

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 *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot			Rule		
<input type="checkbox"/>	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
	<input type="checkbox"/>	<input type="text"/>	<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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

**Description**

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

A proposal to delete outdated rule language contained in (i) Rule 1019, Precedence Accorded To Orders Entrusted To Specialists, and (ii) Options Floor Procedures Advices.

**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@nasdaq.com		
Telephone *	(215) 496-5179	Fax	(215) 496-6729

**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	04/16/2015	Executive Vice President and General Counsel
By	Edward S. Knight	<div style="border: 1px solid black; width: 100%; height: 20px;"></div>
	(Name *)	<div style="border: 1px solid black; width: 100%; height: 20px; background-color: #ccc;"></div>

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 \***

Add Remove View

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

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

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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 the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”), 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> is filing with the Securities and Exchange Commission (“Commission”) a proposal to delete outdated rule language contained in (i) Rule 1019, Precedence Accorded To Orders Entrusted To Specialists, and (ii) Options Floor Procedures Advices (“Advices”) A-2, A-13, D-1, D-2, F-3, F-7 and F-21, as explained further below.

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 portion of the Exchange’s Rules 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 the Exchange (the “Board”) on July 16, 2014. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Edith Hallahan, The NASDAQ OMX Group, Inc., at 215-496-5179.

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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

The purpose of the proposed rule change is to update the Exchange's rules by deleting eight obsolete rules, including Rule 1019 as well as and Advices A-2, A-13, D-1, D-2, F-3, F-7 and F-21. These rules are now obsolete for various reasons explained below.

Historically, Advices replicated the provisions of the Exchange's rule that were most pertinent for the trading floor community to keep handy, in lieu of the large, unwieldy rulebook; the Exchange adopted, for many years, both rules and Advices that contained nearly identical language where the Advice was the subject of a fine schedule under the Exchange's minor rule plan<sup>3</sup> in order for the trading floor to have easy access to these provisions (which the Exchange printed and distributed) and in order for those persons who administered fines to have easy access to consult the applicable fine

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<sup>3</sup> Many of these Advices contain a fine schedule which is administered pursuant to the Phlx's minor rule violation enforcement and reporting plan ("Minor Rule Plan"), and therefore the proposal necessarily amends the Exchange's Minor Rule Plan. The Phlx's Minor Rule Plan, codified in Phlx Rule 970, "Floor Procedure Advices: Violations, Penalties, and Procedures," contains Advices with accompanying fine schedules. See Securities Exchange Act Release No. 23296 (June 4, 1986), 51 FR 21430 (June 12, 1986) (SR-Phlx-86-11). Pursuant to paragraph (c)(1) of Rule 19d-1 under the Act, a self-regulatory organization ("SRO") is required to file promptly with the Commission notice of any "final" disciplinary action taken by the SRO. Pursuant to paragraph (c)(2) of Rule 19d-1, any disciplinary action taken by the SRO for violation of an SRO rule that has been designated a minor rule violation pursuant to the plan shall not be considered "final" for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his or her administrative remedies. By deeming unadjudicated minor violations as not final, the Commission permits the SRO to report violations on a periodic (quarterly), as opposed to immediate, basis.

schedules. Most of the Advices which the Phlx is proposing to delete contain similar information to Rule 1019, which, as stated below, is also obsolete.

Several provisions pertaining to Specialists<sup>4</sup> are obsolete, because Specialists no longer manually handle or execute others' orders due to the migration to a new electronic trading system ("Phlx XL II") in 2009.<sup>5</sup> Of course, many other rules govern the obligations of Specialists, such as quoting and registration obligations,<sup>6</sup> but a manual book no longer exists. Although there was an electronic limit order book for options for a long time,<sup>7</sup> Specialists used to be able to enter manual orders entrusted to them onto the electronic limit order book; with the advent of Phlx XL II, the Specialist could no longer accept and execute orders manually.<sup>8</sup>

Phlx Rule 1019, Precedence Accorded to Orders Entrusted To Specialists, governs the precedence given to orders entrusted to the Specialist. Rule 1019 is now obsolete given that the Specialist no longer manually handles orders and therefore orders

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<sup>4</sup> See Rule 1020.

<sup>5</sup> In May 2009, the Exchange enhanced the options trading system and adopted corresponding rules referring to it as "Phlx XL II." See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). Thereafter, the Exchange submitted a number of filings updating various rules and deleting obsolete provisions. See Securities Exchange Act Release Nos. 61397 (January 22, 2010), 75 FR 4893 (January 29, 2010) (SR-Phlx-2010-07); 63036 (October 4, 2010), 75 FR 62621 (October 12, 2010) (SR-Phlx-2010-131); and 67469 (July 19, 2012), 77 FR 43633 (July 25, 2012) (SR-Phlx-2012-92).

<sup>6</sup> See e.g., Rules 1014(b) and 1020.

<sup>7</sup> See Rule 1080.02.

<sup>8</sup> Specifically, the Exchange stated that no orders will be executed, and therefore handled, manually in Phlx XL II. See Securities Exchange Act Release No. 59721 (April 7, 2009), 74 FR 17245 (April 14, 2009) (SR-Phlx-2009-32) (Notice of Filing of Proposed Rule Change Relating to the Exchange's Enhanced Electronic Trading Platform for Options, Phlx XL II at 17258).

cannot be “entrusted.” This rule contains several specific obligations related to the Specialist’s handling of orders. All of the provisions in Commentaries .01- .05 refer to the Specialist’s book, leaving orders with the Specialist or entrusting orders to the Specialist. None of these provisions are operational or can be relied upon because the Specialist’s book no longer exists.<sup>9</sup> The Exchange proposes to delete this rule in order to prevent any confusion that may result from this obsolete rule and to ensure that the rulebook accurately reflects member obligations.

Similarly, Advice A-2 governs the types of orders to be accepted into the Specialist’s book. Advice A-2 is now obsolete given that the Specialist no longer manually handles orders.<sup>10</sup> Therefore, there is no longer a "Specialist's book;" as stated above, the options electronic limit order book is operated by Exchange systems.

Advice A-13 governs the Auto Execution Engagement/Disengagement responsibility of the Specialist. Specifically, it requires Specialists to engage (meaning, turn on) Auto-X, the automatic execution functionality, within a certain period of time and permits disengagement by the Specialist under certain circumstances. Advice A-13 is now obsolete given that the Specialist no longer manually handles orders and all orders are automatically executed.<sup>11</sup> The Specialist no longer has control over the automatic execution functionality; such functionality operates on Phlx XL II for all options, without any need for engagement or disengagement by the Specialist.

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<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> Id.

Advice D-1 governs the Exchange's handling of errors. Specifically, this Advice governs missed orders and any corresponding remedies and protocols resulting from missed orders. Advice D-1 is now obsolete due to the automated functionality of Phlx XL II, as reflected in Rules 1017, 1080 and 1014. Missed orders cannot occur because orders are not held or guaranteed by Specialists.<sup>12</sup> Potential errors respecting automatically executed orders (and all orders) are handled pursuant to Rule 1092.

Advice D-2 governs instances of non-liability. Advice D-2 is now obsolete because the opening and close of trading are now automated pursuant to Rule 1017; there is no manual participation in the opening for which Specialists or Floor Brokers could be held liable.<sup>13</sup> As stated above, errors are handled pursuant to Rule 1092, including errors involving Floor Brokers.

Advice F-3 governs manual trading of securities by the Specialist. Specifically, this Advice governs members' requests for sold sale designations, including the initialing of sold sales by Specialists. Sold sales are trades for which trade reporting to the "tape" was delayed. Advice F-3 is now obsolete given that the Specialist no longer manually handles orders.<sup>14</sup> Sold sales still exist but do not involve the Specialist.

Advice F-7 governs the size of the Exchange's disseminated bid or offer, including the sum of the size associated with Specialist, Streaming Quote Trader ("SQT") and Remote Streaming Quote Trader ("RSQT")<sup>15</sup> quotations. Advice F-7 is no longer

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<sup>12</sup> Id.

<sup>13</sup> The opening process became fully automated in Phlx XL II. See supra note 5.

<sup>14</sup> See supra note 8.

<sup>15</sup> See Phlx Rule 1014(b).

needed for two reasons: (i) the Exchange's Phlx XL II system determines what size is disseminated, in accordance with Commission rules;<sup>16</sup> and (ii) Rule 1082 contains specifically what the Exchange disseminates.<sup>17</sup>

The Exchange currently offers foreign currency options for trading. At one time, there was a special block trading process for foreign currency options, which appeared in both Rule 1016 and Advice F-21. Both governed block transactions in foreign currency options, including the procedure for quoting and executing a block transaction, and the priority of execution among the contra-side participants of the block order. At the time, foreign currency options did not trade electronically. Because of the adoption of a new type of foreign currency option that became available for electronic trading, as explained below, Rule 1016 was made applicable only to physical delivery<sup>18</sup> foreign currency options in 2007,<sup>19</sup> but Advice F-21 inadvertently was not. Since March 2007, physical delivery foreign currency options are no longer listed and traded on the Exchange, and the Exchange instead offers U.S. dollar-settled foreign currency options, which are available for trading on Phlx XL II.<sup>20</sup> Accordingly, the Exchange proposes to delete Advice F-21.

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<sup>16</sup> See Rule 602 pursuant to Regulation NMS.

<sup>17</sup> See e.g., Phlx Rule 1082(a)(ii)(C).

<sup>18</sup> Physical delivery options, so named because settlement could involve delivery of the underlying currency (as opposed to cash for U.S. dollar-settled foreign currency options), traded on the Exchange 1982-2007.

<sup>19</sup> See Securities Exchange Act Release No. 54989 (December 21, 2006), 71 FR 78506 (December 29, 2006)(SR-Phlx-2006-34).

<sup>20</sup> See Securities Exchange Act Release No. 60169 (June 24, 2009), 74 FR 31782 (July 2, 2009)(SR-Phlx-2009-40).



In summary, the Exchange proposes to delete Options Floor Procedures Advices A-2, A-13, D-1, D-2, F-3, F-7 and F-21 as well as Rule 1019, in order to prevent the confusion that may result from having obsolete rules in the Exchange's rulebook and in order to ensure that the rulebook accurately reflects member obligations.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>21</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>22</sup> in particular, in that it is designed to promote just and equitable principles of trade, and to protect investors and the public interest, by deleting obsolete provisions and generally providing clarity to the rules. Some of the changes reflect changed practices on the trading floor. Specifically, the deletion of Advices F-3, F-7 and F-21 is consistent with the Act because they are operationally obsolete, as explained above; moreover, having clear and up-to-date rules should promote just and equitable principles of trade on the Exchange.

The proposal should result in a more accurate and understandable rule book, particularly for Exchange Specialists. It should make clearer that Specialists no longer operate a book or handle orders manually. The deletion of Advices and one rule pertaining to Specialists' functions and obligations are consistent with the Act for the same reason stated above pertaining to the importance of having up-to-date rules, which should, in turn, promote just and equitable principles of trade. In addition, the deletion of Advice A-2, Advice D-1 and Rule 1019 should promote just and equitable principles of trade, because there is no longer a Specialist's limit order book

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<sup>21</sup> 15 U.S.C. 78f(b).

<sup>22</sup> 15 U.S.C. 78f(b)(5).

The deletion of Advice D-1 regarding to liability for missed orders on the Specialist's book also promotes just and equitable principles of trade by making clear that a Floor Broker can no longer leave an order with the specialist. The deletion of Advice D-2 should promote just and equitable principles of trade by making it clear that openings occur automatically and do not involve Specialists or Floor Brokers. Specialists' functions are principally governed by Rules 1014 and 1020.

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. The proposal raises neither intra-market nor inter-market competition issues because it merely deletes obsolete provisions and therefore does not impact how the market operates today.

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.

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)<sup>23</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>24</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>24</sup> 17 CFR 240.19b-4(f)(6).

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.

Specifically, it does not significantly affect the protection of investors or the public interest because it deletes obsolete rules, as explained in detail above, due to increased automation, which resulted in the concomitant reduction in Specialist responsibilities. Furthermore, this increased automation also affected the dissemination of quotes, which, in turn, affected the need for provisions requiring Specialist, SQTs and RSQTs to be involved in quote dissemination. In addition, the deletion of Advice F-21 relating to foreign currency option trading does not significantly affect the protection of investors or the public interest, because investors would not have expected that block trading be available due to the prior deletion of Rule 1016 and change in the foreign currency option product offering, as described above. Nor does the proposal impose any significant burden on competition, as explained above.

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.

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

Not applicable.

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. Proposed Rule Text.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2015-35)

April \_\_, 2015

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delete Outdated Rule Language Contained in Rule 1019 and Options Floor Procedures Advices.

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 April 16, 2015, 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 delete outdated rule language contained in (i) Rule 1019, Precedence Accorded To Orders Entrusted To Specialists, and (ii) Options Floor Procedures Advices (“Advices”) A-2, A-13, D-1, D-2, F-3, F-7 and F-21, as explained further below.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqomxphlx.cchwallstreet.com/>, 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

The purpose of the proposed rule change is to update the Exchange's rules by deleting eight obsolete rules, including Rule 1019 as well as and Advices A-2, A-13, D-1, D-2, F-3, F-7 and F-21. These rules are now obsolete for various reasons explained below.

Historically, Advices replicated the provisions of the Exchange's rule that were most pertinent for the trading floor community to keep handy, in lieu of the large, unwieldy rulebook; the Exchange adopted, for many years, both rules and Advices that contained nearly identical language where the Advice was the subject of a fine schedule under the Exchange's minor rule plan<sup>3</sup> in order for the trading floor to have easy access to

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<sup>3</sup> Many of these Advices contain a fine schedule which is administered pursuant to the Phlx's minor rule violation enforcement and reporting plan ("Minor Rule Plan"), and therefore the proposal necessarily amends the Exchange's Minor Rule Plan. The Phlx's **Minor Rule Plan**, codified in Phlx Rule 970, "Floor Procedure Advices: Violations, Penalties, and Procedures," contains Advices with accompanying fine schedules. See Securities Exchange Act Release No. 23296 (June 4, 1986), [51 FR 21430](#) (June 12, 1986) (SR-Phlx-86-11). Pursuant to paragraph (c)(1) of Rule 19d-1 under the Act, a self-regulatory organization ("SRO") is required to file promptly with the Commission notice of any "final" disciplinary action taken by the SRO. Pursuant to paragraph (c)(2) of Rule 19d-1,

these provisions (which the Exchange printed and distributed) and in order for those persons who administered fines to have easy access to consult the applicable fine schedules. Most of the Advices which the Phlx is proposing to delete contain similar information to Rule 1019, which, as stated below, is also obsolete.

Several provisions pertaining to Specialists<sup>4</sup> are obsolete, because Specialists no longer manually handle or execute others' orders due to the migration to a new electronic trading system ("Phlx XL II") in 2009.<sup>5</sup> Of course, many other rules govern the obligations of Specialists, such as quoting and registration obligations,<sup>6</sup> but a manual book no longer exists. Although there was an electronic limit order book for options for a long time,<sup>7</sup> Specialists used to be able to enter manual orders entrusted to them onto the

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any disciplinary action taken by the SRO for violation of an SRO rule that has been designated a minor rule violation pursuant to the plan shall not be considered "final" for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his or her administrative remedies. By deeming unadjudicated minor violations as not final, the Commission permits the SRO to report violations on a periodic (quarterly), as opposed to immediate, basis.

<sup>4</sup> See Rule 1020.

<sup>5</sup> In May 2009, the Exchange enhanced the options trading system and adopted corresponding rules referring to it as "Phlx XL II." See Securities Exchange Act Release No. 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32). Thereafter, the Exchange submitted a number of filings updating various rules and deleting obsolete provisions. See Securities Exchange Act Release Nos. 61397 (January 22, 2010), 75 FR 4893 (January 29, 2010) (SR-Phlx-2010-07); 63036 (October 4, 2010), 75 FR 62621 (October 12, 2010) (SR-Phlx-2010-131); and 67469 (July 19, 2012), 77 FR 43633 (July 25, 2012) (SR-Phlx-2012-92).

<sup>6</sup> See e.g., Rules 1014(b) and 1020.

<sup>7</sup> See Rule 1080.02.

electronic limit order book; with the advent of Phlx XL II, the Specialist could no longer accept and execute orders manually.<sup>8</sup>

Phlx Rule 1019, Precedence Accorded to Orders Entrusted To Specialists, governs the precedence given to orders entrusted to the Specialist. Rule 1019 is now obsolete given that the Specialist no longer manually handles orders and therefore orders cannot be “entrusted.” This rule contains several specific obligations related to the Specialist’s handling of orders. All of the provisions in Commentaries .01- .05 refer to the Specialist’s book, leaving orders with the Specialist or entrusting orders to the Specialist. None of these provisions are operational or can be relied upon because the Specialist’s book no longer exists.<sup>9</sup> The Exchange proposes to delete this rule in order to prevent any confusion that may result from this obsolete rule and to ensure that the rulebook accurately reflects member obligations.

Similarly, Advice A-2 governs the types of orders to be accepted into the Specialist’s book. Advice A-2 is now obsolete given that the Specialist no longer manually handles orders.<sup>10</sup> Therefore, there is no longer a "Specialist's book;" as stated above, the options electronic limit order book is operated by Exchange systems.

Advice A-13 governs the Auto Execution Engagement/Disengagement responsibility of the Specialist. Specifically, it requires Specialists to engage (meaning,

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<sup>8</sup> Specifically, the Exchange stated that no orders will be executed, and therefore handled, manually in Phlx XL II. See Securities Exchange Act Release No. 59721 (April 7, 2009), 74 FR 17245 (April 14, 2009) (SR-Phlx-2009-32) (Notice of Filing of Proposed Rule Change Relating to the Exchange’s Enhanced Electronic Trading Platform for Options, Phlx XL II at 17258).

<sup>9</sup> Id.

<sup>10</sup> Id.



turn on) Auto-X, the automatic execution functionality, within a certain period of time and permits disengagement by the Specialist under certain circumstances. Advice A-13 is now obsolete given that the Specialist no longer manually handles orders and all orders are automatically executed.<sup>11</sup> The Specialist no longer has control over the automatic execution functionality; such functionality operates on Phlx XL II for all options, without any need for engagement or disengagement by the Specialist.

Advice D-1 governs the Exchange's handling of errors. Specifically, this Advice governs missed orders and any corresponding remedies and protocols resulting from missed orders. Advice D-1 is now obsolete due to the automated functionality of Phlx XL II, as reflected in Rules 1017, 1080 and 1014. Missed orders cannot occur because orders are not held or guaranteed by Specialists.<sup>12</sup> Potential errors respecting automatically executed orders (and all orders) are handled pursuant to Rule 1092.

Advice D-2 governs instances of non-liability. Advice D-2 is now obsolete because the opening and close of trading are now automated pursuant to Rule 1017; there is no manual participation in the opening for which Specialists or Floor Brokers could be held liable.<sup>13</sup> As stated above, errors are handled pursuant to Rule 1092, including errors involving Floor Brokers.

Advice F-3 governs manual trading of securities by the Specialist. Specifically, this Advice governs members' requests for sold sale designations, including the initialing of sold sales by Specialists. Sold sales are trades for which trade reporting to the "tape"

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<sup>11</sup> Id.

<sup>12</sup> Id.

<sup>13</sup> The opening process became fully automated in Phlx XL II. See supra note 5.

was delayed. Advice F-3 is now obsolete given that the Specialist no longer manually handles orders.<sup>14</sup> Sold sales still exist but do not involve the Specialist.

Advice F-7 governs the size of the Exchange's disseminated bid or offer, including the sum of the size associated with Specialist, Streaming Quote Trader ("SQT") and Remote Streaming Quote Trader ("RSQT")<sup>15</sup> quotations. Advice F-7 is no longer needed for two reasons: (i) the Exchange's Phlx XL II system determines what size is disseminated, in accordance with Commission rules;<sup>16</sup> and (ii) Rule 1082 contains specifically what the Exchange disseminates.<sup>17</sup>

The Exchange currently offers foreign currency options for trading. At one time, there was a special block trading process for foreign currency options, which appeared in both Rule 1016 and Advice F-21. Both governed block transactions in foreign currency options, including the procedure for quoting and executing a block transaction, and the priority of execution among the contra-side participants of the block order. At the time, foreign currency options did not trade electronically. Because of the adoption of a new type of foreign currency option that became available for electronic trading, as explained below, Rule 1016 was made applicable only to physical delivery<sup>18</sup> foreign currency

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<sup>14</sup> See supra note 8.

<sup>15</sup> See Phlx Rule 1014(b).

<sup>16</sup> See Rule 602 pursuant to Regulation NMS.

<sup>17</sup> See e.g., Phlx Rule 1082(a)(ii)(C).

<sup>18</sup> Physical delivery options, so named because settlement could involve delivery of the underlying currency (as opposed to cash for U.S. dollar-settled foreign currency options), traded on the Exchange 1982-2007.

options in 2007,<sup>19</sup> but Advice F-21 inadvertently was not. Since March 2007, physical delivery foreign currency options are no longer listed and traded on the Exchange, and the Exchange instead offers U.S. dollar-settled foreign currency options, which are available for trading on Phlx XL II.<sup>20</sup> Accordingly, the Exchange proposes to delete Advice F-21.

In summary, the Exchange proposes to delete Options Floor Procedures Advices A-2, A-13, D-1, D-2, F-3, F-7 and F-21 as well as Rule 1019, in order to prevent the confusion that may result from having obsolete rules in the Exchange's rulebook and in order to ensure that the rulebook accurately reflects member obligations.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>21</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>22</sup> in particular, in that it is designed to promote just and equitable principles of trade, and to protect investors and the public interest, by deleting obsolete provisions and generally providing clarity to the rules. Some of the changes reflect changed practices on the trading floor. Specifically, the deletion of Advices F-3, F-7 and F-21 is consistent with the Act because they are operationally obsolete, as explained above; moreover, having clear and up-to-date rules should promote just and equitable principles of trade on the Exchange.

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<sup>19</sup> See Securities Exchange Act Release No. 54989 (December 21, 2006), 71 FR 78506 (December 29, 2006)(SR-Phlx-2006-34).

<sup>20</sup> See Securities Exchange Act Release No. 60169 (June 24, 2009), 74 FR 31782 (July 2, 2009)(SR-Phlx-2009-40).

<sup>21</sup> 15 U.S.C. 78f(b).

<sup>22</sup> 15 U.S.C. 78f(b)(5).

The proposal should result in a more accurate and understandable rule book, particularly for Exchange Specialists. It should make clearer that Specialists no longer operate a book or handle orders manually. The deletion of Advices and one rule pertaining to Specialists' functions and obligations are consistent with the Act for the same reason stated above pertaining to the importance of having up-to-date rules, which should, in turn, promote just and equitable principles of trade. In addition, the deletion of Advice A-2, Advice D-1 and Rule 1019 should promote just and equitable principles of trade, because there is no longer a Specialist's limit order book

The deletion of Advice D-1 regarding to liability for missed orders on the Specialist's book also promotes just and equitable principles of trade by making clear that a Floor Broker can no longer leave an order with the specialist. The deletion of Advice D-2 should promote just and equitable principles of trade by making it clear that openings occur automatically and do not involve Specialists or Floor Brokers. Specialists' functions are principally governed by Rules 1014 and 1020.

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. The proposal raises neither intra-market nor inter-market competition issues because it merely deletes obsolete provisions and therefore does not impact how the market operates today.

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 Act<sup>23</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>24</sup> Specifically, it does not significantly affect the protection of investors or the public interest because it deletes obsolete rules, as explained in detail above, due to increased automation, which resulted in the concomitant reduction in Specialist responsibilities. Furthermore, this increased automation also affected the dissemination of quotes, which, in turn, affected the need for provisions requiring Specialist, SQTs and RSQTs to be involved in quote dissemination. In addition, the deletion of Advice F-21 relating to foreign currency option trading does not significantly affect the protection of investors or the public interest, because investors would not have expected that block trading be available due to the prior deletion of Rule 1016 and change in the foreign currency option product offering, as described above. Nor does the proposal impose any significant burden on competition, as explained above.

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

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(a)(ii).

<sup>24</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 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.

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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2015-35 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2015-35. 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-2015-35 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>25</sup>

Kevin M O'Neill  
Deputy Secretary

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<sup>25</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Proposed new text is underlined. Deleted text is [bracketed].

\* \* \* \* \*

**Options Rules**

\* \* \* \* \*

**Rule 1019. [Precedence Accorded To Orders Entrusted To Specialists**

A specialist shall give precedence to orders entrusted to him as an agent in any option in which he is registered before executing at the same price any purchase or sale in the same option for an account in which he has an interest.

• • • *Commentary:* -----

**.01** When a broker inquires of a specialist as to the price at which a block of options may be sold, the specialist may not specify the amount that would be purchased by the book and the amount that he would take as a dealer.

If the block is to be sold at a "clean-up" price the specialist should buy at the bid price one unit of trading for his own account and execute at the "clean-up" price all of the executable buy orders on his book.

However, if the block is sold at different price limits and the specialist buys part of the block for his own account he should to the extent practicable buy round lots for his own account at each price limit at which buy orders on the book are executed, and in doing so, he should divide the option purchased for his own account into round lots of approximately equal size among the price limits at which he participates.

The same principles apply in the case of a purchase of a block of options.

**.02** If a specialist has limit sell orders on his book at two or more different prices, he should not, as a dealer, purchase all of the option from the book at the lowest price and then immediately purchase an option on the book at a higher limit price. In such a situation, he should purchase at one price the entire amount of stock he is taking as a dealer. The same principle applies in the event the specialist has limit buy orders on his book at two or more different prices.

**.03** If after an opening or reopening a limited price order to sell is left with a specialist and thereafter the specialist receives another order to sell at the market, the specialist must, if the limited price order remains with him and is not cancelled, execute the market order below the limited price order, unless he can execute both orders at the same price.



**.04** If after an opening or reopening a limited price order to buy is left with a specialist and thereafter the specialist receives another order to buy at the market, the specialist must, if the limited price order remains with him and is not cancelled, execute the market order above the limited price order, unless he can execute both orders at the same price.

**.05** If a specialist elects to take or supply for his own account the options named in an order entrusted to him by another member, or member organization, such member or member organization may request that the transaction be rejected after promptly notifying the specialist of such intentions. The transaction may only be rejected or busted upon the written Options Exchange Official approval for good cause shown in relation to the specialist's responsibility to maintain a fair and orderly market.] Reserved.

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**Floor Procedures**

\* \* \* \* \*

**Options Floor Procedures**

\* \* \* \* \*

**A-2 [Types of Orders to be Accepted onto the Specialist's Book**

- (i) Unless exempted by an Options Exchange Official, a Specialist must accept all non-contingent limit orders tendered for placement on the "book", including orders for ROTs.
- (ii) A Specialist may refuse to accept contingency orders, as defined in Rule 1066, except that a Specialist may only refuse to accept customer contingency orders with the prior approval of an Options Exchange Official.
- (iii) A Specialist shall not accept option orders consisting of two or more option series (e.g., spread, straddle, combination orders).
- (iv) A Specialist shall not accept discretionary orders.

**FINE SCHEDULE (Implemented on a three-year running calendar basis)**

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee] <u>Reserved.</u>

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### **A-13 [Auto Execution Engagement/Disengagement Responsibility]**

(a) It is the responsibility of the option Specialist to engage the Auto Execution (Auto-X) system for an assigned option within three (3) minutes of completing the opening or reopening rotation of that option.

Where extraordinary circumstances occur, a Specialist may be provided an exemption from receiving orders through Auto-X and may then disengage the system upon approval by an Options Exchange Official. Five minutes subsequent to the disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), the requesting Specialist or his/her designee, an Options Exchange Official, and a designated regulatory staff person, shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged with either: (i) Specialist or his/her designee determines that the conditions supporting the extraordinary circumstances no longer exist, at which time the Specialist or his/her designee shall inform the regulatory staff that the extraordinary circumstances no longer exist and that the Specialist is re-engaging AUTO-X; or (ii) when an Options Exchange Official and the designated regulatory staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the event extraordinary circumstances exist floor-wide, an Options Exchange Official may determine to disengage the AUTO-X feature floor-wide. Five minutes subsequent to a floor-wide disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), an Options Exchange Official and a designated regulatory staff person shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (1) the Specialist determines that the conditions supporting the extraordinary circumstances no longer exist for their particular class of options at which time the Specialist or his/her designee will inform regulatory staff that the extraordinary circumstances no longer exist for their particular class of options and that the Specialist is re-engaging AUTO-X; or (2) when an Options Exchange Official and the designated regulatory staff person determine that the extraordinary circumstances no longer exist. The NBBO feature is always disengaged when AUTO-X is disengaged.

Extraordinary circumstances include market occurrences and system malfunctions that impact a Specialist's ability to accurately price and disseminate option quotations in a timely manner. Such occurrences include fast market conditions such as volatility, order imbalances, volume surges or significant price variances in the underlying security in the case of equity options or in the underlying currency in the case of U.S. dollar-settled foreign currency options; internal system malfunctions including the Exchange's Auto-Quote system; or malfunctions of external systems such as a specialized quote feed, or delays in the dissemination of quotes from the Option Price Reporting Authority; or other similar occurrences.

The Exchange shall document any action taken to disengage AUTO-X pursuant to this Rule 1080(e), and shall notify all AUTOM Users of each instance in which AUTO-X is disengaged due to extraordinary circumstances. Such documentation shall include: identification of the option(s) affected by such action (except in a case of floor-wide disengagement); the date and time such action was taken and concluded; identification of the Options Exchange Official who approved such action; the reasons for which such action was taken; identification of the Specialist and the Specialist Unit (or in the case of floor-wide disengagement, identification of the Exchange designee); and identification of the regulatory staff person monitoring the situation. The Exchange will maintain these documents pursuant to the record retention requirement of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b)(i) Where an Options Exchange Official determines that quotes in equity or equity index options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), customer market orders will receive an automatic execution at the NBBO based on the best bid or offer in markets whose quotes are not subject to relief from the firm quote requirement set forth in the Quote Rule. Such determination may be made by way of notification from another market that its quotes are not firm or are unreliable; administrative message from the Option Price Reporting Authority ("OPRA"); quotes received from another market designated as "not firm" using the appropriate indicator; and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are not firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are excluded from the calculation of NBBO. The Exchange may determine to exclude quotes from its calculation of NBBO on a series-by-series basis or issue-by-issue basis, or may determine to exclude all options quotes from an exchange, where appropriate. The Exchange shall maintain a record of each instance in which another exchange's quotes are excluded from the Exchange's calculation of NBBO, and shall notify such other exchange that its quotes have been so excluded. Such documentation shall include: identification of the option(s) affected by such action; the date and time such action was taken and concluded; identification of the other exchange(s) whose quotes were excluded from the Exchange's calculation of NBBO; identification of the Options Exchange Official who approved such action; the reasons for which such action was taken; and identification of the specialist and the specialist unit. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rule and regulations thereunder.

(ii) Where an Options Exchange Official determines that quotes in equity or equity index options on the Exchange or another market or markets previously subject to relief from the firm quote requirement set forth in the Quote Rule are no longer subject to such relief, such quotations will be included in the calculation of NBBO for such options. Such determination may be made by way of notification from another market that its quotes are firm; administrative message from the Option Price Reporting Authority ("OPRA"); and/or telephonic or electronic inquiry to, and verification from, another market that its

quotes are firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are again included in the calculation of NBBO.

FINE SCHEDULE (Implemented on a one-year running basis).

- |    |  |   |
|----|--|---|
| a) | Failure to engage Auto-X:                        |   |
|    | 1st Occurrence                                   | \$500.00  |
|    | 2nd Occurrence                                   | \$1,000.00  |
|    | 3rd Occurrence                                   | \$2,000.00  |
|    | 4th Occurrence and Thereafter                    | Sanction is discretionary with Business Conduct Committee                   |
| b) | Failure to receive approval to disengage Auto-X: |   |
|    | 1st Occurrence                                   | \$250.00  |
|    | 2nd Occurrence                                   | \$500.00  |
|    | 3rd Occurrence                                   | \$1,000.00  |
|    | 4th Occurrence and Thereafter                    | Sanction is discretionary with Business Conduct Committee] <u>Reserved.</u> |

\* \* \* \* \*

## **D Reserved [ERRORS**

### **D-1 Missed Orders**

(a) When an order held on the book or in the crowd becomes due an execution but is erroneously missed being given the appropriate execution, proper notification that the order was "due" must be made to the responsible floor agent by 9:30 A.M. on the business day following the day the order first became due. Absent proper notification no claim will be qualified to require that the agent on the floor be held responsible for satisfying the missed order or for any associated monetary losses, except as deemed necessary by an Options Exchange Official in the interest of maintaining just and equitable principles of trade.

(b) Remedies for those missed orders discovered by the agent, or for which notification is made to the agent by the 9:30 A.M. cut-off time, shall be made available to the customer's representative by the responsible floor agent as follows:

(i) A missed order discovered during the trading day on the day it became "due" shall be given an execution immediately upon discovery at either the order's limit price or at the available price in the market, whichever is better, and shall be afforded such execution up to the amount of contracts which traded-through or for a minimum of ten contracts with respect to a quote-through.

(ii) A missed order discovered and made known to the responsible floor agent at any time between the previous session's close and 9:30 A.M. on the following business day shall be immediately filled at its limit price or on the previous Exchange closing quoted price, whichever is better, and shall be afforded such execution up to the amount of contracts which traded-through or for a minimum of ten contracts with respect to a quote-through.

Transactions effected under this section (b) must be promptly reported for tape dissemination as a "sold" or "late" sale, as appropriate, when discovered on the day in question or on an "as of" basis if discovered on a subsequent day.

(c) For the purposes of this Advice, an order becomes due when execution guarantees are met in accordance with agreements made between the Specialist and the customer's Firm, or when a trade-through or quote-through at an inferior price to the order's limit occurs on the Exchange. Also, for the purposes of this Advice, the "responsible floor agent" shall be that person or unit in possession of the order at the time the order becomes due an execution.

#### FINE SCHEDULE

Fine not applicable

#### **D-2 Instances of Non-Liability for Floor Brokers or Specialists**

1. A Floor Broker or Specialist shall not be held liable for the non-execution of orders consisting of two or more series (i.e., spreads, straddles, combinations, synthetics) based upon transaction prices that are established at the opening or close of trading or during any trading rotation.

2. A Floor Broker or Specialist shall not be held liable for the opening price on orders for a specific series if such orders are received after the opening rotation has commenced for that specific series.

#### FINE SCHEDULE

Fine not applicable]

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**F-3 [Members' Requests for Sold Sale Designations**

Sold sales must be initialed by both sides of the trade and the Options Specialist and must be marked SS.

FINE SCHEDULE (Implemented on a two-year running calendar basis)

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee] <u>Reserved.</u>

\* \* \* \* \*

**F-7 [Size of Exchange's Disseminated Bid or Offer**

The size of any disseminated bid or offer by the Exchange shall be, with respect to the disseminated price for any quoted options series, equal to:

Except as provided below, at least the sum of the size associated with limit orders, Specialists' quotations, SQTs' quotations, and RSQTs' quotations.

The Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when:

- (i) the Exchange's disseminated bid or offer price increases or decreases;
- (ii) the size associated with the Exchange's disseminated bid or offer decreases; or
- (iii) the size associated with the Exchange's bid (offer) increases by an amount greater than or equal to a percentage (never to exceed 20%) of the size associated with previously disseminated bid (offer). Such percentage, which shall never exceed 20%, shall be determined on an issue-by-issue basis by the Exchange and announced to membership on the Exchange's website.

FINE SCHEDULE

Fine not applicable] Reserved.

\* \* \* \* \*

**F-21 [Block Transactions in Foreign Currency Options (FOREIGN CURRENCY OPTION ONLY)]**

This Advice establishes a procedure for quoting and executing a block transaction, including the priority of execution among the contra-side participants of the block order. In summary, after requesting the current market and stating the size of the block order, a Floor Broker may execute a block order outside of the disseminated market and parameters. The participants to the block trade are determined by paragraph (c) of this Advice, which generally provides that priority is afforded to customers under 100 contracts, then the bids/offers on the disseminated market, then block-size bids/offers on the block quote, then bids/offers for 200 contracts at the block quote and then to any remaining eligible interests.

(a) A member may request the trading crowd to give an indication as to where a large sized order may be executed. A response from the crowd to any such request may include large sized indications of interest at prices outside the existing best bid and offer, but no trade may be consummated at the outside price until the previously established superior bids or offers (as the case may be) are either satisfied or withdrawn and a new market is established within which the large sized order may trade.

(b) The following is an exception to the prohibition against trading outside the best bid and offer; it applies to block orders executed at a clean-up price in accordance with the steps below:

(i) For the purposes of this Advice, the following definitions apply:

(A) A "block order" is any Exchange foreign currency options order of 1,000 contracts or more.

(B) A "block quote" is the best bid and offer at which the block order can be entirely satisfied.

(C) The "clean-up price" is the price at which the block order is executed.

(D) The "clean-up range" includes those bids or offers, as the case may be, of eligible interests at the clean-up price or better.

(E) An "eligible interest" includes the following:

(1) orders placed on the book or held by a broker in the crowd at any price within the clean-up range;

(2) bids/offers within the clean-up range which constituted markets in the crowd in response to the Floor Broker's request for the current market and prior to his request for a block quote;

(3) bids/offers within the clean-up range made in response to the request for a block quote.

(ii) A Floor Broker in possession of a block order shall inquire as to the current market, inform the crowd as to the size of the block order and ask the crowd to provide a block quote;

(iii) The crowd shall then respond with bids and offers (whether agency and/or principal), at prices which may be equal, superior or inferior to the current market, which for that moment are exclusive to that block order. From these responses, the Floor Broker shall derive the block quote and immediately determine the priority of eligible interests established within the clean-up range;

(iv) The Floor Broker may execute the block order at the clean-up price by announcing the trade along with the price and size of the trade.

(c) With respect to determining the priority of eligible interests within the clean-up range, the following shall apply:

(i) Priority among eligible interests is afforded as follows:

(A) First, to customer orders, as defined by Exchange Rule 1014(h), of less than 100 contracts at any price within the clean-up range.

(B) Second, to all eligible interests constituting the best market in the crowd in response to the Floor Broker's request for the current market and prior to his request for a block quote.

(C) Third, to all eligible interests of 1,000 contracts or more at any price better than the clean-up price made in response to the request for a block quote.

(D) Fourth, to all eligible interests of 200 contracts or more at any price within the clean-up range made in response to the request for a block quote.

(E) Fifth, to any remaining eligible interests.

(F) Notwithstanding the above, any bid/offer for the account of a member which relies on the exemption under Section 11(a)(1)(G) of the Securities Exchange Act of 1934 must yield time priority to any bid/offer for the account of a customer.



(ii) In any instance where the question of priority arises in connection with orders within the same category (i.e. the first, second, third, fourth or fifth), priority is established in accordance with Exchange Rule 1014(h) and Rule 119.

FINE SCHEDULE

Fine not applicable] Reserved.

\* \* \* \* \*