

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 21	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2014 - * 16	Amendment No. (req. for Amendments *)
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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"/>
			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	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(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 proposal to amend Rule 1080.08e to provide that market maker Complex Orders cannot initiate a Complex Order Live Auction.

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 * Edith	Last Name * Hallahan
Title * Principal Associate General Counsel	
E-mail * edith.hallahan@nasdaqomx.com	
Telephone * (215) 496-5179	Fax

Signature

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

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

(Title *)

Date 03/12/2014	Executive Vice President and General Counsel
By Edward S. Knight	
(Name *)	

Persona Not Validated - 1383935917270,

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

Add Remove View

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

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder², NASDAQ OMX PHLX LLC ("Exchange" or "Phlx") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend Rule 1080.08(e) to provide that market maker Complex Orders cannot initiate a Complex Order Live Auction ("COLA"), as described further below.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. Proposed new language is underlined.

* * * * *

Rule 1080. Phlx XL and Phlx XL II

(a) – (p) No change.

•• *Commentary:* -----

.01- .07 No change.

.08 Complex Orders on Phlx XL.

(a) – (d) No change.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) For purposes of paragraph (e):

(A) No change.

(B) (1) A "COLA-eligible order" means a Complex Order (a) identified by way of a COOP, or (b) that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

of the Complex Order and is not for a market maker, as specified in Rule 1080.08 (b)(ii). If the Phlx XL system identifies the existence of a COLA-eligible order following a COOP or by way of receipt during normal trading of a Complex Order that improves the cPBBO, such COLA-eligible order will initiate a COLA, during which Phlx XL participants may bid and offer against the COLA-eligible order pursuant to this rule. COLA-eligible orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.

(2) No change.

(ii) - (ix) No change.

(f) – (i) No change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors on July 17, 2013. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions regarding this rule filing may be directed to Edith Hallahan, Principal Associate General Counsel, The NASDAQ OMX Group, Inc., at 215-496-5179.

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

(a) Purpose

The purpose of the proposal is to correct the rule text to provide that market maker Complex Orders cannot trigger a COLA. The Exchange's Complex Order System is governed by Rule 1080.08 and provides that COLA-eligible orders will trigger a

COLA.³ The COLA is an automated auction that is intended to seek additional liquidity and price improvement for Complex Orders. Rule 1080.08(e) provides that a COLA-eligible order means a Complex Order identified by way of a COOP, or that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject of the Complex Order.

However, Phlx's system is programmed such that market maker⁴ orders do not trigger a COLA, regardless of whether such orders are IOC or DAY orders.⁵ Rather than triggering a COLA, market maker Complex Orders are handled pursuant to Rule 1080.08(c)(i), which provides that Complex Orders may be executed against the Complex Order Book or placed on the Complex Order Book.⁶ Pursuant to Rule 1080.08(e), market makers can interact with a COLA-eligible order by submitting responsive interest during the COLA. Furthermore, Rule 1080.08(f) governs how Complex Orders are placed on the CBOOK and how they are executed.

The Exchange is amending Rule 1080.08(e)(i)(B)(1) to correct its rule text to state that market maker orders are not "COLA-eligible" such that they cannot trigger a COLA. The Exchange believes that it is appropriate for market maker Complex Orders not to trigger a COLA, because it results in a delay, during which markets can change and other

³ Rule 1080.08(e)(i)(B)(1).

⁴ Market makers include SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange. See Rules 1014 and 1080.08(b)(ii).

⁵ The Exchange began permitting market maker orders to be entered as DAY orders recently. See Securities Exchange Act Release No. 63777 (January 26, 2011), 76 FR 5630 (February 1, 2011) (SR-Phlx-2010-157). Previously, they could only be entered as IOC orders and did not trigger a COLA.

⁶ Rule 1080.08(c)(iii)(D) provides that paragraph (c) applies to all Complex Order executions, whether executed in a COLA or not.

orders can trade. The Exchange does not believe that this will disadvantage market makers and may in fact be more consistent with their trading goals and style. Specifically, market makers provide liquidity, making markets and submitting bids/offers/orders based on current market conditions, which can, of course, change rapidly; market makers are therefore concerned about the risks associated with the time delay of an auction more so than the potential benefit of price improvement for any one particular order. Moreover, market makers generally view auctions in terms of participating as responders. The Exchange notes that market makers have not expressed concern or dissatisfaction about their Complex Orders not triggering a COLA.

If the Exchange's system had provided that market maker orders could trigger a COLA, market makers could nevertheless enter their orders as DNA orders⁷ to avoid a COLA, but DNA orders are cancelled if not immediately executed. Thus, DNA orders do not provide the opportunity for market makers to send an order that can both execute without delay and result in the remainder posting on the CBOOK.

The Exchange notes that it is common for certain functionality not to be available to all origin types. For example, as noted above, Complex Orders with certain time-in-force instructions are available only to certain origin types; today, market makers cannot enter Good-Til-Cancelled Complex Orders.⁸ In addition, other options exchanges have the flexibility in their rules to determine which participants can initiate a complex order auction and these exchanges can make this determination on a class-by-class basis.⁹ The

⁷ See Rule 1080.08(a)(viii).

⁸ See Rule 1080.08(b)(ii).

⁹ See CBOE Rule 6.53C(d)(i)(2), NYSE Arca Rule 6.91(c)(1) and NYSE MKT Rule 980NY(e)(1).

Exchange believes that this is functionally equivalent to its proposal, because: (i) implementation by class (puts versus calls) is merely an operational detail; (ii) the Exchange does not believe that there is any particular reason to differentiate among different classes; and (iii) the Exchange believes that CBOE, as a practical matter, implements this provision across all options and not class-by-class.¹⁰

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the provisions of Section 6 of the Act,¹¹ in general, and with Section 6(b)(5) of the Act,¹² in particular, which requires that the rules of an exchange be designed to promote just and equitable principles of trade, and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Specifically, the Exchange believes that the proposal is designed to promote just and equitable principles of trade, because it affords to market makers an immediate execution over the benefits of an auction. As discussed above, in their role as liquidity providers, market makers generally prefer an immediate execution when entering an order, due to the potential market risk. In the complex orders marketplace, market makers generally respond to auctions rather than enter orders.

¹⁰ See e.g., Regulatory Circular RG12-088 dated June 29, 2012 at <http://cchwallstreet.com/CBOETools/PlatformViewer.asp?searched=1&selectednode=chp%5F1%5F26&CiRestriction=COA%2Deligible&manual=%2Fchoe%2Fbulletins%2Fchoe%2Dreg%2Dbull%2D2012%2F> and CBOE Regulatory Circular RG13-012 dated January 18, 2013 at <http://cchwallstreet.com/CBOETools/PlatformViewer.asp?searched=1&selectednode=chp%5F1%5F49&CiRestriction=COA%2Deligible&manual=%2Fchoe%2Fbulletins%2Fchoe%2Dreg%2Dbull%2D2013%2F>. These CBOE Regulatory Circulars do not differentiate among option classes respecting CBOE's COA.

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(5).

Accordingly, from their particular perspective, avoiding an auction in the case where they do enter an order is consistent with just and equitable principles of trade because it helps them manage their trading and therefore their risk.

The Exchange does not believe that the proposal is unfairly discriminatory, because, although market makers are being treated differently than other participants, the Exchange believes that market makers would themselves not regard this proposal negatively, because they do not necessarily find that a COLA is necessary or helpful. In addition, it is not unfairly discriminatory, because market makers, unlike other participants, generally only respond to auctions and prefer immediate execution, such that treating them differently than other participants is rooted in the way they trade and the way they function, to their benefit, rather than in an effort to exclude them or be unfair to them. Other options exchanges have the ability under their rules not to trigger an auction by participant type, such that the Commission has approved the ability to treat different participants differently respecting complex order auctions.

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

The Exchange 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 proposal does not impose an intra-market burden on competition, because, even though it would result in market maker orders not triggering a COLA, the ability of market makers to compete amongst each other and with other market participants would not be diminished. Whether or not market makers orders trigger a COLA has no bearing on how they compete with each other in the marketplace; market makers compete based on price and trading strategy as applied to particular market conditions, regardless of auctions. With respect to competition with other market

participants, even if their orders do not trigger a COLA, market makers can continue to compete by responding to auctions triggered by other participant types.

Nor will the proposal impose a burden on competition among the options exchanges, because, in addition to the vigorous competition for order flow among the options exchanges, the proposal could result in the same outcome on three other exchanges that have the flexibility to determine which complex orders trigger an auction. To the extent that market makers disagree with the particular approach taken by the Exchange herein, market makers can easily and readily direct complex order flow to competing venues.

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.

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)

Pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6)¹⁴ thereunder, Phlx has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Phlx

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

believes that the proposal does not impose any significant burden on competition, as explained above. Phlx believes that the proposal does not significantly affect the protection of investors or the public interest, because it does not raise any novel regulatory issues, as it is similar to the rules of other exchanges.¹⁵ To the extent that the proposal differs because it will apply to all options rather than class-by-class, the Exchange believes that it is consistent with the protection of investors and the public interest, because it is fairer and less confusing than applying it class-by-class. The Exchange also believes that this difference does not raise any novel regulatory issues.

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.

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

The proposal is similar to CBOE Rule 6.53C(d)(i)(2), NYSE Arca Rule 6.91(c)(1) and NYSE MKT Rule 980NY(e)(1), because each of these exchanges has the flexibility to determine that market makers (and other participant types) do not trigger a complex order auction. Specifically, this flexibility permits non-broker-dealer public customers, broker-dealers that are not market-makers or specialists on an options exchange, and/or market-makers or specialists on an options exchange to either trigger or not trigger an auction.¹⁶ However, those exchanges can determine what orders are eligible for their

¹⁵ See CBOE Rule 6.53C(d)(i)(2), NYSE Arca Rule 6.91(c)(1) and NYSE MKT Rule 980NY(e)(1).

¹⁶ See e.g., Rule CBOE 6.53C(c)(i) listing origin types.

auction on a class-by-class basis. The Exchange does not believe that this is a significant difference, because doing so by class (puts versus calls) is merely a detail regarding how functionality is implemented. If market makers could initiate an auction in some classes and not others, the Exchange believes that this could be confusing to market makers, especially because the Exchange does not believe that there is any particular reason to differentiate among different classes for this purpose. In fact, the Exchange rarely implements functionality by class. Furthermore, the Exchange believes that CBOE, as a practical matter, implements this provision across all options and not class-by-class.¹⁷

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

¹⁷ See supra note 9.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
 (Release No. _____ ; File No. SR-Phlx-2014-16)

April __, 2014

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Provide that Market Maker Complex Orders Cannot Initiate a Complex Order Live Auction

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on March 12, 2014, 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 provide that market maker Complex Orders cannot initiate a Complex Order Live Auction.

The text of the proposed rule change is below; proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Rule 1080. Phlx XL and Phlx XL II

(a) – (p) No change.

•• *Commentary:* -----

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

.01- .07 No change.

.08 Complex Orders on Phlx XL.

(a) – (d) No change.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) For purposes of paragraph (e):

(A) No change.

(B) (1) A "COLA-eligible order" means a Complex Order (a) identified by way of a COOP, or (b) that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject of the Complex Order and is not for a market maker, as specified in Rule 1080.08 (b)(ii). If the Phlx XL system identifies the existence of a COLA-eligible order following a COOP or by way of receipt during normal trading of a Complex Order that improves the cPBBO, such COLA-eligible order will initiate a COLA, during which Phlx XL participants may bid and offer against the COLA-eligible order pursuant to this rule. COLA-eligible orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.

(2) No change.

(ii) - (ix) No change.

(f) – (i) No change.

* * * * *

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

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

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

1. Purpose

The purpose of the proposal is to correct the rule text to provide that market maker Complex Orders cannot trigger a COLA. The Exchange's Complex Order System is governed by Rule 1080.08 and provides that COLA-eligible orders will trigger a COLA.³ The COLA is an automated auction that is intended to seek additional liquidity and price improvement for Complex Orders. Rule 1080.08(e) provides that a COLA-eligible order means a Complex Order identified by way of a COOP, or that, upon receipt, improves the cPBBO respecting the specific Complex Order Strategy that is the subject of the Complex Order.

However, Phlx's system is programmed such that market maker⁴ orders do not

³ Rule 1080.08(e)(i)(B)(1).

⁴ Market makers include SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange. See Rules 1014 and 1080.08(b)(ii).

trigger a COLA, regardless of whether such orders are IOC or DAY orders.⁵ Rather than triggering a COLA, market maker Complex Orders are handled pursuant to Rule 1080.08(c)(i), which provides that Complex Orders may be executed against the Complex Order Book or placed on the Complex Order Book.⁶ Pursuant to Rule 1080.08(e), market makers can interact with a COLA-eligible order by submitting responsive interest during the COLA. Furthermore, Rule 1080.08(f) governs how Complex Orders are placed on the CBOOK and how they are executed.

The Exchange is amending Rule 1080.08(e)(i)(B)(1) to correct its rule text to state that market maker orders are not “COLA-eligible” such that they cannot trigger a COLA. The Exchange believes that it is appropriate for market maker Complex Orders not to trigger a COLA, because it results in a delay, during which markets can change and other orders can trade. The Exchange does not believe that this will disadvantage market makers and may in fact be more consistent with their trading goals and style. Specifically, market makers provide liquidity, making markets and submitting bids/offers/orders based on current market conditions, which can, of course, change rapidly; market makers are therefore concerned about the risks associated with the time delay of an auction more so than the potential benefit of price improvement for any one particular order. Moreover, market makers generally view auctions in terms of participating as responders. The Exchange notes that market makers have not expressed

⁵ The Exchange began permitting market maker orders to be entered as DAY orders recently. See Securities Exchange Act Release No. 63777 (January 26, 2011), 76 FR 5630 (February 1, 2011) (SR-Phlx-2010-157). Previously, they could only be entered as IOC orders and did not trigger a COLA.

⁶ Rule 1080.08(c)(iii)(D) provides that paragraph (c) applies to all Complex Order executions, whether executed in a COLA or not.

concern or dissatisfaction about their Complex Orders not triggering a COLA.

If the Exchange's system had provided that market maker orders could trigger a COLA, market makers could nevertheless enter their orders as DNA orders⁷ to avoid a COLA, but DNA orders are cancelled if not immediately executed. Thus, DNA orders do not provide the opportunity for market makers to send an order that can both execute without delay and result in the remainder posting on the CBOOK.

The Exchange notes that it is common for certain functionality not to be available to all origin types. For example, as noted above, Complex Orders with certain time-in-force instructions are available only to certain origin types; today, market makers cannot enter Good-Til-Cancelled Complex Orders.⁸ In addition, other options exchanges have the flexibility in their rules to determine which participants can initiate a complex order auction and these exchanges can make this determination on a class-by-class basis.⁹ The Exchange believes that this is functionally equivalent to its proposal, because: (i) implementation by class (puts versus calls) is merely an operational detail; (ii) the Exchange does not believe that there is any particular reason to differentiate among different classes; and (iii) the Exchange believes that CBOE, as a practical matter, implements this provision across all options and not class-by-class.¹⁰

⁷ See Rule 1080.08(a)(viii).

⁸ See Rule 1080.08(b)(ii).

⁹ See CBOE Rule 6.53C(d)(i)(2), NYSE Arca Rule 6.91(c)(1) and NYSE MKT Rule 980NY(e)(1).

¹⁰ See e.g., Regulatory Circular RG12-088 dated June 29, 2012 at <http://cchwallstreet.com/CBOETools/PlatformViewer.asp?searched=1&selectednode=chp%5F1%5F26&CiRestriction=COA%2Deligible&manual=%2Fcboe%2Fbulletins%2Fcboe%2Dreg%2Dbull%2D2012%2F> and CBOE Regulatory Circular RG13-012 dated January 18, 2013 at

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the provisions of Section 6 of the Act,¹¹ in general, and with Section 6(b)(5) of the Act,¹² in particular, which requires that the rules of an exchange be designed to promote just and equitable principles of trade, and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Specifically, the Exchange believes that the proposal is designed to promote just and equitable principles of trade, because it affords to market makers an immediate execution over the benefits of an auction. As discussed above, in their role as liquidity providers, market makers generally prefer an immediate execution when entering an order, due to the potential market risk. In the complex orders marketplace, market makers generally respond to auctions rather than enter orders. Accordingly, from their particular perspective, avoiding an auction in the case where they do enter an order is consistent with just and equitable principles of trade because it helps them manage their trading and therefore their risk.

The Exchange does not believe that the proposal is unfairly discriminatory, because, although market makers are being treated differently than other participants, the Exchange believes that market makers would themselves not regard this proposal negatively, because they do not necessarily find that a COLA is necessary or helpful. In addition, it is not unfairly discriminatory, because market makers, unlike other

<http://cchwallstreet.com/CBOETools/PlatformViewer.asp?searched=1&selectednode=chp%5F1%5F49&CiRestriction=COA%2Deligible&manual=%2Fchoe%2Fbulletins%2Fchoe%2Dreg%2Dbull%2D2013%2F>. These CBOE Regulatory Circulars do not differentiate among option classes respecting CBOE's COA.

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(5).

participants, generally only respond to auctions and prefer immediate execution, such that treating them differently than other participants is rooted in the way they trade and the way they function, to their benefit, rather than in an effort to exclude them or be unfair to them. Other options exchanges have the ability under their rules not to trigger an auction by participant type, such that the Commission has approved the ability to treat different participants differently respecting complex order auctions.

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

The Exchange 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 proposal does not impose an intra-market burden on competition, because, even though it would result in market maker orders not triggering a COLA, the ability of market makers to compete amongst each other and with other market participants would not be diminished. Whether or not market makers orders trigger a COLA has no bearing on how they compete with each other in the marketplace; market makers compete based on price and trading strategy as applied to particular market conditions, regardless of auctions. With respect to competition with other market participants, even if their orders do not trigger a COLA, market makers can continue to compete by responding to auctions triggered by other participant types.

Nor will the proposal impose a burden on competition among the options exchanges, because, in addition to the vigorous competition for order flow among the options exchanges, the proposal could result in the same outcome on three other exchanges that have the flexibility to determine which complex orders trigger an auction. To the extent that market makers disagree with the particular approach taken by the Exchange herein, market makers can easily and readily direct complex order flow to

competing venues.

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 Act¹³ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁴

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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments

¹³ 15 U.S.C. 78s(b)(3)(a)(ii).

¹⁴ 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.

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-2014-16 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-2014-16. 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-2014-16 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.¹⁵

Kevin M O'Neill
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).