

Required fields are shown with yellow backgrounds and asterisks.

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"/>
			Rule		
Pilot <input type="checkbox"/>	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 Section 806(e)(1) <input checked="" type="checkbox"/> Section 806(e)(2) <input checked="" type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input checked="" type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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Description
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposal to amend the Commentary to Rule 1080 to add a new PIXL ISO order type.

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="Erika"/>	Last Name * <input type="text" value="Moore"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="erika.moore@nasdaqomx.com"/>	
Telephone * <input type="text" value="(301) 978-8490"/>	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="08/21/2013"/>	Executive Vice President and General Counsel
By <input type="text" value="Edward S. Knight"/>	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

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

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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 the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC (“Exchange” or “Phlx”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission” or “SEC”) a proposal to amend the Commentary to Rule 1080 to add a new PIXL ISO order type.

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 change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on July 17, 2013. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Erika J. Moore, Associate General Counsel, The NASDAQ OMX Group, Inc., at (301) 978-8490.

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

a. Purpose

The Exchange proposes to amend the Commentary to Rule 1080 to add a new PIXL ISO order type.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

PIXL

The price-improving electronic auction (“PIXL”) is a process whereby Exchange members electronically submit orders they represent as agent against principal interest or other interest that they represent as agent.³ The submitted orders are stopped at a price and are subsequently entered into an auction seeking price improvement.

An Exchange member (“Initiating Member”) may initiate a PIXL auction provided that it meets certain requirements depending on the size of the order, whether or not the order is for the account of a public customer and whether or not it is a Complex Order.⁴ These requirements are as follows.

1. If the PIXL Order⁵ is for the account of a public customer and is for a size of 50 contracts or more, the Initiating Member must stop the entire PIXL Order at a price that is equal to or better than the National Best Bid/Offer (“NBBO”) on the opposite side of the market from the PIXL Order, provided that such price must be at least one minimum price improvement increment (as determined by the Exchange but not smaller

³ Rule 1080(n).

⁴ For purposes of the electronic trading of Complex Orders pursuant to Rule 1080.08 only, 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. See Commentary .08(a)(i) to Rule 1080.

⁵ A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker dealer, or any other entity (“PIXL Order”) against principal interest or against any other order (other than in the final two seconds of a trading session) it represents as agent provided it submits the PIXL Order for electronic execution into the PIXL auction. See Rule 1080(n).

than one cent) better than any limit order on the limit order book on the same side of the market as the PIXL Order.⁶

2. If the PIXL Order is for the account of a public customer and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the Exchange's Best Bid or Offer ("PBBO") price on the opposite side of the market from the PIXL Order improved by at least one minimum price improvement increment, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO, and at least one minimum price improvement increment better than any limit order on the book on the same side of the market as the PIXL Order.⁷

3. If the PIXL Order is not for the account of a public customer and is for a size of 50 contracts or more, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the PBBO price improved by at least one minimum price improvement increment on the same side of the market as the PIXL Order, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO.⁸

4. If the PIXL Order is not for the account of a public customer and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the PBBO price improved by at least one minimum price improvement increment on the same side of the market as the PIXL Order, or (ii) the

⁶ Rule 1080(n)(i)(A)(1).

⁷ Rule 1080(n)(i)(A)(2). This component of the PIXL system is effective for a pilot period scheduled to expire July 18, 2014.

⁸ Rule 1080(n)(i)(B)(1).

PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO and at least one minimum improvement increment better than the PBBO on the opposite side of the market from the PIXL Order.⁹

5. If the PIXL Order is a Complex Order and of a conforming ratio,¹⁰ the Initiating Member must stop the entire PIXL order at a price that is better than the best net price (debit or credit) (i) available on the Complex Order book regardless of the Complex Order book size; and (ii) achievable from the best Phlx bids and offers for the individual options, provided in either case that such price is equal to or better than the PIXL Order's limit price.¹¹

ISO

An intermarket sweep order ("ISO") is defined in Rule 1066(i)¹² as a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed

⁹ Rule 1080(n)(i)(B)(2). This component of the PIXL system is effective for a pilot period scheduled to expire July 18, 2014.

¹⁰ The term "conforming ratio" is where the ratio between the sizes of the options components of a Complex Order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is a conforming ratio, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not; where one component of the Complex Order is the underlying security, the ratio between any options component and the underlying security component must be less than or equal to eight contracts to 100 shares of the underlying security. See Commentary .08(a)(ix) to Rule 1080.

¹¹ Rule 1080(n)(i)(C). Where applied to Complex Orders where the smallest leg is less than 50 contracts in size, this component of the PIXL system shall be effective for a pilot period scheduled to expire July 18, 2014.

¹² In September 2013, the Exchange plans to begin implementation of enhancements to the Options Floor Broker Management System, with a trial period of two to four weeks, to be determined by the Exchange. As part of these enhancements, the definition of ISO will be moved to the Commentary to Rule 1080. See Securities Exchange Act Release No. 69471 (April 29, 2013), 78 FR 26096 (May 3, 2013) (SR-Phlx-2013-09).

within the system by participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083.¹³ ISOs are immediately executable within the Exchange's options trading system or cancelled, and shall not be eligible for routing as set out in Rule 1080. Simultaneously with the routing of an ISO to the Exchange's options trading system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Protected Offer in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs.

PIXL ISO Order Type

The Exchange proposes to implement a new PIXL ISO order type ("PIXL ISO") that will allow the submission of an ISO into PIXL. Specifically, a PIXL ISO is the transmission of two orders for crossing pursuant to Rule 1080(n) without regard for better priced Protected Bids or Protected Offers because the participant transmitting the PIXL

¹³ Under Rule 1083, a "Protected Quotation" includes a Protected Bid or Protected Offer. A "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. "Bid" or "Offer" means the bid price or the offer price communicated by a member of an Eligible Exchange to any broker or dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest. The "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended. "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer. Finally, "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Act that: (i) is a Participant Exchange in The Options Clearing Corporation ("OCC") (as that term is defined in Section VII of the OCC by-laws); (ii) is a party to the OPRA Plan; and (iii) if the national securities exchange is not a party to the OPRA Plan, is a participant in another plan approved by the Commission providing for comparable trade-through and locked and crossed market protection.

ISO to the Exchange has, simultaneously with the routing of the PIXL ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PIXL auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIXL Order, meaning that any execution(s) obtained from the away side will be given to the agency side of the order.

The Exchange will accept a PIXL ISO provided the order adheres to the current PIXL Order acceptance requirements, which are outlined above, but without regard to the NBBO. The Exchange will execute the PIXL ISO in the same manner that it currently executes PIXL Orders, except that it will not protect prices away. Instead, order flow providers will bear the responsibility to clear all better priced interest away simultaneously with submitting the PIXL ISO order. There is no other impact to PIXL functionality. Specifically, liquidity present at the end of the PIXL auction will continue to be included in the PIXL auction as it is with PIXL Orders not marked as ISOs.

The Exchange will announce the implementation of this order type by Options Trader Alert.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

market system, and, in general to protect investors and the public interest. The proposal promotes just and equitable principles of trade and removes impediments to a free and open market in that it promotes competition, as described further below. Specifically, the proposal allows the Exchange to offer its members an order type that is already offered by another exchange.¹⁶ In addition, the proposal benefits traders and investors because it adds a new order type for seeking price improvement through the PIXL mechanism. Finally, the proposal does not unfairly discriminate among members because all members are eligible to submit a PIXL ISO order.

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. Instead, the proposal is pro-competitive. First, it will enable the Exchange to provide market participants with an additional method of seeking price improvement through PIXL. Second, the proposal will allow the Exchange to compete against other markets that already allow an ISO order type in their price improvement mechanisms.¹⁷

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

¹⁶ See CBOE Rule 6.53(q).

¹⁷ Id.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁸ of the Act and Rule 19b-4(f)(6) thereunder¹⁹ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The proposal does not significantly affect the protection of investors or the public interest or impose a significant burden on competition because it adopts the same rule as the Chicago Board Options Exchange (“CBOE”) with respect to the PIXL ISO order type.

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

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

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6).

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

This proposal copies the CBOE's AIM ISO order type.²⁰

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

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

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

²⁰ See CBOE Rule 6.53(q).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2013-87)

August __, 2013

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of Proposed Rule Change To Amend the Commentary to Rule 1080 To Add a New PIXL ISO Order Type

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 21, 2013, 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 the Commentary to Rule 1080 to add a new PIXL ISO order type.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the Commentary to Rule 1080 to add a new PIXL ISO order type.

PIXL

The price-improving electronic auction (“PIXL”) is a process whereby Exchange members electronically submit orders they represent as agent against principal interest or other interest that they represent as agent.³ The submitted orders are stopped at a price and are subsequently entered into an auction seeking price improvement.

An Exchange member (“Initiating Member”) may initiate a PIXL auction provided that it meets certain requirements depending on the size of the order, whether or not the order is for the account of a public customer and whether or not it is a Complex Order.⁴ These requirements are as follows.

³ Rule 1080(n).

⁴ For purposes of the electronic trading of Complex Orders pursuant to Rule 1080.08 only, 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. See Commentary .08(a)(i) to Rule 1080.

1. If the PIXL Order⁵ is for the account of a public customer and is for a size of 50 contracts or more, the Initiating Member must stop the entire PIXL Order at a price that is equal to or better than the National Best Bid/Offer (“NBBO”) on the opposite side of the market from the PIXL Order, provided that such price must be at least one minimum price improvement increment (as determined by the Exchange but not smaller than one cent) better than any limit order on the limit order book on the same side of the market as the PIXL Order.⁶

2. If the PIXL Order is for the account of a public customer and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the Exchange’s Best Bid or Offer (“PBBO”) price on the opposite side of the market from the PIXL Order improved by at least one minimum price improvement increment, or (ii) the PIXL Order’s limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO, and at least one minimum price improvement increment better than any limit order on the book on the same side of the market as the PIXL Order.⁷

3. If the PIXL Order is not for the account of a public customer and is for a size of 50 contracts or more, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the PBBO price improved by at least one minimum price

⁵ A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker dealer, or any other entity (“PIXL Order”) against principal interest or against any other order (other than in the final two seconds of a trading session) it represents as agent provided it submits the PIXL Order for electronic execution into the PIXL auction. See Rule 1080(n).

⁶ Rule 1080(n)(i)(A)(1).

⁷ Rule 1080(n)(i)(A)(2). This component of the PIXL system is effective for a pilot period scheduled to expire July 18, 2014.

improvement increment on the same side of the market as the PIXL Order, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO.⁸

4. If the PIXL Order is not for the account of a public customer and is for a size of less than 50 contracts, the Initiating Member must stop the entire PIXL Order at a price that is the better of: (i) the PBBO price improved by at least one minimum price improvement increment on the same side of the market as the PIXL Order, or (ii) the PIXL Order's limit price (if the order is a limit order), provided in either case that such price is at or better than the NBBO and at least one minimum improvement increment better than the PBBO on the opposite side of the market from the PIXL Order.⁹

5. If the PIXL Order is a Complex Order and of a conforming ratio,¹⁰ the Initiating Member must stop the entire PIXL order at a price that is better than the best net price (debit or credit) (i) available on the Complex Order book regardless of the Complex Order book size; and (ii) achievable from the best Phlx bids and offers for the

⁸ Rule 1080(n)(i)(B)(1).

⁹ Rule 1080(n)(i)(B)(2). This component of the PIXL system is effective for a pilot period scheduled to expire July 18, 2014.

¹⁰ The term "conforming ratio" is where the ratio between the sizes of the options components of a Complex Order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is a conforming ratio, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not; where one component of the Complex Order is the underlying security, the ratio between any options component and the underlying security component must be less than or equal to eight contracts to 100 shares of the underlying security. See Commentary .08(a)(ix) to Rule 1080.

individual options, provided in either case that such price is equal to or better than the PIXL Order's limit price.¹¹

ISO

An intermarket sweep order ("ISO") is defined in Rule 1066(i)¹² as a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083.¹³ ISOs are immediately executable within the Exchange's options trading system or cancelled, and shall not be eligible for routing as set out in Rule 1080. Simultaneously with the routing of an ISO to

¹¹ Rule 1080(n)(i)(C). Where applied to Complex Orders where the smallest leg is less than 50 contracts in size, this component of the PIXL system shall be effective for a pilot period scheduled to expire July 18, 2014.

¹² In September 2013, the Exchange plans to begin implementation of enhancements to the Options Floor Broker Management System, with a trial period of two to four weeks, to be determined by the Exchange. As part of these enhancements, the definition of ISO will be moved to the Commentary to Rule 1080. See Securities Exchange Act Release No. 69471 (April 29, 2013), 78 FR 26096 (May 3, 2013) (SR-Phlx-2013-09).

¹³ Under Rule 1083, a "Protected Quotation" includes a Protected Bid or Protected Offer. A "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. "Bid" or "Offer" means the bid price or the offer price communicated by a member of an Eligible Exchange to any broker or dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest. The "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended. "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer. Finally, "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Act that: (i) is a Participant Exchange in The Options Clearing Corporation ("OCC") (as that term is defined in Section VII of the OCC by-laws); (ii) is a party to the OPRA Plan; and (iii) if the national securities exchange is not a party to the OPRA Plan, is a participant in another plan approved by the Commission providing for comparable trade-through and locked and crossed market protection.

the Exchange's options trading system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Protected Offer in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs.

PIXL ISO Order Type

The Exchange proposes to implement a new PIXL ISO order type ("PIXL ISO") that will allow the submission of an ISO into PIXL. Specifically, a PIXL ISO is the transmission of two orders for crossing pursuant to Rule 1080(n) without regard for better priced Protected Bids or Protected Offers because the participant transmitting the PIXL ISO to the Exchange has, simultaneously with the routing of the PIXL ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PIXL auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIXL Order, meaning that any execution(s) obtained from the away side will be given to the agency side of the order.

The Exchange will accept a PIXL ISO provided the order adheres to the current PIXL Order acceptance requirements, which are outlined above, but without regard to the NBBO. The Exchange will execute the PIXL ISO in the same manner that it currently executes PIXL Orders, except that it will not protect prices away. Instead, order flow providers will bear the responsibility to clear all better priced interest away simultaneously with submitting the PIXL ISO order. There is no other impact to PIXL

functionality. Specifically, liquidity present at the end of the PIXL auction will continue to be included in the PIXL auction as it is with PIXL Orders not marked as ISOs.

The Exchange will announce the implementation of this order type by Options Trader Alert.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The proposal promotes just and equitable principles of trade and removes impediments to a free and open market in that it promotes competition, as described further below. Specifically, the proposal allows the Exchange to offer its members an order type that is already offered by another exchange.¹⁶ In addition, the proposal benefits traders and investors because it adds a new order type for seeking price improvement through the PIXL mechanism. Finally, the proposal does not unfairly discriminate among members because all members are eligible to submit a PIXL ISO order.

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. Instead, the proposal is pro-competitive. First, it will enable the Exchange to

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See CBOE Rule 6.53(q).

provide market participants with an additional method of seeking price improvement through PIXL. Second, the proposal will allow the Exchange to compete against other markets that already allow an ISO order type in their price improvement mechanisms.¹⁷

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁹

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

¹⁷ Id.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁹ 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.

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-2013-87 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-2013-87. 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-2013-87 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.²⁰

Kevin M O'Neill
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5Text of the Proposed Rule Change¹

New language is underlined.

Phlx Option Rules

* * * * *

Rule 1080. Phlx XL and Phlx XL II

(a) – (p) No change.

• • • *Commentary:* -----

.01 - .08 No change.

.09 PIXL ISO Order. A PIXL ISO order (PIXL ISO) is the transmission of two orders for crossing pursuant to Rule 1080(n) without regard for better priced Protected Bids/Offer (as defined in Rule 1083) because the member transmitting the PIXL ISO to the Exchange has, simultaneously with the routing of the PIXL ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid/Offer that is superior to the starting PIXL Auction price and has swept all interest in the Exchange's book priced better than the proposed Auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIXL Order.

¹ Changes are marked to the rules of NASDAQ OMX PHLX LLC found at <http://nasdaqomxphlx.cchwallstreet.com>.