

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="41"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2013"/> - * <input type="text" value="104"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing 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)	

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) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

A proposed rule change to amend certain procedural rules to implement the change in the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.

**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 * <input type="text" value="Yolanda"/>	Last Name * <input type="text" value="Goettsch"/>
Title * <input type="text" value="Vice President and Associate General Counsel"/>	
E-mail * <input type="text" value="yolanda.goettsch@nasdaqomx.com"/>	
Telephone * <input type="text" value="(301) 978-8486"/>	Fax <input type="text" value="(301) 978-8472"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date <input type="text" value="10/11/2013"/>	<input type="text" value="Executive Vice President and General Counsel"/>
By <input type="text" value="Edward S. Knight"/>	<input style="background-color: #cccccc;" type="text" value="Edward S Knight,"/>

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 EFFF website.

**Form 19b-4 Information \***

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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 \***

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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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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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**

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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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend certain procedural rules to implement the change in the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable rule change is attached hereto 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 Phlx on July 17, 2013. Phlx staff will advise the Board of Directors of Phlx of any action taken pursuant to delegated authority. No other action by Phlx is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Yolanda Goettsch, Vice President and Associate General Counsel, The NASDAQ OMX Group, at (301) 978-8486.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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

On August 21, 2013, the Exchange filed to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.<sup>3</sup> This proposed rule change is intended to clarify certain rule changes that were made in the Expiration Date Filing and to amend additional procedural and other rules intended to implement the change in expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.

The Exchange has adopted rules to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.<sup>4</sup> The changes to the expiration date apply to all standard expiration contracts including those in which the rules are silent on the expiration date. Option contracts having non-standard expiration dates (“non-standard expiration contracts”) were unaffected by the proposed rule changes, except that FLEX options having

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<sup>3</sup> See Securities Exchange Act Release No. 70258 (August 26, 2013), 78 FR 54340 (August 30, 2013)(SR-Phlx-2013-89)(“Expiration Date Filing”). Certain changes proposed in the Expiration Date Filing became effective on filing and become operative on September 20, 2013. The Exchange filed a proposal to adopt a temporary rule to implement the amended definition of “expiration date” in Rule 1000(b)(21) as of September 16, 2013. See Securities Exchange Act Release No. 70451 (September 19, 2013), 78 FR 59076 (September 25, 2013)(SR-Phlx-2013-95)(“Temporary Rule Filing”).

<sup>4</sup> See Rule 1000(b)(21) (definition of “expiration date”).

expiration dates later than February 1, 2015 cannot expire on a Saturday unless they are specified by The Options Clearing Corporation (“OCC”) as grandfathered.<sup>5</sup>

The Exchange is making the proposed rule changes to further harmonize its rules in connection with a recently approved rule filing made by OCC which made substantially similar changes.<sup>6</sup> The Exchange believes that the industry must remain consistent in expiration dates, and, thus, is proposing to update its rules to remain consistent with those of OCC. In addition, the Exchange understands that other exchanges have and will be filing similar rules to effect this industry-wide initiative.<sup>7</sup>

In order to provide a smooth transition to the Friday expiration, OCC has begun to move the expiration exercise procedures to Friday for all standard expiration contracts even though the contracts would continue to expire on Saturday.<sup>8</sup> After February 1, 2015, virtually all standard expiration contracts will actually expire on Friday. The only standard expiration contracts that will expire on a Saturday after February 1, 2015 are certain options that were listed prior to the effectiveness of the OCC rule change, and a

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<sup>5</sup> Examples of options with non-standard expiration contracts include: FLEX options (Rule 1079), Quarterly Equity and Exchange-Traded Fund Shares (“ETFs”) Option Series (Rule 1012, Commentary .08), Quarterly Expiring Index Options Series (Rule 1101A(b)(iv)), Quarterly Options Index Series Program (Rule 1101A(b)(v)), Short Term Option Series (Rule 1012, Commentary .11) and Short Term Option Index Series (Rule 1101A(b)(vi)).

<sup>6</sup> See Securities Exchange Act Release No. 34-69772 (June 17, 2013), 78 FR 37645 (June 21, 2013)(order approving SR-OCC-2013-004).

<sup>7</sup> See Securities Exchange Act Release Nos. 70091 (August 1, 2013), 78 FR 48212 (August 7, 2013)(SR-CBOE-2013-073); 69996 (July 17, 2013), 78 FR 44183 (July 23, 2013)(SR-MIAX-2013-32); 70373 (September 11, 2013), 78 FR 57198 (September 17, 2013)(SR-NYSEMKT-2013-73); 70372 (September 11, 2013), 78 FR 57186 (September 17, 2013)(SR-NYSEARCA-2013-88); and 70488 (September 24, 2013), 78 FR 59998 (September 30, 2013)(SR-BOX-2013-45).

<sup>8</sup> See note 6 supra.

limited number of options that may be listed prior to necessary systems changes of the options exchanges. Phlx, along with the other option exchanges, has agreed not to list any additional options with Saturday expiration dates falling after February 1, 2015. The Exchange understands that the other exchanges are committed to the same listing schedule.<sup>9</sup>

Certain option contracts have already been listed with Saturday expiration dates as distant as January 2016 (which is the furthest out expiration as of the date of this filing). For these contracts, transitioning to a Friday expiration for newly listed option contracts expiring after February 1, 2015 would create a situation under which certain options with open interest would expire on a Saturday while other options with open interest would expire on a Friday in the same expiration month.

Clearing members have expressed a clear preference to not have a mix of options with open interest that expire on different days in a single month.<sup>10</sup> Accordingly, OCC represented in its recently approved filing that it will not issue and clear any new option contracts with a Friday expiration if existing option contracts of the same options class expire on the Saturday following the third Friday of the same month. However, Friday expiration processing will be in effect for these Saturday expiration contracts. As with standard expiration options during the transition period, exercise requests received after Friday expiration processing is complete but before the Saturday contract expiration time will continue to be processed without fines or penalties.

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<sup>9</sup> See note 7 *supra*.

<sup>10</sup> Id.

Since the rule changes implementing the change in expiration date apply only to new series of standard expiration contracts opened for trading consistent with the OCC rules and having expiration dates later than February 1, 2015, the Exchange is proposing to amend certain rules relating to the procedures of the Exchange. The proposed changes take into account that, during a transition period, there will be options with open interest having both Friday and Saturday expiration dates.

More specifically, the Exchange seeks to amend Rule 1006 with respect to certain timing for restrictions on the exercise of American style option. Specifically, the Exchange proposes to specify that the 10 business day period referenced in Rule 1006 includes the expiration date for an option contract that expires on a business day. In addition, the proposal would amend Rule 1006A to provide that restrictions may be in effect for index options until the open of business on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date.

The Exchange also proposes to amend Rule 1012, Series of Options Open for Trading, to differentiate between Friday and Saturday expirations. Specifically, the Exchange proposes to amend Rule 1012(a)(i)(B) to specify that additional series of individual stock options may be added in unusual market conditions until the close of trading on the business day prior to expiration in the case of an option contract expiring on a business day (i.e., Thursday for a Friday expiration), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, until the close of trading on the second business day prior to expiration (i.e., until the close of trading on Thursday for Saturday expirations). The

Exchange also seeks to modify Rule 1012(b) to specify that, on a business day of expiration, or, in the case of an option contract expiring on a non-business day, on the business day prior to the expiration date of a series of options, a closing rotation shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

The Exchange's proposal includes several proposed changes to Rules 1042 and 1042A in order to differentiate between the exercise procedures for Friday and Saturday expirations. First, the Exchange proposes to specify in Rule 1042(b) that special procedures apply to the exercise of equity options on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the last business day before their expiration. Second, the Exchange proposes to specify in Rule 1042(c) that, regarding exercise cut-off times, option holders have until 5:30 p.m. EST on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the business day immediately prior to the expiration date. Third, the Exchange proposes to specify in Rule 1042(h) that the advance notice described therein is applicable if provided by the Exchange on or before 5:30 p.m. EST on the business day (i.e., on Thursday) immediately prior to the business day of expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the business day immediately prior to the last business day before the expiration date (i.e., Thursday for Saturday expirations). Fourth, the Exchange proposes to amend Rule 1042,



Commentary .03 to specify that the reference therein to “unusual circumstances” includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day the option contract expires (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the business day immediately prior to expiration. In addition, the Exchange proposes to amend Rule 1042A(b) to make clear when certain procedures do not apply with respect to the exercise of any stock index option series on the business day of expiration, or in the case of an option expiring on a day that is not a business day, the business day prior to the expiration date.

The Exchange also seeks to modify Rule 1047(c) to specify that an Options Exchange Official has the authority to conduct a closing rotation on a business day of expiration, or, in the case of an option contract expiring on a non-business day, on the trading day prior to expiration where the underlying stock or Exchange-Traded Fund Share did not open or was halted, whenever such action is deemed necessary in the interests of maintaining a fair and orderly market and to protect investors. Rule 1047, Commentary .01(c) also would be modified to clarify certain procedures relating to closing rotations that may commence on a business day of expiration, or, in the case of an option contract expiring on a non-business day, on the last trading day prior to expiration with respect to expiring stock option contracts, expiring stock option contracts or options on Exchange-Traded Fund Shares.

Additionally, the Exchange proposes to amend Rule 1092 to add greater specificity regarding the timing surrounding notifications to the Exchange of a

Catastrophic Error. Specifically, the Exchange proposes to specify that, for such transactions in an expiring options series that take place on an expiration day that is a business day (i.e., for Friday expirations), a party must notify the Exchange by 5:00 p.m. ET that same day. For such transactions in an options series that take place on the business day immediately prior to an expiration day that is not a business day (i.e., for Saturday expirations), an Exchange member must notify the Exchange's Regulatory staff by 5:00 p.m. ET on such business day (i.e., on Friday).

Additionally, it is proposed that Rule 1101A(b)(i) would be amended to specify that due to unusual market conditions new series of index option contracts may be added up to, but not on or after, the fourth business day prior to expiration for an option contract expiring on a business day (i.e., up to, but not on or after, the opening of trading on Monday morning for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the fifth business day prior to expiration. Similarly, Rule 1002C is proposed to be modified to specify that due to unusual market conditions new series of PHLX FOREX Options may be added consistent with the timing described above for new series of index option contracts. The Exchange also proposes to modify Rule 1101A(c) and Rule 1101A, Commentary .01 to specify the applicable hours for trading for index options series and options on the Full Value MSCI EAFE Index on an expiration date that is a business day or the business day prior to expiration when the expiration date is a non-business day.

The Exchange also seeks to clarify rules governing the closing settlement value of certain option contracts. Rule 1057, as proposed to be amended, would provide that the closing settlement value for U.S. dollar-settled foreign currency options on the currencies

listed therein, shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the expiration date, if that expiration date is a business day, or on the business day prior to expiration, when the expiration date is a non-business day, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances. The proposal would amend Rule 1009A(f)(1) to provide that the exercise settlement value for Alpha Index options will be based upon the opening prices of the individual stock or ETF from the primary listing market on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date. Under proposed Rule 1006C, the closing settlement value for PHLX FOREX Options and for the FLEX PHLX FOREX Options on the currencies listed in the rule shall be the spot market price at 12:00:00 Eastern Time (noon) on an expiration date that is a business day or on the business day prior to expiration, when the expiration date is a non-business day, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

As stated above, the Exchange believes the proposed change will keep the Exchange consistent with the processing at OCC and will enable the Exchange to give effect to the industry-wide initiative. In addition, the Exchange understands that other exchanges have filed similar rules to differentiate between Friday and Saturday expiration dates for standard options on listed classes.<sup>11</sup>

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<sup>11</sup> See note 7 supra.

b. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>12</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>13</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>14</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that implementing the change to Friday expiration processing and eventually transitioning to Friday expiration for all monthly expiration contracts would foster cooperation and coordination with persons engaged in facilitating transactions in securities. In particular, the Exchange believes that keeping its rules consistent with those of the industry will protect all participants in the market by eliminating confusion and would facilitate the long-term goal of OCC and its clearing

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<sup>12</sup> 15 U.S.C. 78f (b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> Id.

members to move the expiration process for all monthly expiration contracts from Saturday to Friday night. The proposed changes thus allow for a more orderly market by allowing all options markets, including the clearing agencies, to have the same expiration date for standard options and to have clarity around the procedures that apply during the transition period when both Friday and Saturday expirations will exist for standard options.

In addition, the proposed changes will foster cooperation and coordination with persons engaged in regulating clearing, settling, processing information with respect to, and facilitating transactions in securities by aligning a pivotal part of the options processing to be consistent industry wide. If the industry were to differ, investors would suffer from confusion and be more vulnerable to inadvertent violations of different exchange rules. The proposed changes do not permit unfair discrimination between any members because they are applied to all members equally. In the alternative, the Exchange believes that the proposed changes help all members by keeping the Exchange consistent with OCC practices and those of other exchanges.

#### 4. Self-Regulatory Organization's Statement on Burden on Competition

Phlx does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Specifically, the Exchange does not believe the proposed rule change will impose a burden on intramarket competition because it will be applied to all members equally. In addition, the Exchange does not believe the proposed rule change will impose any burden to intermarket competition because it will be applied industry-wide, apply to all market participants and is designed to allow OCC to streamline the expiration process

for all monthly expiration contracts and increase operational efficiencies for OCC and its clearing members.

The proposed rule change is structured to enhance competition because the shift from an expiration date of the Saturday following the third Friday to the third Friday is anticipated to be adopted industry-wide and will apply to multiple listed classes. The proposed changes in turn will allow Phlx to continue to compete with other exchanges making similar rule changes. For the reasons above, the Exchange does not believe that the proposed rule change would impose a burden on competition.

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

Written comments were neither solicited nor received. The Exchange notes, however, that a favorable comment was submitted to the OCC filing.

6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6)<sup>16</sup> thereunder.

(b) The Exchange designates that the proposed rule change 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

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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. Specifically, the Exchange does not believe that the proposed changes introduce any new concepts nor cause any new burden to members. In addition, the Exchange is merely changing Exchange rules to remain consistent with the OCC and the industry. The proposed rule change also is substantially similar to a rule change submitted by NYSE Arca.<sup>17</sup> The Exchange notes that when the proposed changes to the expiration date were introduced by the OCC, one favorable comment was received during the comment period. In addition, the issues noticed for comment in the OCC filing are almost identical to the issues being addressed in this filing. Thus, the Exchange does not believe that the proposed changes cause any controversy. Finally, because the OCC filing was recently approved by the Commission, the Exchange does not see the proposed language affecting the protection of investors or the public interest or imposing any significant burden on competition.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this 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

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<sup>17</sup> See Securities Exchange Act Release No. 70372 (September 11, 2013), 78 FR 57186 (September 17, 2013)(SR-NYSEARCA-2013-88).

interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

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

As noted above, the proposed rule change is similar to the recently approved rule filing made by OCC.<sup>18</sup> In addition, NYSE Arca recently amended its rules to implement similar changes.<sup>19</sup> The Exchange notes that the proposal submitted by NYSE Arca makes additional changes that are not applicable to the Exchange's proposed rule change.<sup>20</sup> The proposed Exchange rule filing amends the Exchange Rulebook to conform to the current OCC rules and give effect to this industry-wide initiative.

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.

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<sup>18</sup> See note 6 *supra*.

<sup>19</sup> See note 17 *supra*.

<sup>20</sup> Specifically, NYSE Arca also amended its Rule 6.1 (Applicability, Definitions and References) and Commentary .01 of Rule 6.17 (Verification of Compared Trades and Reconciliation of Uncompared Trades) in its filing.



11. Exhibits

1. Completed 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. 34- ; File No. SR-Phlx-2013-104)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Implement Transition to Friday Expiration for Most Options Contracts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 11, 2013, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“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 the Substance of the Proposed Rule Change

The Exchange proposes to amend certain procedural rules to implement the change in the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday. The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqomxphlx.cchwallstreet.com/nasdaqomxphlx/phlx>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

On August 21, 2013, the Exchange filed to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.<sup>3</sup> This proposed rule change is intended to clarify certain rule changes that were made in the Expiration Date Filing and to amend additional procedural and other rules intended to implement the change in expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.

The Exchange has adopted rules to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the

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<sup>3</sup> See Securities Exchange Act Release No. 70258 (August 26, 2013), 78 FR 54340 (August 30, 2013)(SR-Phlx-2013-89)("Expiration Date Filing"). Certain changes proposed in the Expiration Date Filing became effective on filing and become operative on September 20, 2013. The Exchange filed a proposal to adopt a temporary rule to implement the amended definition of "expiration date" in Rule 1000(b)(21) as of September 16, 2013. See Securities Exchange Act Release No. 70451 (September 19, 2013), 78 FR 59076 (September 25, 2013)(SR-Phlx-2013-95)("Temporary Rule Filing").

third Friday.<sup>4</sup> The changes to the expiration date apply to all standard expiration contracts including those in which the rules are silent on the expiration date. Option contracts having non-standard expiration dates (“non-standard expiration contracts”) were unaffected by the proposed rule changes, except that FLEX options having expiration dates later than February 1, 2015 cannot expire on a Saturday unless they are specified by The Options Clearing Corporation (“OCC”) as grandfathered.<sup>5</sup>

The Exchange is making the proposed rule changes to further harmonize its rules in connection with a recently approved rule filing made by OCC which made substantially similar changes.<sup>6</sup> The Exchange believes that the industry must remain consistent in expiration dates, and, thus, is proposing to update its rules to remain consistent with those of OCC. In addition, the Exchange understands that other exchanges have and will be filing similar rules to effect this industry-wide initiative.<sup>7</sup>

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<sup>4</sup> See Rule 1000(b)(21) (definition of “expiration date”).

<sup>5</sup> Examples of options with non-standard expiration contracts include: FLEX options (Rule 1079), Quarterly Equity and Exchange-Traded Fund Shares (“ETFs”) Option Series (Rule 1012, Commentary .08), Quarterly Expiring Index Options Series (Rule 1101A(b)(iv)), Quarterly Options Index Series Program (Rule 1101A(b)(v)), Short Term Option Series (Rule 1012, Commentary .11) and Short Term Option Index Series (Rule 1101A(b)(vi)).

<sup>6</sup> See Securities Exchange Act Release No. 34-69772 (June 17, 2013), 78 FR 37645 (June 21, 2013)(order approving SR-OCC-2013-004).

<sup>7</sup> See Securities Exchange Act Release Nos. 70091 (August 1, 2013), 78 FR 48212 (August 7, 2013)(SR-CBOE-2013-073); 69996 (July 17, 2013), 78 FR 44183 (July 23, 2013)(SR-MIAX-2013-32); 70373 (September 11, 2013), 78 FR 57198 (September 17, 2013)(SR-NYSEMKT-2013-73); 70372 (September 11, 2013), 78 FR 57186 (September 17, 2013)(SR-NYSEARCA-2013-88); and 70488 (September 24, 2013), 78 FR 59998 (September 30, 2013)(SR-BOX-2013-45).

In order to provide a smooth transition to the Friday expiration, OCC has begun to move the expiration exercise procedures to Friday for all standard expiration contracts even though the contracts would continue to expire on Saturday.<sup>8</sup> After February 1, 2015, virtually all standard expiration contracts will actually expire on Friday. The only standard expiration contracts that will expire on a Saturday after February 1, 2015 are certain options that were listed prior to the effectiveness of the OCC rule change, and a limited number of options that may be listed prior to necessary systems changes of the options exchanges. Phlx, along with the other option exchanges, has agreed not to list any additional options with Saturday expiration dates falling after February 1, 2015. The Exchange understands that the other exchanges are committed to the same listing schedule.<sup>9</sup>

Certain option contracts have already been listed with Saturday expiration dates as distant as January 2016 (which is the furthest out expiration as of the date of this filing). For these contracts, transitioning to a Friday expiration for newly listed option contracts expiring after February 1, 2015 would create a situation under which certain options with open interest would expire on a Saturday while other options with open interest would expire on a Friday in the same expiration month.

Clearing members have expressed a clear preference to not have a mix of options with open interest that expire on different days in a single month.<sup>10</sup> Accordingly, OCC represented in its recently approved filing that it will not issue and clear any new option

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<sup>8</sup> See note 6 *supra*.

<sup>9</sup> See note 7 *supra*.

<sup>10</sup> Id.

contracts with a Friday expiration if existing option contracts of the same options class expire on the Saturday following the third Friday of the same month. However, Friday expiration processing will be in effect for these Saturday expiration contracts. As with standard expiration options during the transition period, exercise requests received after Friday expiration processing is complete but before the Saturday contract expiration time will continue to be processed without fines or penalties.

Since the rule changes implementing the change in expiration date apply only to new series of standard expiration contracts opened for trading consistent with the OCC rules and having expiration dates later than February 1, 2015, the Exchange is proposing to amend certain rules relating to the procedures of the Exchange. The proposed changes take into account that, during a transition period, there will be options with open interest having both Friday and Saturday expiration dates.

More specifically, the Exchange seeks to amend Rule 1006 with respect to certain timing for restrictions on the exercise of American style option. Specifically, the Exchange proposes to specify that the 10 business day period referenced in Rule 1006 includes the expiration date for an option contract that expires on a business day. In addition, the proposal would amend Rule 1006A to provide that restrictions may be in effect for index options until the open of business on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date.

The Exchange also proposes to amend Rule 1012, Series of Options Open for Trading, to differentiate between Friday and Saturday expirations. Specifically, the Exchange proposes to amend Rule 1012(a)(i)(B) to specify that additional series of

individual stock options may be added in unusual market conditions until the close of trading on the business day prior to expiration in the case of an option contract expiring on a business day (i.e., Thursday for a Friday expiration), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, until the close of trading on the second business day prior to expiration (i.e., until the close of trading on Thursday for Saturday expirations). The Exchange also seeks to modify Rule 1012(b) to specify that, on a business day of expiration, or, in the case of an option contract expiring on a non-business day, on the business day prior to the expiration date of a series of options, a closing rotation shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

The Exchange's proposal includes several proposed changes to Rules 1042 and 1042A in order to differentiate between the exercise procedures for Friday and Saturday expirations. First, the Exchange proposes to specify in Rule 1042(b) that special procedures apply to the exercise of equity options on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the last business day before their expiration. Second, the Exchange proposes to specify in Rule 1042(c) that, regarding exercise cut-off times, option holders have until 5:30 p.m. EST on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the business day immediately prior to the expiration date. Third, the Exchange proposes to specify in Rule 1042(h) that the advance notice

described therein is applicable if provided by the Exchange on or before 5:30 p.m. EST on the business day (i.e., on Thursday) immediately prior to the business day of expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the business day immediately prior to the last business day before the expiration date (i.e., Thursday for Saturday expirations). Fourth, the Exchange proposes to amend Rule 1042, Commentary .03 to specify that the reference therein to “unusual circumstances” includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day the option contract expires (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the business day immediately prior to expiration. In addition, the Exchange proposes to amend Rule 1042A(b) to make clear when certain procedures do not apply with respect to the exercise of any stock index option series on the business day of expiration, or in the case of an option expiring on a day that is not a business day, the business day prior to the expiration date.

The Exchange also seeks to modify Rule 1047(c) to specify that an Options Exchange Official has the authority to conduct a closing rotation on a business day of expiration, or, in the case of an option contract expiring on a non-business day, on the trading day prior to expiration where the underlying stock or Exchange-Traded Fund Share did not open or was halted, whenever such action is deemed necessary in the interests of maintaining a fair and orderly market and to protect investors. Rule 1047, Commentary .01(c) also would be modified to clarify certain procedures relating to



closing rotations that may commence on a business day of expiration, or, in the case of an option contract expiring on a non-business day, on the last trading day prior to expiration with respect to expiring stock option contracts, expiring stock option contracts or options on Exchange-Traded Fund Shares.

Additionally, the Exchange proposes to amend Rule 1092 to add greater specificity regarding the timing surrounding notifications to the Exchange of a Catastrophic Error. Specifically, the Exchange proposes to specify that, for such transactions in an expiring options series that take place on an expiration day that is a business day (i.e., for Friday expirations), a party must notify the Exchange by 5:00 p.m. ET that same day. For such transactions in an options series that take place on the business day immediately prior to an expiration day that is not a business day (i.e., for Saturday expirations), an Exchange member must notify the Exchange's Regulatory staff by 5:00 p.m. ET on such business day (i.e., on Friday).

Additionally, it is proposed that Rule 1101A(b)(i) would be amended to specify that due to unusual market conditions new series of index option contracts may be added up to, but not on or after, the fourth business day prior to expiration for an option contract expiring on a business day (i.e., up to, but not on or after, the opening of trading on Monday morning for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the fifth business day prior to expiration. Similarly, Rule 1002C is proposed to be modified to specify that due to unusual market conditions new series of PHLX FOREX Options may be added consistent with the timing described above for new series of index option contracts. The Exchange also proposes to modify Rule 1101A(c) and Rule 1101A,

Commentary .01 to specify the applicable hours for trading for index options series and options on the Full Value MSCI EAFE Index on an expiration date that is a business day or the business day prior to expiration when the expiration date is a non-business day.

The Exchange also seeks to clarify rules governing the closing settlement value of certain option contracts. Rule 1057, as proposed to be amended, would provide that the closing settlement value for U.S. dollar-settled foreign currency options on the currencies listed therein, shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the expiration date, if that expiration date is a business day, or on the business day prior to expiration, when the expiration date is a non-business day, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances. The proposal would amend Rule 1009A(f)(1) to provide that the exercise settlement value for Alpha Index options will be based upon the opening prices of the individual stock or ETF from the primary listing market on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date. Under proposed Rule 1006C, the closing settlement value for PHLX FOREX Options and for the FLEX PHLX FOREX Options on the currencies listed in the rule shall be the spot market price at 12:00:00 Eastern Time (noon) on an expiration date that is a business day or on the business day prior to expiration, when the expiration date is a non-business day, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

As stated above, the Exchange believes the proposed change will keep the Exchange consistent with the processing at OCC and will enable the Exchange to give

effect to the industry-wide initiative. In addition, the Exchange understands that other exchanges have filed similar rules to differentiate between Friday and Saturday expiration dates for standard options on listed classes.<sup>11</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>12</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>13</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>14</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that implementing the change to Friday expiration processing and eventually transitioning to Friday expiration for all monthly expiration

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<sup>11</sup> See note 7 supra.

<sup>12</sup> 15 U.S.C. 78f (b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> Id.

contracts would foster cooperation and coordination with persons engaged in facilitating transactions in securities. In particular, the Exchange believes that keeping its rules consistent with those of the industry will protect all participants in the market by eliminating confusion and would facilitate the long-term goal of OCC and its clearing members to move the expiration process for all monthly expiration contracts from Saturday to Friday night. The proposed changes thus allow for a more orderly market by allowing all options markets, including the clearing agencies, to have the same expiration date for standard options and to have clarity around the procedures that apply during the transition period when both Friday and Saturday expirations will exist for standard options.

In addition, the proposed changes will foster cooperation and coordination with persons engaged in regulating clearing, settling, processing information with respect to, and facilitating transactions in securities by aligning a pivotal part of the options processing to be consistent industry wide. If the industry were to differ, investors would suffer from confusion and be more vulnerable to inadvertent violations of different exchange rules. The proposed changes do not permit unfair discrimination between any members because they are applied to all members equally. In the alternative, the Exchange believes that the proposed changes help all members by keeping the Exchange consistent with OCC practices and those of other exchanges.

B. Self-Regulatory Organization's Statement on Burden on Competition

Phlx does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Specifically, the Exchange does not believe the proposed rule change will impose a burden on intramarket competition because it will be applied to all members

equally. In addition, the Exchange does not believe the proposed rule change will impose any burden to intermarket competition because it will be applied industry-wide, apply to all market participants and is designed to allow OCC to streamline the expiration process for all monthly expiration contracts and increase operational efficiencies for OCC and its clearing members.

The proposed rule change is structured to enhance competition because the shift from an expiration date of the Saturday following the third Friday to the third Friday is anticipated to be adopted industry-wide and will apply to multiple listed classes. The proposed changes in turn will allow Phlx to continue to compete with other exchanges making similar rule changes. For the reasons above, the Exchange does not believe that the proposed rule change would impose a burden on competition.

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

Written comments were neither solicited nor received. The Exchange notes, however, that a favorable comment was submitted to the OCC filing.

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 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6)<sup>16</sup> thereunder.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 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

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, as amended, 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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2013-104 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-2013-104. This file number should be included on the subject line if e-mail is used.

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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.

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 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices 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-2013-104, 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.<sup>17</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>17</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

The text of the proposed rule change is below. Proposed new language is underlined; deletions are [bracketed].

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**Rule 1006. Other Restrictions on Exchange Options Transactions and Exercises**

The Exchange shall have the power to impose, from time to time in its discretion, such restrictions on Exchange options transactions or the exercise of option contracts in one or more series of options of any class dealt in on the Exchange (whether stock or Exchange-Traded Fund Share options American style and European style or foreign currency options) as it deems advisable in the interests of maintaining a fair and orderly market in option contracts or in the underlying stocks or Exchange-Traded Fund Shares covered by such option contracts (in the case of options on stocks or Exchange-Traded Fund Shares), or otherwise deems advisable in the public interest or for the protection of investors. During the effectiveness of any such restriction, no member or member organization shall effect any Exchange options transaction or exercise any option contract in contravention of such restriction. Notwithstanding the foregoing, the Exchange shall not impose restrictions on the exercise of European style foreign currency option contracts, and during the ten (10) business days prior to the expiration date of a given series of American style options, which shall include such expiration date for an option contract that expires on a business day, no restriction on the exercise of such American style option contracts shall remain in effect.

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**Rule 1012. Series of Options Open for Trading**

(a) After a particular class of options (call option contracts or put option contracts relating to a specific underlying stock or Exchange-Traded Fund Share or to a specific underlying foreign currency) has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Prior to the opening of trading in any series of options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series as follows:

**(i) Stock or Exchange-Traded Fund Share Options.**

(A) No change.

(B) Additional series of stock or Exchange-Traded Fund Share options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of



options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(C) – (D) No change.

(ii) – (iv) No change.

(b) **Rotation.** On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date of a particular series of options, a closing rotation (as defined in Commentary .01 to Rule 1047) for such series shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

(c) – (d) No change.

••• *Commentary:* -----

.01 - .13 No change.

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## **Rule 1042. Exercise Of Equity Option Contracts**

(a) No change.

(b) *Exercise-by-Exception Procedure for Expiring Options* . Special procedures apply to the exercise of equity options on the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, the last business day before their expiration ("expiring options"). Unless waived by OCC, expiring options are subject to the Exercise-by-Exception ("Ex-by-Ex") procedure under OCC Rule 805. This Rule provides that, unless contrary instructions are given, option contracts that are in-the-money by specified amounts shall be automatically exercised. In addition to OCC rules, the following Exchange requirements apply with respect to expiring options. Option holders desiring to exercise or not exercise expiring options must either:

(i) – (ii) No change.

(c) *Exercise Cut-Off Time.* Option holders have until 5:30 p.m. (EST) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day immediately prior to the expiration date, to make a final decision

to exercise or not exercise an expiring option. Members may not accept exercise instructions for customer or non-customer accounts after 5:30 p.m. (EST).

(d) – (g) No change.

(h) *Modifying the Time for Close of Trading in Options.* In the event the Exchange provides advance notice on or before 5:30 p.m. (EST) on the business day immediately prior to the business day of their expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day immediately prior to the last business day before the expiration date indicating that a modified time for the close of trading in equity options on such business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, such last business day before expiration [date] will occur, then the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042 (c). However, members and member organizations have until 7:30 (EST) to deliver a CEA or Advice Cancel to the Exchange for: (i) customer accounts; and, (ii) non-customer accounts where such member firm employs an electronic submission procedure with an electronic time stamp (with fixed procedures to ensure security of the time stamp) to indicate the time of receipt of exercise instructions.

For non-customer accounts, members and member organizations that do not employ an electronic submission procedure with a time stamp for the submission of exercise instructions are required to deliver a CEA or Advice Cancel within 1 hour and 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042(d).

(i) No change.

••• *Commentary:* -----

**.01 - .02** No change.

**.03** In the event of "unusual circumstances," Rule 1042(h)(i) provides that the Exchange may extend the cut-off times for exercise instructions and the submission of a CEA beyond the normal time frames specified in Rule 1042(c). For purposes of subparagraph (h)(i), an "unusual circumstance" includes, but is not limited to, increased market volatility; significant order imbalances; significant volume surges and/or systems capacity constraints; significant spreads between the bid and offer in underlying securities; internal system malfunctions affecting the ability to disseminate or update market quotes and/or deliver orders; or other similar occurrences. Rule 1042 (h)(ii) provides that the Exchange may also reduce such cut-off times for "unusual circumstances." For purposes of subparagraph (h)(ii),

an "unusual circumstance" includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day the option contract expires, or, in the case of an option contract expiring on a day that is not a business day, the business day immediately prior to expiration.

**.04 - .08** No change.

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### **Rule 1047. Trading Rotations, Halts and Suspensions**

(a) – (b) No change.

(c) An Options Exchange Official shall have the authority, respecting a particular class or series of options, to delay the opening, to halt and reopen after a halt, to open where the underlying stock or Exchange-Traded Fund Share has not opened or current quotations are unavailable for any foreign currency, and to conduct a closing rotation on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the trading day prior to expiration where the underlying stock or Exchange-Traded Fund Share did not open or was halted, whenever such action is deemed necessary in the interests of maintaining a fair and orderly market in such class or series of options and to protect investors.

(d) - (g) No change.

••• *Commentary* :-----

**.01** For purposes of this Rule, a trading rotation is a series of very brief time periods during each of which bids, offers and transactions in only a single, specified option contract can be made. An Options Exchange Official may direct that one or more trading rotations be employed on any business day to aid in producing a fair and orderly market and shall specify, for each rotation so employed, the particular option contracts to be included and the sequence of such option contracts in the rotation. Trading rotations, which shall be conducted by the specialist, shall be conducted in the following manner:

(a) – (b) No change.

(c) **Closing Rotations at Expiration** — On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last trading day prior to expiration with respect to expiring stock option contracts a closing rotation in each series of expiring options shall be commenced at 4:00

p.m., or 4:15 p.m. for options on Exchange-Traded Fund Shares where the underlying Fund Shares themselves cease trading at 4:15 p.m., or after a closing price of the stock or Exchange-Traded Fund Share in its primary market is established, whichever is later. Except as otherwise provided by an Options Exchange Official, the specialist may determine which type of expiring options series should close first, and may alternate the close of put series and call series or may close all series of one type before closing any series of the other type, depending on current market conditions. In any instance where an Options Exchange Official, determines to conduct a closing rotation on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the trading day prior to expiration in any equity option for which the underlying did not trade, or for which trading was halted as of the normal close of trading in its primary market on that day, the rotation shall commence as immediately as practicable following the time at which the option normally ceases free trading, or at any earlier time.

(d) – (e) No change.

**.02 - .03** No change.

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#### **Rule 1057. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value**

U.S. dollar-settled foreign currency options are settled in U.S. dollars.

The closing settlement value for the U.S. dollar-settled FCO on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

\* \* \* \* \*

### **Rule 1092. Obvious Errors and Catastrophic Errors**

The Exchange shall either nullify a transaction or adjust the execution price of a transaction that results in an Obvious Error as provided in this Rule.

(a) – (e) No change.

(f) *Catastrophic Error Procedure.*

(i) *Notification.* If an Exchange member believes that it participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (a)(ii) above, it must notify the Exchange's Regulatory staff by 8:30 am ET, on the first trading day following the date on which the Catastrophic Error occurred. For transactions in an expiring options series that take place on an expiration day that is a business day, an Exchange member must notify the Exchange by 5:00 pm ET that same day. For such transactions in an expiring options series that take place on the business day immediately prior to an expiration day that is not a business day, an Exchange member must notify the Exchange's Regulatory staff by 5:00 pm ET on such business day. Relief will not be granted under this paragraph: (i) unless notification is made within the prescribed time period; and (ii) if an Options Exchange Official has previously rendered a decision with respect to the transaction in question pursuant to Rule 1092(e).

(ii) – (iv) No change.

(g) No change.

*Commentary:* -----

**.01 - .02** No change.

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### **Rule 1006A. Other Restrictions on Options Transactions and Exercises**

With respect to index options, restrictions on exercise may be in effect until the opening of business on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date.

\* \* \* \* \*

**Rule 1009A. Designation of the Index**

(a) – (e) No change.

(f) Alpha Index Options

(1) Alpha Index options will be A.M.-settled. The exercise settlement value will be based upon the opening prices of the individual stock or ETF from the primary listing market on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date [ (usually a Friday)].

(2) – (4) No change.

(g) – (h) No change.

\* \* \* \* \*

**Rule 1042A. Exercise of Option Contracts**

(a) No change.

(b) The provisions of paragraph (a) of this Rule 1042A are not applicable with respect to any series of stock index options on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date of such series of options.

••• *Commentary:* -----

.01 No change.

\* \* \* \* \*

**Rule 1101A. Terms of Option Contracts**

(a) No change.

(b) After a particular class of stock index options has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Within each approved class of stock index options, the Exchange shall open for trading a minimum of one expiration month and series for each class of approved stock index options and may also open for trading series of options having not less than nine and up to 60 months expiration (long-term options series) as provided in subparagraph (b)(iii). Prior to the opening of trading in any series of stock index options,

the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(i) Additional series of stock index options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying index moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an index may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on indexes until the fourth business day prior to the business day of expiration, or, in the case of an index option contract expiring on a day that is not a business day, up to the fifth[five (5)] business day[s] prior to expiration.

(ii) – (vi) No change.

(c) On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date of a particular series of index options, such option shall freely trade until 4:00 P.M., unless the Board of Directors has established different hours of trading for certain index options.

••• *Commentary:* -----

**.01** Transactions in broad-based (market) index options traded on the Exchange, including Value Line Composite Index options, National Over-the-Counter Index options, U.S. Top 100 Index options, the OTC Industrial Average Index options, Full Value Russell 2000<sup>®</sup> Options and Reduced Value Russell 2000<sup>®</sup> Options, Full and Reduced Value Russell 3000<sup>®</sup> Index, Full and Reduced Value Russell 3000<sup>®</sup> Value Index, Full and Reduced Value Russell 3000<sup>®</sup> Growth Index, Full and Reduced Value Russell 2500<sup>™</sup> Index, Full and Reduced Value Russell 2500<sup>™</sup> Value Index, Full and Reduced Value Russell 2500<sup>™</sup> Growth Index, Full and Reduced Value Russell 2000<sup>®</sup> Value Index, Full and Reduced Value Russell 2000<sup>®</sup> Growth Index, Full and Reduced Value Russell 1000<sup>®</sup> Index, Full and Reduced Value Russell 1000<sup>®</sup> Value Index, Full and Reduced Value Russell 1000<sup>®</sup> Growth Index, Full and Reduced Value Russell Top 200<sup>®</sup> Index, Full and Reduced Value Russell Top 200<sup>®</sup> Value Index, Full and Reduced Value Russell Top 200<sup>®</sup> Growth Index, Full and Reduced Value Russell MidCap<sup>®</sup> Index, Full and Reduced Value Russell MidCap<sup>®</sup> Value Index, Full and Reduced Value Russell MidCap<sup>®</sup> Growth Index, Full and Reduced Value Russell Small Cap Completeness<sup>®</sup> Index, Full and Reduced Value Russell Small Cap Completeness<sup>®</sup> Value Index, and Full and Reduced Value Russell Small Cap Completeness<sup>®</sup> Growth Index and Full Value Nasdaq 100

Options and Reduced Value Nasdaq 100 Options, and Full Value MSCI EM Index may be effected on the Exchange until 4:15 P.M. each business day, through the expiration date. Transactions in options on the Full Value MSCI EAFE Index may be effected on the Exchange until 4:15 P.M. each business day, except that on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date, transactions may be effected on the Exchange until 11:00 A.M. Transactions in Alpha Index options may also be effected on the Exchange until 4:15 P.M. each business day, through the expiration date.

**.02 - .04** No change.

\* \* \* \* \*

### **Rule 1002C. Series of PHLX FOREX Options™ Open for Trading**

(a) After a particular class of PHLX FOREX Options (call option contracts or put option contracts relating to a specific underlying foreign currency) has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Prior to the opening of trading in any series of options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series as follows:

(i) No change.

(ii) Additional series of PHLX FOREX Options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of PHLX FOREX Options until the fourth business day prior to the business day of expiration, or, in the case of an index option contract expiring on a day that is not a business day, up to the fifth[ve (5)] business day[s] prior to expiration.

(iii) No change.

(b) No change.

\* \* \* \* \*

### **Rule 1006C. Closing Settlement Value of PHLX FOREX Options™**



U.S. dollar-settled foreign currency options are settled in U.S. dollars per unit of underlying currency.

(a) The closing settlement value for PHLX FOREX Options and for FLEX PHLX FOREX Options on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, and the New Zealand dollar shall be the spot market price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

(b) – (c) No change.

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