruction "Do Not Route" ("DNR Orders") is described in Options 3, Section 8(k)(D). This rule text is consistent with the behavior of the System. This non-substantive amendment is intended to add greater

clarity to the Exchange's Rules. The Exchange also proposes to add a hyphen to the

word " re-price" in this paragraph.

The Exchange proposes to add a new paragraph at Options 3, Section 8(k)(G)

which provides, "Remaining contracts which are not priced through the Exchange

Opening Price after routing a number of contracts to satisfy better priced away contracts

will be posted to the Order Book at the better of the away market price or the order's

limit price." The Exchange notes that this paragraph describes current System behavior.

This rule text accounts for orders which have routed away and returned unsatisfied and

also accounts for interest that remain unfilled during the Opening Process, provided it

was not priced through the Opening Price. This sentence is being included to account for

the manner in which all interest is handled and how certain interest rests on the order

book once the Opening Process is complete. The Exchange notes that the posted interest

will be priced at the better of the away market price or the order's limit price. This

additional clarity will bring greater transparency to the Rules and is consistent with the

Exchange's current System operation. The Exchange believes that this detail will

provide market participants with all possible scenarios that may occur once Phlx opens an

options series.

Opening Process Cancel Timer

The Exchange proposes to adopt an Opening Process Cancel Timer within

Options 3, Section 8(l), similar to The Nasdaq Options Market LLC's ("NOM") and

Nasdaq BX, Inc's ("BX") Rules at Options 3, Section 8(c).[7] The Exchange proposes to

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[7]   NOM Options 3, Section 8(c) provides, "Absence of Opening Cross. If an
        Opening Cross in a symbol is not initiated before the conclusion of the Opening
        Process Cancel Timer, a firm may elect to have orders returned by providing

add a process whereby if an options series has not opened before the conclusion of the

Opening Process Cancel Timer, a member may elect to have orders returned by providing

written notification to the Exchange. The Opening Process Cancel Timer would be

established by the Exchange and posted on the Exchange's website. Similar to NOM and

BX, orders submitted through FIX with a TIF of Good-Till-Canceled[8] or "GTC" may not

be cancelled. Phlx has monitored the operation of the Opening Process to identify

instances where market efficiency can be enhanced. The Exchange believes that

adopting a cancel timer similar to NOM and BX will increase the efficiency of Phlx's

Opening Process. This provision would provide for the return of orders for un-opened

options symbols. This enhancement will provide market participants the ability to elect

to have orders returned, except for non-GTC orders, when options do not open. It

provides members with choice about where, and when, thy can send orders for the

opening that would afford them the best experience. The Exchange believes that this

additional feature will attract additional order flow to the Exchange. The proposed

changes should prove to be very helpful to market participants, particularly those that are

involved in adding liquidity during the Opening Cross. These proposed enhancements

will allow Phlx to continue to have a robust Opening Process.

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written notification to the Exchange. These orders include all non GTC orders received over the FIX protocol. The Opening Process Cancel Timer represents a period of time since the underlying market has opened, and shall be established and disseminated by Nasdaq on its website." BX Options 3, Section 8 is worded similarly.

[8]   A Good Til Cancelled ("GTC") Order entered with a TIF of GTC, if not fully executed, will remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. GTC Orders shall be available for entry from the time prior to market open specified by the Exchange until market close.. See Options 3, Section 7(c)(4).

Implementation

The Exchange proposes to implement the amendments proposed herein prior to Q3 2020. The Exchange will issue an Options Trader Alert announcing the date of implementation.

b.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[9] in general, and furthers the objectives of Section 6(b)(5) of the Act,[10] in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by enhancing its Opening Process. The Exchange believes that the proposed changes significantly improve the quality of execution of Phlx's opening.

Definitions

The Exchange's proposal to define the term "imbalance" at proposed Options 3, Section 8(a)(xi) and remove the text within Options 3, Section 8(j)(1), which seeks to define an imbalance as an unmatched contract, will bring greater clarity to the manner in which the term "imbalance" is defined within the System. This is a non-substantive rule change and represents current System functionality. Today, the term "imbalance" is simply defined as unmatched contracts. The proposed definition is more precise in its representation of the current System functionality.

Eligible Interest

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[9]   15 U.S.C. 78f(b).

[10]   15 U.S.C. 78f(b)(5).

The Exchange's proposal to amend Options 3, Section 8(b)(ii) to amend the

current phrase, "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

Options 3, Section 10" to instead provide, "The System will allocate interest pursuant to

Options 3, Section 10" will bring greater clarity to the rule text. The Exchange is

proposing this amendment because Options 3, Section 10 explains how the Exchange will

aggregate the size of all eligible interest for a particular participant category at a

particular price level and the citation to that rule will provide that detail.

All-or-None Orders

The Exchange's proposal to amend Options 3, Section 8(b) to remove the phrase

"that can be satisfied" in relation to All-or-None Orders and to amend Options 3, Section

8(h) to remove the phrase "except All-or-None interest that cannot be satisfied" are

consistent with the Act. The Exchange would include all All-or-None Orders as eligible

interest and also consider all All-or-None Orders for purposes of determining the

Potential Opening Price, because the Exchange would be unable to determine which All-

or-None Orders could be satisfied.

Valid Width Quotes

The Exchange's proposal to amend the requirements within Options 3, Section

8(d) for Phlx Electronic Market Makers to enter Valid Width Quotes by permitting the

Valid Width Quote of one Phlx Electronic Market Maker other than the Lead Market

Maker to open an option series without waiting for the two minute timeframe is

consistent with the Act. This proposal would allow the market to open more efficiently

as well as enable greater participation by Phlx Electronic Market Makers in the Opening

Process. A Lead Market Maker has continuing obligations to quote throughout the

trading day pursuant to Options 2, Section 5. In addition, Lead Market Makers are

required to ensure each option series to which it is appointed is opened each day Phlx is

open for business by submitting a Valid Width Quote. [11] Primary Market Makers will

continue to remain responsible to open an options series, unless it is otherwise opened by

a Competitive Market Maker. A Competitive Market Maker also has obligations to quote

intra-day, once they commence quoting for that day.[12] The Exchange notes if Electronic

Market Makers entered quotes during the Opening Process to open an option series, those

quote must qualify as Valid Width Quotes. This ensures that the quotations that are

entered are in alignment with standards that help ensure a quality opening. The

Exchange believes that allowing one Electronic Market Maker to enter a quotation

continues to protect investors and the general public because the Electronic Market

Maker will be held to the same standard for entering quotes as a Lead Market Maker and

the process will also ensure an efficient and timely opening, while continuing to hold

Lead Market Makers responsible for entering Valid Width Quotes during the Opening

Process.

    Potential Opening Price

    The Exchange's proposal to amend Options 3, Section 8(h) to add an introductory

sentence to the Potential Opening Process which provides, "The Potential Opening Price

indicates a price where the System may open once all other Opening Process criteria is

met," is consistent with the Act. This paragraph is not intended to amend the current

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[11]   See note 5 above.

[12]   See Options 2, Section 5.

function of the Opening Process, rather it is intended to provide context to the process described within Options 3, Section 8(h). The Opening Price is bounded by the better ABBO in this case. This rule text is consistent with the current operation of the System. This is a non-substantive amendment.

Similarly, the proposed amendment to Options 3, Section 8(h)(C) to replace "Potential Opening Price calculation" with the more accurate defined term "Opening Price" will bring greater clarity to the Exchange's Rule. This amendment is not substantive.

Opening Quote Range

The Exchange's proposal to add a sentence to Options 3, Section 8(j) to describe the manner in which the OQR is bound will bring greater clarity to the manner in which OQR is calculated. OQR is an additional type of boundary beyond the boundaries mentioned within the Opening Process rule. The System will calculate an OQR for a particular option series that will be utilized in the Price Discovery Mechanism if the Exchange has not opened, pursuant to the provisions in Options 3, Section 8(d)-(i). OQR would broaden the range of prices at which the Exchange may open to allow additional interest to be eligible for consideration in the Opening Process. OQR is intended to limit the Opening Price to a reasonable, middle ground price and thus reduce the potential for erroneous trades during the Opening Process. Although the Exchange applies other boundaries such as the BBO, the OQR provides a range of prices that may be able to satisfy additional contracts while still ensuring a reasonable Opening Price. More specifically, the Exchange's Opening Price is bounded by the OQR without trading through the limit price(s) of interest within OQR, which is unable to fully execute at the

Opening Price in order to provide participants with assurance that their orders will not be

traded through. The Exchange seeks to execute as much volume as is possible at the

Opening Price. The Exchange's method for determining the Potential Opening Price and

Opening Price is consistent with the Act because the proposed process seeks to discover a

reasonable price and considers both interest present in System as well as away market

interest. The Exchange's method seeks to validate the Opening Price and avoid opening

at aberrant prices. The rule provides for opening with a trade, which is consistent with

the Act because it enables an immediate opening to occur within a certain boundary

without the need for the price discovery process. The boundary provides protections

while still ensuring a reasonable Opening Price. The Exchange's proposal protects

investors and the general public by more clearly describing how the boundaries are

handled by the System. This proposed amendment does not change the manner in which

Phlx's System operates today. The Exchange believes that this rule text will bring

greater transparency to the manner in which the Exchange arrives at an Opening Price.

The Exchange's proposal to amend Options 3, Section 8(j)(3) to replace the

phrase "that are executable against each other or the ABBO:" with "that *cross each other*

or are marketable against the ABBO:" will more accurately describe the current Opening

Process. Valid Width Quotes are not routable and would not execute against the ABBO.

This rule text is more specific than "executable against each other." The Exchange

believes that this rule text adds greater transparency to the Opening Process. This is a

non-substantive amendment.

The Exchange's proposal to amend the phrase "consider routable" to "route

routable" and replacing the phrase "in price/time priority to satisfy the away market" with

the citation to Options 3, Section 10(a)(1)(A), which describes price/time priority within

Options 3, Section 8(j)(7), are non-substantive rule changes. These proposals will add

greater clarity to the Exchange's Rules.

Price Discovery Mechanism

The Exchange's proposal to add new rule text at Options 3, Section 8(k)(A)(1) to

describe the current operation of the System with respect to imbalance messages is

consistent with the Act. The propose of this proposed text is to provide greater

information to market participants to explain the information that is being conveyed when

an imbalance message indicates "0" volume. An imbalance process is intended to attract

liquidity to improve the price at which an option series will open, as well as to maximize

the number of contracts that can be executed on the opening. This process will only

occur if the Exchange has not been able to otherwise open an option series utilizing the

other processes available in Options 3, Section 8. The Imbalance Timer is intended to

provide a reasonable time for participants to respond to the Imbalance Message before

any opening interest is routed to away markets and, thereby, maximize trading on the

Exchange. The Exchange believes that the proposed rule text provides market

participants with additional information as to the imbalance message. The following

potential scenarios, which may lead to the dissemination of a "0" volume, include (1)

when no executions are possible and routable interest is priced at or through the ABBO:

(2) internal quotes are crossing; and (3) there is a Valid Width Quote, but there is no

Quality Opening Market. The Exchange believes adding this detail will provide greater

information as to the manner in which Imbalance Messages are disseminated today. The

Exchange's process of disseminating zero imbalance messages is consistent with the Act

because the Exchange is seeking to identify a price on the Exchange without routing

away, yet which price may not trade through another market and the quality of which is

addressed by applying the OQR boundary. Announcing a price of zero will permit

market participants to respond to the Imbalance Message, which interest would be

considered in determining a fair and reasonable Opening Price.

The Exchange's proposal to amend Options 3, Section 8(k)(C)(2) to remove the

phrase "at the Opening Price" within the paragraph is consistent with the Act because

removing the current phrase will avoid confusion. The Exchange notes that anything

traded on Phlx would be at the Opening Price, the trades that are routed away would be at

an ABBO price which differs from the Phlx Opening Price. To avoid any confusion the

Exchange is amending the sentence to remove the reference to the Opening Price. In

addition, the Exchange proposes to add the phrase "and orders" to Options 3, Section

8(j)(3)(B) which currently only references quotes. During the Price Discovery

Mechanism both quotes and orders are considered.

The Exchange's proposal to amend the last sentence of Options 3, Section

8(k)(C)(5) to amend the phrase "Any unexecuted contracts" to "Any unexecuted

interest" will make clear that this includes orders, quotes and sweeps. The Exchange's

proposal to add the phrase "if consistent with the Member's instructions" to the end of

the paragraph at Options 3, Section 8(k)(C)(5) will make clear that the instructions

provided by a member in terms of order types and routing would be applicable to interest

entered during the Opening Process which remains eligible for intra-day trading. This

proposal is consistent with the Act and will add greater clarity to the Exchange's Rules.

The Exchange's proposal to add an introductory phrase to Options 3, Section 8(k)(D) which provides, "Pursuant to Options 3, Section 8(k)(C)(6)," is consistent with the Act. The prior paragraph, Options 3, Section 8(k)(C)(6), describes how the System executes and routes orders. This introductory sentence is being added as a transition from the prior paragraph at Options 3, Section 8(k)(C)(6), relating to the routing of orders. All routable interest would have routed and non-routable interest, which does not route, is subsequently described. This introductory paragraph is meant to be informative. This non-substantive amendment is consistent with the Act because it adds greater clarity to the Exchange's Rules.

The Exchange's proposal to add a new paragraph at Options 3, Section 8(k)(G) which provides, "Remaining contracts which are not priced through the Exchange Opening Price after routing a number of contracts to satisfy better priced away contracts will be posted to the Order Book at the better of the away market price or the order's limit price," will bring greater transparency to the handling of orders once an option series is opened for trading. After away interest is cleared by routable interest and the opening cross has occurred, DNR Orders are handled by the System. DNR Order interest will rest on the Order Book, provided it was not priced through the Opening Price. This rule text accounts for orders which have routed away and returned to Phlx unsatisfied and also accounts for interest that remains unfilled during the Opening Process, provided it was not priced through the Opening Price. The Exchange notes that the posted interest will be priced at the better of the away market price or the order's limit price. This additional clarity will protect investors and the general public by adding greater transparency to the Exchange's current System operation by explaining how all interest is

handled during the Opening Process. The Exchange believes that this detail will provide

market participants with all possible scenarios that may occur once Phlx opens its options

series. This amendment represents the System's current function.

Opening Process Cancel Timer

The Exchange's proposal to adopt an Opening Process Cancel Timer within

Options 3, Section 8(l), similar to NOM's and BX's Rules at Options 3, Section 8(c) is

consistent with the Act. The Exchange's proposal to add a process whereby if an options

series has not opened before the conclusion of the Opening Process Cancel Timer, a

member may elect to have orders returned by providing written notification to the

Exchange is consistent with the Act. Phlx believes that this amendment will promote just

and equitable principles of trade and to protect investors and the public interest by

enhancing its Opening Process. Adopting a cancel timer similar to NOM and BX will

increase the efficiency of Phlx's Opening Process by providing Members with the ability

to elect to have orders returned, except for non-GTC orders. This functionality provides

members with choice, when symbols do not open, about where, and when, they can send

orders for the opening that would afford them the best experience. The Exchange

believes that this additional feature will attract additional order flow to the Exchange.

The proposed changes should prove to be very helpful to market participants, particularly

those that are involved in adding liquidity during the Opening Cross. These proposed

enhancements will allow Phlx to continue to have a robust Opening Process.

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. While the Exchange does not believe that the proposal should have any direct

impact on competition, it believes the proposal will enhance the Opening Process by making it more efficient and beneficial to market participants. Moreover, the Exchange believes that the proposed amendments will significantly improve the quality of execution of Phlx's Opening Process. The proposed amendments provide market participants more choice about where, and when, they can send orders for the opening that would afford them the best experience. The Exchange believes that this should attract new order flow.

Definitions

With respect to the amendment to the definition of "imbalance" at proposed Options 3, Section 8(a)(xi) as the number of unmatched contracts priced through the Potential Opening Price. The Exchange believes that the addition of this defined term will bring greater clarity to the manner in which the term "imbalance" is defined within the System. This description is consistent with the current System operation. This is a non-substantive rule change.

Eligible Interest

The Exchange's proposal to amend Options 3, Section 8(b)(ii) will bring greater clarity to the rule text. This proposal does not impose an undue burden on competition. The Exchange is proposing this amendment because Options 3, Section 10 explains how the Exchange will aggregate the size of all eligible interest for a particular participant category at a particular price level and the citation to that rule will provide that detail.

All-or-None Orders

The Exchange's proposal to amend Options 3, Section 8(b) to remove the phrase "that can be satisfied" in relation to All-or-None Orders and to amend Options 3, Section

8(h) to remove the phrase "except All-or-None interest that cannot be satisfied" does not impose an undue burden on competition. The Exchange would include all All-or-None Orders as eligible interest and also consider all All-or-None Orders for purposes of determining the Potential Opening Price, because the Exchange would be unable to determine which All-or-None Orders could be satisfied. Only Public Customers may submit All-or-None Orders.[13]

Valid Width Quotes

The Exchange's proposal to amend the requirements within Options 3, Section 8(d) for Phlx Electronic Market Makers to enter Valid Width Quotes by permitting the Valid Width Quote of one Phlx Electronic Market Maker other than the Lead Market Maker to open an option series without waiting for the two minute timeframe does not impose an undue burden on competition. This proposal would allow the market to open more efficiently as well as enable greater participation by Phlx Electronic Market Makers in the Opening Process. Lead Market Makers continue to remain obligated to open their appointed options series. Electronic Market Maker may participate in the Opening Process, as is the case today, provided they enter Valid Width Quotes, which is intended to ensure a quality opening. The Exchange does not believe this proposal would burden the ability of market participants who enter quotes to participate in the Opening Process.

Potential Opening Price

The Exchange's proposal to amend Options 3, Section 8(h) to add an introductory sentence to the Potential Opening Process does not impose an undue burden on competition. This paragraph is not intended to amend the current function of the

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[13]   See note 3 above.

Opening Process, rather it is intended to provide context to the process described within

Options 3, Section 8(h). The Opening Price is bounded by the better ABBO in this case.

This rule text is consistent with the current operation of the System. This is a non-

substantive amendment.

Similarly, the proposed amendment to Options 3, Section 8(h)(C) to replace

"Potential Opening Price calculation" with the more accurate defined term "Opening

Price" will bring greater clarity to the Exchange's Rule. This amendment is not

substantive.

Opening Quote Range

The Exchange's proposal to add a sentence to Options 3, Section 8(j) to describe

the manner in which the OQR is bound does not impose an undue burden on competition.

OQR is intended to limit the Opening Price to a reasonable, middle ground price and thus

reduce the potential for erroneous trades during the Opening Process. The Exchange's

method seeks to validate the Opening Price and avoid opening at aberrant prices for the

protection of all investors. This proposed amendment does not change the manner in

which Phlx's System operates today. The Exchange believes that this rule text will bring

greater transparency to the manner in which the Exchange arrives at an Opening Price.

The Exchange's proposal to amend Options 3, Section 8(j)(3) to replace the

phrase "that are executable against each other or the ABBO:" with "that *cross each other

or are marketable against* the ABBO:" does not impose an undue burden on competition,

rather, this proposal will more accurately describe the current Opening Process. Valid

Width Quotes are not routable and would not execute against the ABBO. This rule text is

more specific than "executable against each other." The Exchange believes that this rule

text adds greater transparency to the Opening Process. This is a non-substantive amendment.

The Exchange's proposal to amend the phrase "consider routable" to "route routable" and replacing the phrase "in price/time priority to satisfy the away market" with the citation to Options 3, Section 10(a)(1)(A), which describes price/time priority within Options 3, Section 8(j)(7), are non-substantive rule changes. These proposals will add greater clarity to the Exchange's Rules.

Price Discovery Mechanism

The Exchange's proposal to add new rule text at Options 3, Section 8(k)(A)(1) to describe the current operation of the System with respect to imbalance messages does not impose an undue burden on competition. The propose of this proposed text is to provide greater information to market participants to explain the information that is being conveyed when an imbalance message indicates "0" volume. All market participants are able to respond to an imbalance messages and have their interest considered in determining a fair and reasonable Opening Price.

The Exchange's proposal to amend Options 3, Section 8(k)(C)(2) to remove the phrase "at the Opening Price" within the paragraph does not impose an undue burden on competition, rather, removing the current phrase will avoid confusion. In addition, the Exchange's proposal to add the phrase "and orders" to Options 3, Section 8(j)(3)(B) which currently only references quotes does not impose an undue burden on competition. During the Price Discovery Mechanism both quotes and orders are considered.

The Exchange's proposal to amend the last sentence of Options 3, Section 8(k)(C)(5) to amend the phrase "Any unexecuted contracts" to "Any unexecuted

interest" does not impose an undue burden on competition, rather, it will make clear that this includes orders, quotes and sweeps. The Exchange's proposal to add the phrase "if consistent with the Member's instructions" to the end of the paragraph at Options 3, Section 8(k)(C)(5) does not impose an undue burden on competition. This rule text will make clear that the instructions provided by a member in terms of order types and routing would be applicable to interest entered during the Opening Process which remains eligible for intra-day trading.

The Exchange's proposal to add an introductory phrase to Options 3, Section 8(k)(D) which provides, "Pursuant to Options 3, Section 8(k)(C)(6)," does not impose an undue burden on competition. The prior paragraph, Options 3, Section 8(k)(C)(6), describes how the System executes and routes orders. This introductory sentence is being added as a transition from the prior paragraph at Options 3, Section 8(k)(C)(6), relating to the routing of orders. This is a non-substantive amendment.

The Exchange's proposal to add a new paragraph at Options 3, Section 8(k)(G) which provides, "Remaining contracts which are not priced through the Exchange Opening Price after routing a number of contracts to satisfy better priced away contracts will be posted to the Order Book at the better of the away market price or the order's limit price," does not impose an undue burden on competition, rather this proposal will bring greater transparency to the handling of orders once an option series is opened for trading. This rule text accounts for orders which have routed away and returned to Phlx unsatisfied and also accounts for interest that remains unfilled during the Opening Process, provided it was not priced through the Opening Price. This additional clarity will explain how all interest is handled during the Opening Process.

Opening Process Cancel Timer

The Exchange's proposal to adopt an Opening Process Cancel Timer within

Options 3, Section 8(l), similar to NOM's and BX's Rules at Options 3, Section 8(c) does

not impose an undue burden on competition. Adopting a cancel timer similar to NOM

and BX will increase the efficiency of Phlx's Opening Process for all market participants.

All market participants will have the ability to elect to have orders returned, except for

non-GTC Orders, when symbols do not open. This feature provides Members with

choice about where, and when, they can send orders for the opening that would afford

them the best experience. The Exchange believes that this additional feature will attract

additional order flow to the Exchange.

The remainder of the proposed rule text is intended to bring greater transparency

to the Opening Process rule while also adding additional detail and clarity and therefore

does not have an impact on competition.

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

No written comments were either solicited or received.

6.   Extension of Time Period for Commission Action

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

Commission action.

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

The foregoing rule change has become effective pursuant to Section

19(b)(3)(A)(iii)[14] of the Act and Rule 19b-4(f)(6) thereunder[15] in that it effects a change

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[14]   15 U.S.C. 78s(b)(3)(A)(iii).

that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange's proposal to define the term "imbalance" at proposed Options 3, Section 8(a)(xi) as the number of unmatched contracts priced through the Potential Opening Price does not significantly affect the protection of investors or the public interest. Defining imbalance will bring greater clarity to the manner in which the term "imbalance" is defined within the System. The Exchange's proposal to amend Options 3, Section 8(b)(ii) to provide, "The System will allocate interest pursuant to Options 3, Section 10" does not significantly affect the protection of investors or the public interest. This proposal will bring greater clarity to the rule text. The Exchange is proposing this amendment because Options 3, Section 10 explains how the Exchange will aggregate the size of all eligible interest for a particular participant category at a particular price level and the citation to that rule will provide that detail. The Exchange's proposal to amend Options 3, Section 8(b) to remove the phrase "that can be satisfied" in relation to All-or-None Orders and to amend Options 3, Section 8(h) to remove the phrase "except All-or-None interest that cannot be satisfied" does not significantly affect the protection of investors or the public interest. These amendments would include all All-or-None Orders as eligible interest and also consider

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15   17 CFR 240.19b-4(f)(6).

all All-or-None Orders for purposes of determining the Potential Opening Price. The
Exchange would be unable to determine which All-or-None Orders could be satisfied.
The Exchange's proposal to amend the requirements to enter Valid Width Quotes by
permitting the Valid Width Quote of one Phlx Electronic Market Maker other than the
Lead Market Maker to open an option series without waiting the two minute timeframe
does not significantly affect the protection of investors or the public interest. This
proposal would allow the market to open more efficiently as well as enable greater
participation by Phlx Electronic Market Makers in the Opening Process, provided they
enter Valid Width Quotes. Lead Market Makers would remain responsible to ensure each
option series to which it is appointed is opened each day Phlx is open for business by
submitting a Valid Width Quote, unless the options series is otherwise opened by a Phlx
Electronic Market Maker. The Exchange notes if Phlx Electronic Market Maker entered
quotes during the Opening Process to open an option series, those quote must qualify as
Valid Width Quotes. This ensures that the quotations that are entered are in alignment
with standards that help ensure a quality opening. The Exchange believes that allowing
one Phlx Electronic Market Maker to enter a quotation does not significantly affect the
protection of investors or the public interest because the Phlx Electronic Market Maker
will be held to the same standard for entering quotes as a Lead Market Maker and the
process will also ensure an efficient and timely opening, while continuing to hold Lead
Market Makers responsible for entering Valid Width Quotes during the Opening Process.
The Exchange's proposal to add a sentence to Options 3, Section 8(j) to describe the
manner in which the OQR is bound does not significantly affect the protection of
investors or the public interest because it will make clear the manner in which the System

determines the Potential Opening Price and Opening Price. This rule enables an immediate opening to occur within a certain boundary without the need for the price discovery process. The Exchange's proposal to add new rule text at Options 3, Section 8(k)(A)(1) to describe the current operation of the System with respect to imbalance messages does not significantly affect the protection of investors or the public interest, rather, the proposal will provide greater information to market participants to explain the information that is being conveyed when an imbalance message indicates "0" volume. Announcing a price of zero will permit market participants to respond to the Imbalance Message, which interest will contribute to the interest that would be considered in determining a fair and reasonable Opening Price. The Exchange's proposal to add a new paragraph at Options 3, Section 8(k)(G) does not significantly affect the protection of investors or the public interest, rather, it will bring greater transparency to the handling of orders once an option series is opened for trading. After routable interest and DNR Orders are handled by the System, all other interest will rest on the order book, provided it was not priced through the Opening Price. This additional clarity will bring greater transparency to the manner in which all interest is handled during the Opening Process today. The Exchange's proposal to adopt an Opening Process Cancel Timer similar to NOM's and BX's Rules at Options 3, Section 8(c) does not significantly affect the protection of investors or the public interest, rather, it will increase the efficiency of Phlx's Opening Process by providing market participants the ability to elect to have orders returned, except for non-GTC Orders. Also, when symbols do not open, the proposed functionality provides members with choice about where, and when, thy can send orders for the opening that would afford them the best experience. The Exchange

believes that this additional feature will attract additional order flow to the Exchange.

The remainder of the proposed rule text is intended to bring greater transparency to the

Opening Process rule while also adding additional detail and clarity and therefore will not

significantly affect the protection of investors or the public interest. The proposed

changes should prove to be very helpful to market participants, particularly those that are

involved in adding liquidity during the Opening Cross. These proposed enhancements

will allow Phlx to continue to have a robust Opening Process.

The proposal does not impose any significant burden on competition. The

Exchange's proposal to define the term "imbalance" at proposed Options 3, Section

8(a)(xi) does not impose any significant burden on competition. This proposal is

consistent with the current System operation. The Exchange's proposal to amend

Options 3, Section 8(b)(ii) to provide, "The System will allocate interest pursuant to

Options 3, Section 10" does not impose any significant burden on competition. This

amendment is not substantive. The Exchange's proposal to amend Options 3, Section

8(b) to remove the phrase "that can be satisfied" in relation to All-or-None Orders and to

amend Options 3, Section 8(h) to remove the phrase "except All-or-None interest that

cannot be satisfied" does not impose any significant burden on competition. The

proposal would include all All-or-None Orders as eligible interest and also consider all

All-or-None Orders for purposes of determining the Potential Opening Price, because the

Exchange would be unable to determine which All-or-None Orders could be satisfied.

Only Public Customers may submit All-or-None Orders.[16] The Exchange's proposal to

amend the requirements to enter Valid Width Quotes by permitting the Valid Width

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[16]   See note 3 above.

Quote of one Phlx Electronic Market Maker other than the Lead Market Maker to open
an option series without waiting for the two minute timeframe does not impose any
significant burden on competition. This proposal would allow the market to open more
efficiently. Lead Market Makers would continue to be required to enter a Valid Width
Quote to open their assigned options series and Competitive Market Makers may
continue to participate in the Opening Process, provided they enter a Valid Width Quote.
The proposal would ensure an efficient and timely opening for all market participants.
All Phlx Electronic Market Makers will be held to the same standard for entering quotes
as a Lead Market Maker and the process will also ensure an efficient and timely opening,
while continuing to hold Lead Market Makers responsible for entering Valid Width
Quotes during the Opening Process. The proposal would ensure an efficient and timely
opening for all market participants. The Exchange's proposal to add new rule text at
Options 3, Section 8(k)(A)(1) to describe the current operation of the System with respect
to imbalance messages does not impose any significant burden on competition. This
proposal explains the information that is being conveyed when an imbalance message
indicates "0" volume. The Exchange believes that this proposed text will bring greater
transparency to the information available to market participants during the Opening
Process. The Exchange's proposal to add a sentence to Options 3, Section 8(j) to
describe the manner in which the OQR is bound does not impose any significant burden
on competition. The proposal will bring greater clarity to the manner in which the
Exchange arrives at an Opening Price. The boundary provides protections while still
ensuring a reasonable Opening Price for all market participants. The Exchange's
proposal to add a new paragraph at Options 3, Section 8(k)(G) does not impose any

significant burden on competition. The proposal will bring greater transparency to the handling of orders once an option series is opened for trading. The Exchange believes that this detail will provide market participants with all possible scenarios that may occur once PHLX opens its options series. The Exchange's proposal to adopt an Opening Process Cancel Timer similar to NOM's and BX's Rules at Options 3, Section 8(c) does not impose any significant burden on competition. The proposal will increase the efficiency of Phlx's Opening Process for all market participants. All market participants will have the ability to elect to have orders returned, except for non-GTC Orders, when symbols do not open. This functionality provides members with choice about where, and when, thy can send orders for the opening that would afford them the best experience. The remainder of the proposed rule text is intended to bring greater transparency to the Opening Process rule while also adding additional detail and clarity and therefore will not impose any significant burden on competition.

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

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

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may amend its Opening Process Rule. The Exchange believes that the amendments significantly improve the quality of execution of Phlx's Opening Process. Specifically, the proposal should enhance the Opening Process by making it more efficient and beneficial to members by improving the quality of execution of Phlx's Opening Process. The proposal provides members with more choice about where, and when, they can send orders for the opening that would afford them the best experience. The Exchange believes that this proposal will enhance the Opening Process such that it should attract new order flow.

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

        The proposed cancel timer is similar to NOM's and BX's Rules at Options 3, Section 8(c), except that NOM has both an OTTO and FIX protocol.

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-2020-20)

April __, 2020

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change to Amend Phlx Rules at Options 3, Section 8

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 April 14, 2020, 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 a proposal to amend Phlx Rules at Options 3, Section

8, titled "Options Opening Process."

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 proposes to amend Phlx Rules at Options 3, Section 8, titled "Options Opening Process." The proposal seeks to amend aspects of the current functionality of the Exchange's System regarding the opening of trading in an option series. Each amendment is described below.

Definitions

The Exchange proposes to define the term "imbalance" at proposed Options 3, Section 8(a)(xi) as the number of unmatched contracts priced through the Potential Opening Price. The Exchange believes that the addition of this defined term will bring greater clarity to the manner in which the term "imbalance" is defined within the System. This description is consistent with the current System operation. This is a non-substantive rule change. In conjunction with this rule change, the Exchange proposes to remove the text within Options 3, Section 8(k)(A) which seeks to define an imbalance as an unmatched contracts. The Exchange is proposing a description which is more specific than this rule text and is intended to bring greater clarity to the term "imbalance."

Eligible Interest

The Exchange proposes to amend Options 3, Section 8(b)(ii) to amend the current phrase, "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

Options 3, Section 10." The Exchange proposes to instead provide, "The System will

allocate interest pursuant to Options 3, Section 10." The Exchange is proposing this

amendment because Options 3, Section 10 explains how the Exchange will aggregate the

size of all eligible interest for a particular participant category at a particular price level

and the citation to that rule will provide that detail.

All-or-None Orders

The Exchange proposes to amend Options 3, Section 8(b) to remove the phrase

"that can be satisfied" in relation to All-or-None Orders.[3] The Exchange notes that all

All-or-None Orders are considered for execution and in determining the Opening Price

throughout the Opening Process. At this point in the Opening Process the Exchange

would be unable to determine which All-or-None Orders could be satisfied, so all All-or-

None Orders are eligible.

Similarly, the Exchange proposes to amend Options 3, Section 8(h) to remove the

phrase "except All-or-None interest that cannot be satisfied." The Exchange proposes to

instead provide, "To calculate the Potential Opening Price, the System will take into

consideration all Valid Width Quotes and orders (including Opening Sweeps, including

All-or-None interest, for the option series and identify the price at which the maximum

number of contracts can trade ("maximum quantity criterion")." Similarly, for purposes

of determining the Potential Opening Price, the Exchange will consider all All-or-None

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[3]   An All-or-None Order is a limit order or market order that is to be executed in its
        entirety or not at all. 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 Options
        3, Section 15(a) is not applied to All-Or-None Orders. See Options 3, Section
        7(b)(5).

interest because the Exchange would be unable to determine which All-or-None Orders could be satisfied until the Opening Process concludes.

Valid Width Quotes

The Exchange proposes to amend the requirements for Phlx Electronic Market Makers[4] to enter Valid Width Quotes within Options 3, Section 8(d). Today, a Lead Market Maker is required to enter a Valid Width Quote 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 opening 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. Alternatively, the Valid Width Quote of at least two Phlx Electronic Market Makers other than a Lead Market Maker entered within the above-referenced timeframe would also open an option series. Finally, if neither the Lead Market Maker's Valid Width Quote nor the Valid Width Quotes of two Phlx Electronic Market Makers have been submitted within such timeframe, one Phlx Electronic Market Maker may submit a Valid Width Quote to open the options series.

The Exchange proposes to amend the requirement to submit Valid Width Quotes in an effort to streamline its current process. The Exchange proposes to continue to require a Lead Market Maker to submit a Valid Width Quote, but also would permit the

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[4]   Phlx Electronic Market Makers are defined with Options 3, Section 8 as a Lead
       Market Maker, Streaming Quote Trader ("SQT") or Remote SQT ("RSQT") who
       is required to submit two sided electronic quotations pursuant to Options 2,
       Section 5.

Valid Width Quote of one Phlx Electronic Market Maker other than the Lead Market

Maker to open an option series without waiting for the two minute timeframe described

above to conclude. This effectively would take the 2 step process for accepting quotes to

a one step process. The Exchange believes this proposal would allow the market to open

more efficiently as well as enable greater participation by SQTs and RSQTs in the

Opening Process. As is the case today, Lead Market Makers are required to ensure each

option series to which it is appointed is opened each day by submitting a Valid Width

Quote.[5] Moreover, a Lead Market Maker has continuing obligations to quote intra-day

pursuant to Options 2, Section 5.

Potential Opening Price

The Exchange proposes to amend Options 3, Section 8(h) to add an introductory

sentence to the Potential Opening Process paragraph which provides, "The Potential

Opening Price indicates a price where the System may open once all other Opening

Process criteria is met." This paragraph is not intended to amend the function of the

Opening Process, rather it is intended to provide context to the process and describe a

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[5]   Options 3, Section 8(d)(iii) provides, "The Lead Market Maker assigned in a
        particular equity or index option must enter a Valid Width Quote, in 90% of their
        assigned series, not later than one minute following the dissemination of a quote
        or trade by the market for the underlying security or, in the case of index options,
        following the receipt of the opening price in the underlying index. The Lead
        Market Maker assigned in a particular U.S. dollar-settled FCO must enter a Valid
        Width Quote, in 90% of their assigned series, not later than 30 seconds after the
        announced market opening. The Lead Market Maker must promptly enter a Valid
        Width Quote in the remainder of their assigned series, which did not open within
        one minute following the dissemination of a quote or trade by the market for the
        underlying security or, in the case of index options, following the receipt of the
        opening price in the underlying index or, with respect to a U.S. dollar-settled
        FCO, following the announced market opening."

Potential Opening Price within Options 3, Section 8(h). This is a non-substantive

amendment.

An amendment is proposed to Options 3, Section 8(h)(C) to replace the words

"Potential Opening Price calculation" with the more defined term "Opening Price." The

Opening Price is defined within Options 3, Section 8(a)(iii) and provides, "The Opening

Price is described herein in sections (i) and (k)." The Exchange notes that "Opening

Price" is the more accurate terms that represents current System functionality as

compared to Potential Opening Price. Options 3, Section 8(h)(C) provides that the

Potential Opening Price calculation is bounded by the better away market price that may

not be satisfied with the Exchange routable interest." In fact, the Opening Price is

bounded by the better away market price that may not be satisfied with the Exchange

routable interest pursuant to sections (i) and (k). The Potential Opening Price indicates a

price where the System may open once all other Opening Process criteria is met. The

Potential Opening Price is a less accurate term and the Exchange proposes to utilize the

more precise term by changing the words in this sentence to "Opening Price" for

specificity. This amendment is not substantive, rather it is clarifying.

Opening Quote Range

The Exchange proposes to add a sentence to Options 3, Section 8(j) to describe

the manner in which the Opening Quote Range or "OQR" is bound. The Exchange

proposes to provide, "OQR is constrained by the least aggressive limit prices within the

broader limits of OQR. The least aggressive buy order or Valid Width Quote bid and

least aggressive sell order or Valid Width Quote offer within the OQR will further bound

the OQR." The Exchange previously described[6] the OQR as an additional type of

boundary beyond the boundaries mentioned in Options 3, Section 8 at proposed

paragraph (i). OQR is intended to limit the Opening Price to a reasonable, middle ground

price and thus reduce the potential for erroneous trades during the Opening Process.

Although the Exchange applies other boundaries such as the Best Bid or Best Offer

("BBO"), the OQR is outside of the BBO. It is meant to provide a price that can satisfy

more size without becoming unreasonable. The Exchange proposes to add rule text

within Options 3, Section 8 to describe the manner in which today OQR is bound. This

proposed amendment does not change the manner in which Phlx's System operates

today. The Exchange believes that this rule text will bring greater transparency to the

manner in which the Exchange arrives at an Opening Price. Below is an example of the

manner in which OQR is constrained.

Assume the below pre-opening interest:

Lead Market Maker quotes 4.10 (100) x 4.20 (50)
Order1: Public Customer Buy 300 @ 4.39
Order2: Public Customer Sell 50 @ 4.13
Order3: Public Customer Sell 5 @ 4.37
Opening Quote Range configuration in this scenario is +/- 0.18

9:30 a.m. events occur, underlying opens
First imbalance message: Buy imbalance @ 4.20, 100 matched, 200 unmatched
Next 4 imbalance messages: Buy imbalance @ **4.37**, 105 matched, 195 unmatched
Potential Opening Price calculation would have been 4.20 + 0.18 = 4.38, but OQR is
further bounded by the least aggressive Sell order @ 4.37

Order1 executes against Order2 50 @ 4.37
Order1 executes against Lead Market Maker quote 50 @ 4.37
Order1 executes against Order3 5 @ 4.37
Remainder of Order1 cancels as it is through the Opening Price
Lead Market Maker quote purges as its entire offer side volume has been exhausted

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[6]   See Securities Exchange Commission Release No. 78408 (July 25, 2016), 81 FR
        50026 (July 29, 2016) (SR-Phlx-2016-76).

Similarly, the Exchange proposes to amend Options 3, Section 8(j)(3) which currently provides, "If one or more away markets are disseminating a BBO that is 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 each other or the ABBO:". The Exchange proposes to instead state, "If one or more away markets are disseminating a BBO that is 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 *cross each other or are marketable against* the ABBO:". The proposed language more accurately describes the current Opening Process. Valid Width Quotes are not routable and would not execute against the ABBO. This rule text is more specific than "executable against each other." A similar change is also proposed to Options 3, Section 8(j)(4) to replace the words "are executable against" with "cross". The Exchange believes that the amended rule text adds greater transparency to the Opening Process. These are non-substantive amendments.

The Exchange proposes to make a non-substantive change to amend Options 3, Section 8(j)(7) to amend the last sentence to change the phrase "consider routable" with "route routable." The Exchange also proposes to replace the phrase "in price/time priority to satisfy the away market" with the citation to Options 3, Section 10(a)(1)(A) which describes price/time priority within Options 3, Section 8(j)(7). This is a non-substantive amendment which is intended to bring greater clarity to the Exchange's Rules.

Price Discovery Mechanism

The Exchange proposes to add new rule text to Options 3, Section 8(k)(A)(1) to describe the information conveyed in an Imbalance Message. The Exchange proposes to provide at Options 3, Section 8(k)(A)(1),

> An Imbalance Message will be disseminated showing a "0" volume and a $0.00 price if: (i) no executions are possible but routable interest is priced at or through the ABBO; (ii) internal quotes are crossing each other; or (iii) there is a Valid Width Quote, but there is no Quality Opening Market. Where the Potential Opening Price is through the ABBO, an imbalance message will display the side of interest priced through the ABBO.

This rule text is consistent with the current operation of the System. The purpose of this proposed text is to provide greater information to market participants to explain the information that is being conveyed when an imbalance message indicates "0" volume. The Exchange believes that explaining the potential scenarios which led to the dissemination of a "0" volume, such as (i) when no executions are possible and routable interest is priced at or through the ABBO; (ii) internal quotes are crossing; and (iii) there is a Valid Width Quote, but there is no Quality Opening Market, will provide greater detail to the potential state of the interest available. The Exchange further clarifies in this new rule text, "Where the Potential Opening Price is through the ABBO, an imbalance message will display the side of interest priced through the ABBO." The Exchange believes that this proposed text will bring greater transparency to the information available to market participants during the Opening Process.

The Exchange proposes to amend Options 3, Section 8(k)(C)(2) to remove the phrase "at the Opening Price" within the paragraph. The current second sentence of paragraph 8(j)(3)(B) states, "If during the Route Timer, interest is received by the System which would allow the Opening Price to be within OQR without trading through 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 at the

Opening Price and the Route Timer will simultaneously end." The Exchange proposes to

remove the words "at the Opening Price" because while anything traded on Phlx would

be at the Opening Price, the trades that are routed away would be at an ABBO price

which may differ from the Phlx Opening Price. To avoid any confusion, the Exchange is

amending the sentence to remove the reference to the Opening Price. In addition, the

Exchange proposes to add the phrase "and orders" to Options 3, Section 8(k)(C)(2) which

currently only references quotes. During the Price Discovery Mechanism, both quotes

and orders are considered.

The Exchange proposes to amend the last sentence of Options 3, Section

8(k)(C)(5) to add the phrase "if consistent with the Member's instructions" to the end of

the paragraph at Options 3, Section 8(k)(C)(5) to make clear that the instructions

provided by a member in terms of order types and routing would be applicable to interest

entered during the Opening Process which remains eligible for intra-day trading. This

amendment brings greater clarity to the Exchange's Rules.

The Exchange proposes to add an introductory phrase to Options 3, Section

8(k)(D) which provides, "Pursuant to Options 3, Section 8(k)(C)(6)…" the System will

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 disseminate the re-priced DNR Order as part of the

new PBBO." The addition of this sentence is intended to provide a transition from the

prior paragraph relating to the routing of orders. The Exchange opens and routes

simultaneously during its Opening Process. This sentence is being added to indicate that

at this stage in the Opening Process, routable interest would have routed. The manner in which the System will handle orders marked with the instruction "Do Not Route" ("DNR Orders") is described in Options 3, Section 8(k)(D). This rule text is consistent with the behavior of the System. This non-substantive amendment is intended to add greater clarity to the Exchange's Rules. The Exchange also proposes to add a hyphen to the word " re-price" in this paragraph.

The Exchange proposes to add a new paragraph at Options 3, Section 8(k)(G) which provides, "Remaining contracts which are not priced through the Exchange Opening Price after routing a number of contracts to satisfy better priced away contracts will be posted to the Order Book at the better of the away market price or the order's limit price." The Exchange notes that this paragraph describes current System behavior. This rule text accounts for orders which have routed away and returned unsatisfied and also accounts for interest that remain unfilled during the Opening Process, provided it was not priced through the Opening Price. This sentence is being included to account for the manner in which all interest is handled and how certain interest rests on the order book once the Opening Process is complete. The Exchange notes that the posted interest will be priced at the better of the away market price or the order's limit price. This additional clarity will bring greater transparency to the Rules and is consistent with the Exchange's current System operation. The Exchange believes that this detail will provide market participants with all possible scenarios that may occur once Phlx opens an options series.

Opening Process Cancel Timer

The Exchange proposes to adopt an Opening Process Cancel Timer within

Options 3, Section 8(l), similar to The Nasdaq Options Market LLC's ("NOM") and

Nasdaq BX, Inc's ("BX") Rules at Options 3, Section 8(c).[7] The Exchange proposes to

add a process whereby if an options series has not opened before the conclusion of the

Opening Process Cancel Timer, a member may elect to have orders returned by providing

written notification to the Exchange. The Opening Process Cancel Timer would be

established by the Exchange and posted on the Exchange's website. Similar to NOM and

BX, orders submitted through FIX with a TIF of Good-Till-Canceled[8] or "GTC" may not

be cancelled. Phlx has monitored the operation of the Opening Process to identify

instances where market efficiency can be enhanced. The Exchange believes that

adopting a cancel timer similar to NOM and BX will increase the efficiency of Phlx's

Opening Process. This provision would provide for the return of orders for un-opened

options symbols. This enhancement will provide market participants the ability to elect

to have orders returned, except for non-GTC orders, when options do not open. It

provides members with choice about where, and when, thy can send orders for the

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[7]   NOM Options 3, Section 8(c) provides, "Absence of Opening Cross. If an
        Opening Cross in a symbol is not initiated before the conclusion of the Opening
        Process Cancel Timer, a firm may elect to have orders returned by providing
        written notification to the Exchange. These orders include all non GTC orders
        received over the FIX protocol. The Opening Process Cancel Timer represents a
        period of time since the underlying market has opened, and shall be established
        and disseminated by Nasdaq on its website." BX Options 3, Section 8 is worded
        similarly.

[8]   A Good Til Cancelled ("GTC") Order entered with a TIF of GTC, if not fully
        executed, will remain available for potential display and/or execution unless
        cancelled by the entering party, or until the option expires, whichever comes first.
        GTC Orders shall be available for entry from the time prior to market open
        specified by the Exchange until market close.. See Options 3, Section 7(c)(4).

opening that would afford them the best experience. The Exchange believes that this

additional feature will attract additional order flow to the Exchange. The proposed

changes should prove to be very helpful to market participants, particularly those that are

involved in adding liquidity during the Opening Cross. These proposed enhancements

will allow Phlx to continue to have a robust Opening Process.

Implementation

The Exchange proposes to implement the amendments proposed herein prior to

Q3 2020. The Exchange will issue an Options Trader Alert announcing the date of

implementation.

2.   Statutory Basis

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

Act,[9] in general, and furthers the objectives of Section 6(b)(5) of the Act,[10] in particular,

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

investors and the public interest by enhancing its Opening Process. The Exchange

believes that the proposed changes significantly improve the quality of execution of

Phlx's opening.

Definitions

The Exchange's proposal to define the term "imbalance" at proposed Options 3,

Section 8(a)(xi) and remove the text within Options 3, Section 8(j)(1), which seeks to

define an imbalance as an unmatched contract, will bring greater clarity to the manner in

which the term "imbalance" is defined within the System. This is a non-substantive rule

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[9]   15 U.S.C. 78f(b).

[10]   15 U.S.C. 78f(b)(5).

change and represents current System functionality. Today, the term "imbalance" is

simply defined as unmatched contracts. The proposed definition is more precise in its

representation of the current System functionality.

Eligible Interest

The Exchange's proposal to amend Options 3, Section 8(b)(ii) to amend the

current phrase, "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

Options 3, Section 10" to instead provide, "The System will allocate interest pursuant to

Options 3, Section 10" will bring greater clarity to the rule text. The Exchange is

proposing this amendment because Options 3, Section 10 explains how the Exchange will

aggregate the size of all eligible interest for a particular participant category at a

particular price level and the citation to that rule will provide that detail.

All-or-None Orders

The Exchange's proposal to amend Options 3, Section 8(b) to remove the phrase

"that can be satisfied" in relation to All-or-None Orders and to amend Options 3, Section

8(h) to remove the phrase "except All-or-None interest that cannot be satisfied" are

consistent with the Act. The Exchange would include all All-or-None Orders as eligible

interest and also consider all All-or-None Orders for purposes of determining the

Potential Opening Price, because the Exchange would be unable to determine which All-

or-None Orders could be satisfied.

Valid Width Quotes

The Exchange's proposal to amend the requirements within Options 3, Section

8(d) for Phlx Electronic Market Makers to enter Valid Width Quotes by permitting the

Valid Width Quote of one Phlx Electronic Market Maker other than the Lead Market

Maker to open an option series without waiting for the two minute timeframe is

consistent with the Act. This proposal would allow the market to open more efficiently

as well as enable greater participation by Phlx Electronic Market Makers in the Opening

Process. A Lead Market Maker has continuing obligations to quote throughout the

trading day pursuant to Options 2, Section 5. In addition, Lead Market Makers are

required to ensure each option series to which it is appointed is opened each day Phlx is

open for business by submitting a Valid Width Quote. [11] Primary Market Makers will

continue to remain responsible to open an options series, unless it is otherwise opened by

a Competitive Market Maker. A Competitive Market Maker also has obligations to quote

intra-day, once they commence quoting for that day.[12] The Exchange notes if Electronic

Market Makers entered quotes during the Opening Process to open an option series, those

quote must qualify as Valid Width Quotes. This ensures that the quotations that are

entered are in alignment with standards that help ensure a quality opening. The

Exchange believes that allowing one Electronic Market Maker to enter a quotation

continues to protect investors and the general public because the Electronic Market

Maker will be held to the same standard for entering quotes as a Lead Market Maker and

the process will also ensure an efficient and timely opening, while continuing to hold

Lead Market Makers responsible for entering Valid Width Quotes during the Opening

Process.

        Potential Opening Price

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[11]   See note 5 above.

[12]   See Options 2, Section 5.

The Exchange's proposal to amend Options 3, Section 8(h) to add an introductory sentence to the Potential Opening Process which provides, "The Potential Opening Price indicates a price where the System may open once all other Opening Process criteria is met," is consistent with the Act. This paragraph is not intended to amend the current function of the Opening Process, rather it is intended to provide context to the process described within Options 3, Section 8(h). The Opening Price is bounded by the better ABBO in this case. This rule text is consistent with the current operation of the System. This is a non-substantive amendment.

Similarly, the proposed amendment to Options 3, Section 8(h)(C) to replace "Potential Opening Price calculation" with the more accurate defined term "Opening Price" will bring greater clarity to the Exchange's Rule. This amendment is not substantive.

Opening Quote Range

The Exchange's proposal to add a sentence to Options 3, Section 8(j) to describe the manner in which the OQR is bound will bring greater clarity to the manner in which OQR is calculated. OQR is an additional type of boundary beyond the boundaries mentioned within the Opening Process rule. The System will calculate an OQR for a particular option series that will be utilized in the Price Discovery Mechanism if the Exchange has not opened, pursuant to the provisions in Options 3, Section 8(d)-(i). OQR would broaden the range of prices at which the Exchange may open to allow additional interest to be eligible for consideration in the Opening Process. OQR is intended to limit the Opening Price to a reasonable, middle ground price and thus reduce the potential for erroneous trades during the Opening Process. Although the Exchange applies other

boundaries such as the BBO, the OQR provides a range of prices that may be able to satisfy additional contracts while still ensuring a reasonable Opening Price. More specifically, the Exchange's Opening Price is bounded by the OQR without trading through the limit price(s) of interest within OQR, which is unable to fully execute at the Opening Price in order to provide participants with assurance that their orders will not be traded through. The Exchange seeks to execute as much volume as is possible at the Opening Price. The Exchange's method for determining the Potential Opening Price and Opening Price is consistent with the Act because the proposed process seeks to discover a reasonable price and considers both interest present in System as well as away market interest. The Exchange's method seeks to validate the Opening Price and avoid opening at aberrant prices. The rule provides for opening with a trade, which is consistent with the Act because it enables an immediate opening to occur within a certain boundary without the need for the price discovery process. The boundary provides protections while still ensuring a reasonable Opening Price. The Exchange's proposal protects investors and the general public by more clearly describing how the boundaries are handled by the System. This proposed amendment does not change the manner in which Phlx's System operates today. The Exchange believes that this rule text will bring greater transparency to the manner in which the Exchange arrives at an Opening Price.

The Exchange's proposal to amend Options 3, Section 8(j)(3) to replace the phrase "that are executable against each other or the ABBO:" with "that *cross each other or are marketable against* the ABBO:" will more accurately describe the current Opening Process. Valid Width Quotes are not routable and would not execute against the ABBO. This rule text is more specific than "executable against each other." The Exchange

believes that this rule text adds greater transparency to the Opening Process. This is a non-substantive amendment.

The Exchange's proposal to amend the phrase "consider routable" to "route routable" and replacing the phrase "in price/time priority to satisfy the away market" with the citation to Options 3, Section 10(a)(1)(A), which describes price/time priority within Options 3, Section 8(j)(7), are non-substantive rule changes. These proposals will add greater clarity to the Exchange's Rules.

Price Discovery Mechanism

The Exchange's proposal to add new rule text at Options 3, Section 8(k)(A)(1) to describe the current operation of the System with respect to imbalance messages is consistent with the Act. The propose of this proposed text is to provide greater information to market participants to explain the information that is being conveyed when an imbalance message indicates "0" volume. An imbalance process is intended to attract liquidity to improve the price at which an option series will open, as well as to maximize the number of contracts that can be executed on the opening. This process will only occur if the Exchange has not been able to otherwise open an option series utilizing the other processes available in Options 3, Section 8. The Imbalance Timer is intended to provide a reasonable time for participants to respond to the Imbalance Message before any opening interest is routed to away markets and, thereby, maximize trading on the Exchange. The Exchange believes that the proposed rule text provides market participants with additional information as to the imbalance message. The following potential scenarios, which may lead to the dissemination of a "0" volume, include (1) when no executions are possible and routable interest is priced at or through the ABBO:

(2) internal quotes are crossing; and (3) there is a Valid Width Quote, but there is no Quality Opening Market. The Exchange believes adding this detail will provide greater information as to the manner in which Imbalance Messages are disseminated today. The Exchange's process of disseminating zero imbalance messages is consistent with the Act because the Exchange is seeking to identify a price on the Exchange without routing away, yet which price may not trade through another market and the quality of which is addressed by applying the OQR boundary. Announcing a price of zero will permit market participants to respond to the Imbalance Message, which interest would be considered in determining a fair and reasonable Opening Price.

The Exchange's proposal to amend Options 3, Section 8(k)(C)(2) to remove the phrase "at the Opening Price" within the paragraph is consistent with the Act because removing the current phrase will avoid confusion. The Exchange notes that anything traded on Phlx would be at the Opening Price, the trades that are routed away would be at an ABBO price which differs from the Phlx Opening Price. To avoid any confusion the Exchange is amending the sentence to remove the reference to the Opening Price. In addition, the Exchange proposes to add the phrase "and orders" to Options 3, Section 8(j)(3)(B) which currently only references quotes. During the Price Discovery Mechanism both quotes and orders are considered.

The Exchange's proposal to amend the last sentence of Options 3, Section 8(k)(C)(5) to amend the phrase "Any unexecuted contracts" to "Any unexecuted **interest**" will make clear that this includes orders, quotes and sweeps. The Exchange's proposal to add the phrase "if consistent with the Member's instructions" to the end of the paragraph at Options 3, Section 8(k)(C)(5) will make clear that the instructions

provided by a member in terms of order types and routing would be applicable to interest

entered during the Opening Process which remains eligible for intra-day trading. This

proposal is consistent with the Act and will add greater clarity to the Exchange's Rules.

The Exchange's proposal to add an introductory phrase to Options 3, Section

8(k)(D) which provides, "Pursuant to Options 3, Section 8(k)(C)(6)," is consistent with

the Act. The prior paragraph, Options 3, Section 8(k)(C)(6), describes how the System

executes and routes orders. This introductory sentence is being added as a transition

from the prior paragraph at Options 3, Section 8(k)(C)(6), relating to the routing of

orders. All routable interest would have routed and non-routable interest, which does not

route, is subsequently described. This introductory paragraph is meant to be informative.

This non-substantive amendment is consistent with the Act because it adds greater clarity

to the Exchange's Rules.

The Exchange's proposal to add a new paragraph at Options 3, Section 8(k)(G)

which provides, "Remaining contracts which are not priced through the Exchange

Opening Price after routing a number of contracts to satisfy better priced away contracts

will be posted to the Order Book at the better of the away market price or the order's

limit price," will bring greater transparency to the handling of orders once an option

series is opened for trading. After away interest is cleared by routable interest and the

opening cross has occurred, DNR Orders are handled by the System. DNR Order interest

will rest on the Order Book, provided it was not priced through the Opening Price. This

rule text accounts for orders which have routed away and returned to Phlx unsatisfied and

also accounts for interest that remains unfilled during the Opening Process, provided it

was not priced through the Opening Price. The Exchange notes that the posted interest

will be priced at the better of the away market price or the order's limit price. This additional clarity will protect investors and the general public by adding greater transparency to the Exchange's current System operation by explaining how all interest is handled during the Opening Process. The Exchange believes that this detail will provide market participants with all possible scenarios that may occur once Phlx opens its options series. This amendment represents the System's current function.

Opening Process Cancel Timer

The Exchange's proposal to adopt an Opening Process Cancel Timer within Options 3, Section 8(l), similar to NOM's and BX's Rules at Options 3, Section 8(c) is consistent with the Act. The Exchange's proposal to add a process whereby if an options series has not opened before the conclusion of the Opening Process Cancel Timer, a member may elect to have orders returned by providing written notification to the Exchange is consistent with the Act. Phlx believes that this amendment will promote just and equitable principles of trade and to protect investors and the public interest by enhancing its Opening Process. Adopting a cancel timer similar to NOM and BX will increase the efficiency of Phlx's Opening Process by providing Members with the ability to elect to have orders returned, except for non-GTC orders. This functionality provides members with choice, when symbols do not open, about where, and when, they can send orders for the opening that would afford them the best experience. The Exchange believes that this additional feature will attract additional order flow to the Exchange. The proposed changes should prove to be very helpful to market participants, particularly those that are involved in adding liquidity during the Opening Cross. These proposed enhancements will allow Phlx to continue to have a robust 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. While the Exchange does not believe that the proposal should have any direct

impact on competition, it believes the proposal will enhance the Opening Process by

making it more efficient and beneficial to market participants. Moreover, the Exchange

believes that the proposed amendments will significantly improve the quality of

execution of Phlx's Opening Process. The proposed amendments provide market

participants more choice about where, and when, they can send orders for the opening

that would afford them the best experience. The Exchange believes that this should

attract new order flow.

Definitions

With respect to the amendment to the definition of "imbalance" at proposed

Options 3, Section 8(a)(xi) as the number of unmatched contracts priced through the

Potential Opening Price. The Exchange believes that the addition of this defined term

will bring greater clarity to the manner in which the term "imbalance" is defined within

the System. This description is consistent with the current System operation. This is a

non-substantive rule change.

Eligible Interest

The Exchange's proposal to amend Options 3, Section 8(b)(ii) will bring greater

clarity to the rule text. This proposal does not impose an undue burden on competition.

The Exchange is proposing this amendment because Options 3, Section 10 explains how

the Exchange will aggregate the size of all eligible interest for a particular participant

category at a particular price level and the citation to that rule will provide that detail.

All-or-None Orders

The Exchange's proposal to amend Options 3, Section 8(b) to remove the phrase "that can be satisfied" in relation to All-or-None Orders and to amend Options 3, Section 8(h) to remove the phrase "except All-or-None interest that cannot be satisfied" does not impose an undue burden on competition. The Exchange would include all All-or-None Orders as eligible interest and also consider all All-or-None Orders for purposes of determining the Potential Opening Price, because the Exchange would be unable to determine which All-or-None Orders could be satisfied. Only Public Customers may submit All-or-None Orders.[13]

Valid Width Quotes

The Exchange's proposal to amend the requirements within Options 3, Section 8(d) for Phlx Electronic Market Makers to enter Valid Width Quotes by permitting the Valid Width Quote of one Phlx Electronic Market Maker other than the Lead Market Maker to open an option series without waiting for the two minute timeframe does not impose an undue burden on competition. This proposal would allow the market to open more efficiently as well as enable greater participation by Phlx Electronic Market Makers in the Opening Process. Lead Market Makers continue to remain obligated to open their appointed options series. Electronic Market Maker may participate in the Opening Process, as is the case today, provided they enter Valid Width Quotes, which is intended to ensure a quality opening. The Exchange does not believe this proposal would burden the ability of market participants who enter quotes to participate in the Opening Process.

Potential Opening Price

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[13]   See note 3 above.

The Exchange's proposal to amend Options 3, Section 8(h) to add an introductory sentence to the Potential Opening Process does not impose an undue burden on competition. This paragraph is not intended to amend the current function of the Opening Process, rather it is intended to provide context to the process described within Options 3, Section 8(h). The Opening Price is bounded by the better ABBO in this case. This rule text is consistent with the current operation of the System. This is a non-substantive amendment.

Similarly, the proposed amendment to Options 3, Section 8(h)(C) to replace "Potential Opening Price calculation" with the more accurate defined term "Opening Price" will bring greater clarity to the Exchange's Rule. This amendment is not substantive.

Opening Quote Range

The Exchange's proposal to add a sentence to Options 3, Section 8(j) to describe the manner in which the OQR is bound does not impose an undue burden on competition. OQR is intended to limit the Opening Price to a reasonable, middle ground price and thus reduce the potential for erroneous trades during the Opening Process. The Exchange's method seeks to validate the Opening Price and avoid opening at aberrant prices for the protection of all investors. This proposed amendment does not change the manner in which Phlx's System operates today. The Exchange believes that this rule text will bring greater transparency to the manner in which the Exchange arrives at an Opening Price.

The Exchange's proposal to amend Options 3, Section 8(j)(3) to replace the phrase "that are executable against each other or the ABBO:" with "that *cross each other or are marketable against* the ABBO:" does not impose an undue burden on competition,

rather, this proposal will more accurately describe the current Opening Process. Valid Width Quotes are not routable and would not execute against the ABBO. This rule text is more specific than "executable against each other." The Exchange believes that this rule text adds greater transparency to the Opening Process. This is a non-substantive amendment.

The Exchange's proposal to amend the phrase "consider routable" to "route routable" and replacing the phrase "in price/time priority to satisfy the away market" with the citation to Options 3, Section 10(a)(1)(A), which describes price/time priority within Options 3, Section 8(j)(7), are non-substantive rule changes. These proposals will add greater clarity to the Exchange's Rules.

Price Discovery Mechanism

The Exchange's proposal to add new rule text at Options 3, Section 8(k)(A)(1) to describe the current operation of the System with respect to imbalance messages does not impose an undue burden on competition. The propose of this proposed text is to provide greater information to market participants to explain the information that is being conveyed when an imbalance message indicates "0" volume. All market participants are able to respond to an imbalance messages and have their interest considered in determining a fair and reasonable Opening Price.

The Exchange's proposal to amend Options 3, Section 8(k)(C)(2) to remove the phrase "at the Opening Price" within the paragraph does not impose an undue burden on competition, rather, removing the current phrase will avoid confusion. In addition, the Exchange's proposal to add the phrase "and orders" to Options 3, Section 8(j)(3)(B) which currently only references quotes does not impose an undue burden on competition.

During the Price Discovery Mechanism both quotes and orders are considered.

The Exchange's proposal to amend the last sentence of Options 3, Section 8(k)(C)(5) to amend the phrase "Any unexecuted contracts" to "Any unexecuted **interest**" does not impose an undue burden on competition, rather, it will make clear that this includes orders, quotes and sweeps. The Exchange's proposal to add the phrase "if consistent with the Member's instructions" to the end of the paragraph at Options 3, Section 8(k)(C)(5) does not impose an undue burden on competition. This rule text will make clear that the instructions provided by a member in terms of order types and routing would be applicable to interest entered during the Opening Process which remains eligible for intra-day trading.

The Exchange's proposal to add an introductory phrase to Options 3, Section 8(k)(D) which provides, "Pursuant to Options 3, Section 8(k)(C)(6)," does not impose an undue burden on competition. The prior paragraph, Options 3, Section 8(k)(C)(6), describes how the System executes and routes orders. This introductory sentence is being added as a transition from the prior paragraph at Options 3, Section 8(k)(C)(6), relating to the routing of orders. This is a non-substantive amendment.

The Exchange's proposal to add a new paragraph at Options 3, Section 8(k)(G) which provides, "Remaining contracts which are not priced through the Exchange Opening Price after routing a number of contracts to satisfy better priced away contracts will be posted to the Order Book at the better of the away market price or the order's limit price," does not impose an undue burden on competition, rather this proposal will bring greater transparency to the handling of orders once an option series is opened for trading. This rule text accounts for orders which have routed away and returned to Phlx

unsatisfied and also accounts for interest that remains unfilled during the Opening

Process, provided it was not priced through the Opening Price. This additional clarity

will explain how all interest is handled during the Opening Process.

Opening Process Cancel Timer

The Exchange's proposal to adopt an Opening Process Cancel Timer within

Options 3, Section 8(l), similar to NOM's and BX's Rules at Options 3, Section 8(c) does

not impose an undue burden on competition. Adopting a cancel timer similar to NOM

and BX will increase the efficiency of Phlx's Opening Process for all market participants.

All market participants will have the ability to elect to have orders returned, except for

non-GTC Orders, when symbols do not open. This feature provides Members with

choice about where, and when, they can send orders for the opening that would afford

them the best experience. The Exchange believes that this additional feature will attract

additional order flow to the Exchange.

The remainder of the proposed rule text is intended to bring greater transparency

to the Opening Process rule while also adding additional detail and clarity and therefore

does not have an impact on competition.

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[14] and subparagraph (f)(6) of Rule 19b-4

thereunder.[15]

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-2020-20 on the subject line.

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[14]   15 U.S.C. 78s(b)(3)(A)(iii).

[15]   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.

<u>Paper comments</u>:

- 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-2020-20. 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-2020-20 and should be submitted on or before [insert date 21 days from publication in the <u>Federal Register</u>].

For the Commission, by the Division of Trading and Markets, pursuant to

delegated authority.[16]

> J. Matthew DeLesDernier
> Assistant Secretary

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

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

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Options Rules

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Options 3. Options Trading Rules

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Section 8. Options Opening Process
(a) **Definitions.** The Exchange conducts an electronic opening for all option series traded on Phlx using its System.

(i) – (x) No change.

(xi) The term "imbalance" means the number of unmatched contracts priced through the Potential Opening Price.

(b) Eligible interest during the Opening Process includes Valid Width Quotes, Opening Sweeps and orders. Quotes, other than Valid Width Quotes, will not be included in the Opening Process. Non-SQT Market Makers 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) Opening Sweep. An Opening Sweep is defined at Options 3, Section 7(b)(6).

(A) and (B) 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]allocate interest pursuant to Options 3, Section 10.

(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 opening 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) any of the following:

      (A) the Lead Market Maker's Valid Width Quote; or

      (B) the Valid Width Quotes of at least [two]one Phlx Electronic Market Maker[s] other than the Lead Market Maker[; or].

      [(C) if neither the Lead Market Maker's Valid Width Quote nor the Valid Width Quotes of two Phlx Electronic Market Makers have been submitted within such timeframe, one Phlx Electronic Market Maker has submitted a Valid Width Quote.]

   (ii) – (v) No change.

(e) - (g) No change.

(h) **Potential Opening Price**. The Potential Opening Price indicates a price where the System may open once all other Opening Process criteria is met. To calculate the Potential Opening Price, the System will take into consideration all Valid Width Quotes and orders (including Opening Sweeps and All-or-None interest)[, 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)(A)(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 by the better away market price that may not be satisfied with the Exchange routable interest.

(i) No change.

(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. OQR is constrained by the least aggressive limit prices within the broader limits of OQR such that the least aggressive buy order or Valid Width Quote bid and least aggressive sell order or Valid Width Quote offer within the OQR further bounds the OQR.

      (1) and (2) No change.

(3) If one or more away markets are disseminating a BBO that is 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 each other]cross each other or are marketable against [or]the ABBO:

(a) and (b) No change.

(4) If there are 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) and (6) No change..

(7) 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, then the Potential Opening Price is the price at which the maximum number of contracts can execute, excluding the 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]route routable Public Customer and Professional interest pursuant to Options 3, Section 10(a)(1)(A)[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 Price bounded by 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.

(1) An Imbalance Message will be disseminated showing a "0" volume and a $0.00 price if: (i) no executions are possible but routable interest is priced at or through the ABBO; (ii) internal quotes are crossing each other; or (iii) there is a Valid Width Quote, but there is no Quality Opening Market. Where the Potential Opening Price is through the ABBO, an imbalance message will display the side of interest priced through the ABBO.

(B) No change.

(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 (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 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 and orders received during the Route Timer period and make ongoing corresponding changes to the permitted OQR and Potential Opening Price to reflect them.

(3) and (4) No change.

(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 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 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 away markets at the better of the Exchange Opening Price or the order's limit price. Any unexecuted [contracts]interest 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 reenter 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, if consistent with the member's instructions.

(6) No change.

(D) Pursuant to Options 3, Section 8(k)(C)(6), [T]the System will 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 disseminate the re-priced DNR Order as part of the new PBBO.

(E) and (F) No change.

(G) Remaining contracts which are not priced through the Exchange Opening Price after routing a number of contracts to satisfy better priced away contracts will be posted to the Order Book at the better of the away market price or the order's limit price.

(l) Opening Process Cancel Timer. The Opening Process Cancel Timer represents a period of time since the underlying market has opened, and shall be established and disseminated by Phlx on its website. If an option series has not opened before the conclusion of the Opening Process Cancel Timer, a member may elect to have orders returned by providing written notification to the Exchange. These orders include all non Good Til Cancelled Orders received over the FIX protocol.

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