

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4File No.* SR - 2012 - * 31
Amendment No. (req. for Amendments *)

Proposed Rule Change by NASDAQ OMX PHLX LLC.

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document
Exhibit 3 Sent As Paper Document
Description

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

Proposed rule change relating to the PHLX ACE Parameter feature

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 proposed rule change.

First Name * Richard Last Name * Rudolph

Title * Associate General Counsel

E-mail * richard.rudolph@nasdaqomx.com

Telephone * (215) 496-5074 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 officer.

Date 03/08/2012

By Richard S. Rudolph
(Name *)Associate General Counsel
(Title *)

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.

Richard Rudolph,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information (required)

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

Exhibit 1 - Notice of Proposed Rule Change (required)

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change 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

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

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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

NASDAQ OMX 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 proposes to amend Exchange Rule 1080, Commentary .08, Complex Orders on Phlx XL, by adopting new Rule 1080.08(i), which would establish an Acceptable Complex Execution Parameter (“ACE Parameter”), a price range outside of which a Complex Order (as defined below) will not be executed by the PHLX XL[®] automated options trading system³ following a Complex Order Live Auction (“COLA”), as defined below.

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

Brackets indicate deletions; underlining indicates new text.

Phlx XL and Phlx XL II

Rule 1080. (a) - (o) No change.

Commentary:

.01 - .07 No change.

.08 Complex Orders on Phlx XL.

(a) - (h) No change.

(i) Acceptable Complex Execution (“ACE”) Parameter. The ACE Parameter defines a price range outside of which a Complex Order will not be executed following a COLA. The ACE Parameter is a percentage defined by the Exchange on an issue-by-issue basis. The ACE

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ This proposal refers to “PHLX XL” as the Exchange’s automated options trading system. In May 2009 the Exchange enhanced the system and adopted corresponding rules referring to the system as “Phlx XL II.” See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). The Exchange intends to submit a separate technical proposed rule change that would change all references to the system from “Phlx XL II” to “PHLX XL” for branding purposes.

Parameter percentage shall not be less than 3 percent. The ACE Parameter price range is based on the cNBBO at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter percentage. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter percentage. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to this rule will be placed on the CBOOK. The Exchange will issue an Options Trader Alert (“OTA”) to membership indicating the issue-by-issue ACE Parameter percentages. The Exchange will also maintain a list of ACE Parameter percentages on its website.

(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 on August 19, 2011. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Richard S.

Rudolph, Associate General Counsel, at (215) 496-5074.

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

a. Purpose

The purpose of the proposed rule change is to establish the ACE Parameter in order to prevent Complex Orders⁴ from automatically executing at potentially erroneous prices. The

⁴ For purposes of the electronic trading of Complex Orders on the Exchange, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy.

A Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share ("ETF")) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery. Stock-option orders can only be executed against

ACE Parameter feature is designed to help maintain a fair and orderly market. The Exchange believes that the ACE Parameter feature will assist with the maintenance of fair and orderly markets by helping to mitigate the potential risk of executions at prices which are extreme and potentially erroneous.

The ACE Parameter feature is used to define a price range outside of which a Complex Order will not be executed following a COLA.⁵ The ACE Parameter is a percentage defined by the Exchange on an issue-by-issue basis. The ACE Parameter percentage shall not be less than 3 percent. The ACE Parameter price range is based on the Complex National Best Bid or Offer (“cNBBO”)⁶ at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter percentage. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter percentage. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to the proposed rule will be placed on Exchange’s Complex Limit Order Book (“CBOOK”).⁷

For example, assume the ACE parameter is set at 10%, and a PHLX XL participant submits a Complex Order with a strategy to buy Series A and buy Series B.

other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market LLC (“NASDAQ”) are required to have a Uniform Service Bureau/Executing Broker Agreement (“AGU”) with Nasdaq Options Services LLC in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative (“QSR”) arrangement with NOS in order to trade Complex Orders containing a stock/ETF component. The maximum number of components of a Complex Order is six. A stock-option order may include up to five options components (legs). See Exchange Rule 1080.08(a)(i).

⁵ COLA is the automated Complex Order Live Auction process. See Exchange Rule 1080.08(e).

⁶ See Exchange Rule 1080.08(a)(vi).

⁷ See Exchange Rule 1080.08(f).

A complex order is received to buy 30 Series A and buy 30 Series B (30 units of the strategy) for a net debit of \$8.40 and a COLA is initiated. At the end of the COLA, the market is:

NBBO for Series A is \$4.50 - \$4.60, size 10 X 10.

NBBO for Series B is \$2.90 - \$3.00, size 10 X 10.

cNBBO for the strategy is \$7.40 - \$7.60.

Executions to buy the strategy (buy Series A and buy Series B) will occur up to \$8.36 ($\$7.60 + [0.10 \times \$7.60]$). Any remainder of the order will be placed on the CBOOK at \$8.40.

The Exchange believes a minimum 3 percent level⁸ is reasonable and appropriate because a marketable order that would deviate from the cNBBO by 3% or more may be indicative of an extreme or potentially erroneous price, and an Exchange participant would likely want to evaluate the affected Complex Order further following the COLA before receiving an automatic execution. The Exchange also believes that a 3 percent minimum is reasonable and appropriate in comparison to other price check parameters currently in existence on at least one other U.S. options exchange.⁹

The Exchange will issue an Options Trader Alert (“OTA”) to membership indicating the issue-by-issue ACE Parameter percentages. The Exchange will also maintain a list of ACE Parameter percentages on its website.

⁸ For simplicity of explanation, the above example uses a 10% ACE Parameter, which is consistent with the 3% minimum in the proposed rule.

⁹ The Exchange notes that the Chicago Board Options Exchange, Incorporated (“CBOE”) currently applies a no less than 3 percent “acceptable percentage distance” outside of which it will not execute complex orders. See Securities Exchange Act Release No. 66207 (January 20, 2012), 77 FR 4073 (January 26, 2012) (SR-CBOE-2012-004) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Automatic Execution and Complex Order Price Check Parameter Features).

b. Statutory Basis.

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁰ in general and with Section 6(b)(5) of the Act,¹¹ in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by the Act matters not related to the purposes of the Act or the administration of the Exchange.

The ACE Parameter feature is designed to protect investors from extreme and potentially erroneous executions of their Complex Orders. The Exchange also believes the ACE Parameter feature should assist with the maintenance of fair and orderly markets by helping to mitigate the potential risks of receiving executions at prices that are extreme and potentially erroneous.

Finally, the proposed rule change should also make it easier for users to read and understand the operation of PHLX XL as it relates to the execution of Complex Orders, and will fully describe the operation of the new ACE Parameter feature, all to the benefit of PHLX XL participants, and to the options markets as a whole.

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.

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(5).

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).

Pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)¹³ thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange believes that the proposed rule change is “non-controversial” and therefore appropriate for filing pursuant to Rule 19b-4(f)(6) because a substantially similar rule is already operative on another options exchange.¹⁴

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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of its filing.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ See supra note 9.

However, Rule 19b-4(f)(6) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange believes that the protection provided by the ACE Parameter feature is critical for the protection of investors that submit Complex Orders to the Exchange, because it will prevent executions of Complex Orders at extreme and potentially erroneous prices. This built-in investor protection is a fundamental tenet of the Act. Because the ACE Parameter feature provides an element of investor protection that is critical to Exchange participants, the Exchange does not believe that a 30-day operative delay is appropriate in this instance. Additionally, the Exchange's proposed rule change is substantially similar to a rule that is already in place on another options exchange.¹⁵ The Exchange therefore respectfully requests that the Commission waive the 30-day operative delay. The Exchange also believes that, absent such a waiver, it would be placed at a competitive disadvantage in relation to other options exchanges that have such rules in place, and because the rule is currently in place on another options exchange, it does not raise any new regulatory issues.

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

The proposed rule change is based on CBOE Rule 6.53C.08(e).¹⁶ The Exchange's proposal differs slightly from CBOE Rule 6.53C.08(e) because the ACE Parameter price range is

¹⁵ Id.

¹⁶ See supra note 9.

based on the cNBBO at the time an order would be executed, whereas the CBOE “acceptable percentage distance” is calculated at the beginning of the CBOE Complex Order Auction (“COA”).

9. Exhibits

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

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2012-31)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to the Acceptable Complex Execution (“ACE”) Parameter Order Protection Feature

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on March 8, 2012, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Exchange Rule 1080, Commentary .08, Complex Orders on Phlx XL, by adopting new Rule 1080.08(i), which would establish an Acceptable Complex Execution Parameter (“ACE Parameter”), a price range outside of which a Complex Order (as defined below) will not be executed by the PHLX XL[®] automated options trading system³ following a Complex Order Live Auction (“COLA”), as defined below.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ This proposal refers to “PHLX XL” as the Exchange’s automated options trading system. In May 2009 the Exchange enhanced the system and adopted corresponding rules referring to the system as “Phlx XL II.” See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). The Exchange intends to submit a separate technical proposed rule change that would change all references to the system from “Phlx XL II” to “PHLX XL” for branding purposes.

The text of the proposed rule change is available on the Exchange's Website at <http://www.nasdaqtrader.com/micro.aspx?id=PHLXRulefilings>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to establish the ACE Parameter in order to prevent Complex Orders⁴ from automatically executing at potentially erroneous

⁴ For purposes of the electronic trading of Complex Orders on the Exchange, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy.

A Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share ("ETF")) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery. Stock-option orders can only be executed against other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market LLC ("NASDAQ") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Options Services LLC in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative ("QSR") arrangement with NOS in order to trade Complex Orders containing a stock/ETF component. The maximum number of components of a Complex Order is six. A stock-option order may include up to five options components (legs). See Exchange Rule 1080.08(a)(i).

prices. The ACE Parameter feature is designed to help maintain a fair and orderly market. The Exchange believes that the ACE Parameter feature will assist with the maintenance of fair and orderly markets by helping to mitigate the potential risk of executions at prices which are extreme and potentially erroneous.

The ACE Parameter feature is used to define a price range outside of which a Complex Order will not be executed following a COLA.⁵ The ACE Parameter is a percentage defined by the Exchange on an issue-by-issue basis. The ACE Parameter percentage shall not be less than 3 percent. The ACE Parameter price range is based on the Complex National Best Bid or Offer (“cNBBO”)⁶ at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter percentage. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter percentage. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to the proposed rule will be placed on Exchange’s Complex Limit Order Book (“CBOOK”).⁷

For example, assume the ACE parameter is set at 10%, and a PHLX XL participant submits a Complex Order with a strategy to buy Series A and buy Series B.

A complex order is received to buy 30 Series A and buy 30 Series B (30 units of the strategy) for a net debit of \$8.40 and a COLA is initiated. At the end of the COLA, the market is:

⁵ COLA is the automated Complex Order Live Auction process. See Exchange Rule 1080.08(e).

⁶ See Exchange Rule 1080.08(a)(vi).

⁷ See Exchange Rule 1080.08(f).

NBBO for Series A is \$4.50 - \$4.60, size 10 X 10.

NBBO for Series B is \$2.90 - \$3.00, size 10 X 10.

cNBBO for the strategy is \$7.40 - \$7.60.

Executions to buy the strategy (buy Series A and buy Series B) will occur up to \$8.36 ($\$7.60 + [0.10 \times \$7.60]$). Any remainder of the order will be placed on the CBOOK at \$8.40.

The Exchange believes a minimum 3 percent level⁸ is reasonable and appropriate because a marketable order that would deviate from the cNBBO by 3% or more may be indicative of an extreme or potentially erroneous price, and an Exchange participant would likely want to evaluate the affected Complex Order further following the COLA before receiving an automatic execution. The Exchange also believes that a 3 percent minimum is reasonable and appropriate in comparison to other price check parameters currently in existence on at least one other U.S. options exchange.⁹

The Exchange will issue an Options Trader Alert (“OTA”) to membership indicating the issue-by-issue ACE Parameter percentages. The Exchange will also maintain a list of ACE Parameter percentages on its website.

⁸ For simplicity of explanation, the above example uses a 10% ACE Parameter, which is consistent with the 3% minimum in the proposed rule.

⁹ The Exchange notes that the Chicago Board Options Exchange, Incorporated (“CBOE”) currently applies a no less than 3 percent “acceptable percentage distance” outside of which it will not execute complex orders. See Securities Exchange Act Release No. 66207 (January 20, 2012), 77 FR 4073 (January 26, 2012) (SR-CBOE-2012-004) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Automatic Execution and Complex Order Price Check Parameter Features).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁰ in general and with Section 6(b)(5) of the Act,¹¹ in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by the Act matters not related to the purposes of the Act or the administration of the Exchange.

The ACE Parameter feature is designed to protect investors from extreme and potentially erroneous executions of their Complex Orders. The Exchange also believes the ACE Parameter feature should assist with the maintenance of fair and orderly markets by helping to mitigate the potential risks of receiving executions at prices that are extreme and potentially erroneous.

Finally, the proposed rule change should also make it easier for users to read and understand the operation of PHLX XL as it relates to the execution of Complex Orders, and will fully describe the operation of the new ACE Parameter feature, all to the benefit of PHLX XL participants, and to the options markets as a whole.

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(5).

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.

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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)¹³ thereunder.

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

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 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.

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-2012-31 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2012-31. 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-2012-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Kevin M. O'Neill
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).