

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"/>
			Rule		
Pilot	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="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 *).

Regarding PIXL

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 * Angela Last Name * Dunn

Title * Associate General Counsel

E-mail * angela.dunn@nasdaq.com

Telephone * (215) 496-5692 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 11/20/2015

By Edward S. Knight

Executive Vice President and General Counsel

edward.knight@nasdaq.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC (“Exchange” or “Phlx”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Phlx Rule 1080, entitled “Phlx XL and Phlx XL II” to amend the length of time of a Price Improvement XL or PIXLSM Auction and make other clarifying rule changes.

The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).³

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

(b) Not applicable.

(c) Not applicable.

3. 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 1, 2015. 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 Angela Saccomandi Dunn, Associate General Counsel, Nasdaq, Inc. at (215) 496-5692.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6)(iii).

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

a. Purpose

The Exchange proposes to amend Phlx Rule 1080(n) to amend the length of time of a PIXLSM Auction and make other clarifying rule changes. PIXL is a component of the Exchange's fully automated options trading system, PHLX XL that allows a member to electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction"). The Exchange adopted PIXL in October 2010 as a price-improvement mechanism on the Exchange.⁴ The Exchange proposes the below changes.

PIXL Timer

Today, a PIXL Auction lasts for one second, unless it is concluded early.⁵ The

⁴ See Securities Exchange Act Release Nos. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-Phlx-2010-108) (Order Granting Approval to a Proposed Rule Change Relating to a Proposed Price Improvement System, Price Improvement XL); 65043 (August 5, 2011), 76 FR 49824 (August 11, 2011) (SR-Phlx-2011-104) (Extending Pilot for Price Improvement System, Price Improvement XL); 67399 (July 11, 2012), 77 FR 42048 (July 17, 2012) (SR-Phlx-2012-94) (Extending Pilot for Price Improvement System, Price Improvement XL); 69845 (June 25, 2013), 78 FR 39429 (July 1, 2013) (SR-Phlx-2013-46) (Order Granting Approval To Proposed Rule Change, as Modified by Amendment No. 1, Regarding Complex Order PIXL); 69989 (July 16, 2013), 78 FR 43950 (July 22, 2013) (SR-Phlx-2013-74) (Extending Pilot for Price Improvement System, Price Improvement XL); and 72619 (July 16, 2014), 79 FR 42613 (July 22, 2014) (Extending Pilot for Price Improvement System, Price Improvement XL).

⁵ The PIXL Auction shall conclude at the earlier to occur of (1) The end of the Auction period; (2) For a PIXL Auction (except if it is a Complex Order), any time the PBBO crosses the PIXL Order stop price on the same side of the market

Exchange proposes to amend Rule 1080(n)(ii)(A)(4) to state, “the Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction period will be no less than one hundred milliseconds and no more than one second.” This timer is similar to the current timer length in the newly adopted BX PRISM.⁶ The selected timer would be the same length of time for all auctions in all options pursuant to Phlx Rule 1080(n).

The Exchange believes that a shorter duration of time for the auction will reduce market risk for all members executing trades in PIXL. Initiating Participants are required to guarantee an execution at the NBBO or at a better price, and are subject to market risk while their PIXL Order is exposed to other Phlx members. While other Participants are also subject to market risk, those providing responses in PIXL may cancel or modify their orders. Phlx believes that the Initiating Participant acts in a critical role within the PIXL Auction. Their willingness to guarantee the orders entered into PIXL an execution at NBBO or a better price is the keystone to an order gaining the opportunity for price improvement. Phlx believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. Both the

as the PIXL Order; (3) For a Complex Order PIXL Auction, any time the cPBBO or the Complex Order book crosses the PIXL Order stop price on the same side of the market as the PIXL Order; or (4) Any time there is a trading halt on the Exchange in the affected series.

⁶ See NASDAQ OMX BX, Inc. (“BX”) Rules at Chapter VI, Section 9(ii)(A)(3). BX PRISM functionality will be implemented on November 16, 2015.

order being exposed and the responding orders are subject to market risk during the auction.

Immediate or Cancel

The Exchange is amending the Phlx Rule 1080(n) to remove certain uses of the term “rejected” to instead refer to the term “immediately cancelled.” Specifically, the Exchange is amending Phlx Rule 1080(n)(i)(D) and (F) and 1080(n)(ii)(A)(8)-(10). Certain orders are submitted and entered into the PIXL Auction prior to the cancellation of such order for non-compliance with Exchange Rules. These orders are not rejected, rather they are immediately cancelled because technically there is time, however miniscule, between the submission of the order and the rejection of the order. The Exchange believes this non-substantive change adds more clarity to the rule text. This distinction is made throughout the newly adopted BX PRISM rule, where applicable.⁷

Allocations

The Exchange is amending Phlx Rule 1080(n)(ii)(A)(1) to first make clear that under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution. This non-substantive change adds more clarity to the rule text as this limitation is present today. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule⁸ and seeks to conform the PIXL rule text to that of BX PRISM.

⁷ See BX Rules at Chapter VI, Section 9.

⁸ See BX Rules at Chapter VI, Section 9(ii)(A)(1).

The Exchange is also amending Phlx Rule 1080(n)(ii)(E)(2)(b) and 1080(n)(ii)(E)(2)(c)(ii) to provide more specificity concerning the allocation to which an Initiating Participant is entitled. The amendments make clear that the allocations can be either 40% or 50% depending on whether there are one or more competing quotes, orders or PAN responses. Also, the rule text notes that Public Customer interest must be satisfied first. This non-substantive change adds more clarity to the rule text as this allocation method is present today. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule⁹ and seeks to conform the PIXL rule text to that of BX PRISM.

Stop Price

The Exchange is amending Phlx Rule 1080(n)(ii)(C) to revise language where the entire PIXL Order will be executed at, including, in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to *or better than* the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least one minimum price improvement increment better than the price of such limit order at the time of the conclusion of the Auction. This new “better than” language is currently also utilized in the newly adopted BX PRISM rule.¹⁰ The auction would look for the best price, which in this instance may be through a limit order on the same side as the PIXL Order.

⁹ See BX Rules at Chapter VI, Section 9(ii)(E)(2)(b), (ii)(E)(2)(c)(ii), (ii)(F)(2)(b) and (ii)(F)(2)(c)(ii).

¹⁰ See BX Rules at Chapter VI, Section 9(ii)(C).

For example, assume the PBBO and NBBO are both .97 – 1.03. A PIXL Order to buy 100 contracts is submitted with a contra-side Initiating Order to stop the PIXL Order at 1.01. Assume a PAN response is submitted to sell 10 contracts at .97 and another to sell 10 contracts at 1.00. Then assume an unrelated buy order is received to pay .98 for 10 contracts. The order is placed on the PHLX book and the PBBO becomes .98 – 1.03. Then assume, a participant submits a bid price of 1.02, crossing the 1.00 stop price and concluding the PIXL Auction prior to the expiration of one second. Therefore, 10 contracts from the PIXL Order will be executed at .99 against the best response price of .97 which is ‘better than’ the price of the .98 limit order resting on the PHLX book on the same side of the market as the PIXL Order. Also, 10 contracts will be executed at 1.00 (the next best response price after the execution at .98) and the remaining 80 contracts will be executed at 1.01 (the stop price) against the Initiating Order. The Exchange believes that this language clarifies the current rule text by providing the “better than” language, which accounts for better priced orders.

Professional Order

The Exchange is amending Phlx Rule 1080(n) in the first paragraph and also 1080(n)(ii)(E)(1) to make clear that a public customer order does not include a Professional¹¹ order. Professionals are not entitled to priority as described within the Phlx Rule 1080(n). This non-substantive change adds more clarity to the rule text. The

¹¹ Phlx Rule 1000(b)(14) currently states that the term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule¹² and seeks to conform the PIXL rule text to that of BX PRISM.

Rounding

The Exchange is amending Phlx Rule 1080(n)(ii)(E)(2)(f) to add clarifying rule text concerning the manner in which the Exchange will round odd lots. Specifically, the Exchange specifies in this new rule text that residual odd lots will be allocated in time-priority among interest with the highest priority. All rounding is down to the nearest integer. If rounding of the Initiating Participant's allocation would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant only if the Initiating Participant did not otherwise receive an allocation. The Exchange believes that this rule text will provide members with greater certainty concerning their allocation. Similar to BX PRISM, rounding will be explained within the rule text.

Public Customers

The Exchange is amending Phlx Rule 1080(n)(vi) to add more specificity concerning Public Customer orders. An Initiating Participant may enter a PIXL Order for the account of a Public Customer paired with an order for the account of another Public Customer and such paired orders will be automatically executed without a PIXL Auction, *provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled*. Only one Auction may be conducted at a time in any given series. This rule text makes clear that with respect to Customer-to-Customer PIXL Orders, those orders will be cancelled when another auction is in progress. This non-

¹² See BX Rules at Chapter VI, Section 9 in the first paragraph and also at Section 9(ii)(E)(1).

substantive change adds more clarity to the rule text. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule¹³ and seeks to conform the PIXL rule text to that of BX PRISM.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by allowing for an auction period of no less than one hundred (100) milliseconds and no more than one (1) second and providing a meaningful opportunity for Phlx members to respond to the PIXL Auction while at the same time facilitating the prompt execution of orders.

PIXL Timer

Phlx believes the proposed rule change could provide orders within PIXL an opportunity for price improvement. Also, the shorter duration of time for the auction reduce the market risk for all members executing trades in PIXL. Initiating Participants are required to guarantee an execution at the NBBO or at a better price, and are subject to market risk while their PIXL Order is exposed to other Phlx members. While other Participants are also subject to market risk, those providing responses in PIXL may cancel or modify their orders. Phlx believes that the Initiating Participant acts in a critical

¹³ See BX Rules at Chapter VI, Section 9(vi).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

role within the PIXL Auction. Their willingness to guarantee the orders entered into PIXL an execution at NBBO or a better price is the keystone to an order gaining the opportunity for price improvement. Phlx believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. Both the order being exposed and the responding orders are subject to market risk during the auction.

While some members may wait to respond until later in the auction, presumably to minimize their market risk, the Exchange believes that a majority of the orders would respond earlier in the auction. Based on the Exchange's experience with the PIXL mechanism,¹⁶ Phlx believes that an auction of no less than one hundred milliseconds and no more than one second will continue to provide all market participants with sufficient time to respond, compete, and provide price improvement for orders and will provide investors and other market participants with more timely executions, thereby reducing their market risk. The proposed rule allows people to respond quickly at the most favorable price while reducing the risk that the market will move against the response.

¹⁶ Phlx staff distributed a survey to all Phlx market maker firms inquiring as to the timeframe within which these market participants respond to an auction with a duration time ranging from less than fifty (50) milliseconds to more than one (1) second. An overwhelming number of the market maker firms that responded to the survey indicated that they were capable of responding to auctions with a duration time of at least 50 milliseconds. Of the thirty five (35) Phlx market maker firms that were surveyed, twenty (20) of these market makers responded to the survey and of those respondents 100% indicated that that their firm could respond to auctions with a duration time of at least 50 milliseconds. This survey was conducted in May 2014.

Phlx believes that its members operate electronic systems that enable them to react and respond to orders in a meaningful way in fractions of a second. Phlx believes that its members will be able to compete within no less than one hundred milliseconds and no more than one second and this is a sufficient amount of time to respond to, compete for, and provide price improvement for orders, and will provide investors and other market participants with more timely executions, and reduce their market risk.

Finally, with respect to system capacity, Phlx has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the potential additional traffic associated with auction transactions resulting specifically from the implementation of the auction period of no less than one hundred milliseconds and no more than one second.

Immediate or Cancel

The Exchange’s amendment to remove certain uses of the term “rejected” to instead refer to the term “immediately cancelled” complies with the Exchange Act because the replacement words provide more specificity to the rule text. Today, PIXL Orders and PAN Responses that do not comply with PIXL requirements are not eligible to initiate an Auction and will be immediately cancelled, after being reviewed by the trading system. The Exchange believes that system enforced criteria will promote just and equitable principles of trade and protect investors and the public interest. The Exchange believes this non-substantive change adds more clarity to the rule text to differentiate rejections and cancellations.

Allocations

The Exchange's amendment to make clear that under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution is a non-substantive change that makes clear that limitation to allocation in PIXL. This non-substantive change adds more clarity to the rule text. This amendment is consistent with the Act in that it identifies the limitation in the PIXL allocation more specifically and memorializes that limitation.

The Exchange's amendment to provide more specificity concerning the allocation to which an Initiating Participant is entitled, either 40% or 50% depending on whether there are one or more competing quotes, orders or PAN responses, is a non-substantive change adds more clarity to the rule text. Also, the rule text which notes that Public Customer interest must be satisfied first is a non-substantive change. This amendment is consistent with the Act in that it identifies with specificity the manner in which PIXL will allocate to an Initiating Participant.

Stop Price

The Exchange's amendment to revise language where the entire PIXL Order will be executed at, including, in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to *or better than* the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which

case the PIXL Order will be executed against that response...”adds more specificity to the current rule text and accounts for responses at the best price, not just equal to other prices. The Exchange believes that the ability to price improve is consistent with the Act because it removes impediments to and perfects the mechanism of a free and open market and a national market system.

Professional Order

The Exchange’s amendment to make clear that a public customer order does not include a Professional order is a non-substantive change which adds more clarity to the rule text. This amendment is consistent with the Act and other rule changes which make clear the distinction between Professional and Customer orders.¹⁷

Rounding

With respect to rounding, all rounding is down to the nearest integer. If rounding of the Initiating Participant’s allocation results in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant, only if the Initiating Participant did not otherwise receive an allocation. The Exchange is permitting the Initiating Participant to receive the benefit of the rounding in an allocation of less than one contract, only if the Initiating Participant did not otherwise receive an allocation, because the Initiating Participant is not eligible to receive residual contracts. The Exchange believes that rounding differently for the Initiating Participant as compared to all other market participants is not unfairly discriminatory since the Initiating Participant is not eligible to receive residual contracts as are other market participants, unless no

¹⁷ See Securities Exchange Act Release No. 61426 (January 26, 2010), 75 FR 5360 (February 2, 2010) (SR-Phlx-2010-05) (Notice of Filing of Proposed Rule Change Relating to Professional Orders).

other interest is available to trade. Similar to BX PRISM, rounding will be explained within the rule text.

Public Customers

The Exchange's amendment to add more specificity concerning Public Customer orders to indicate that a Public Customer paired with an order for the account of another Public Customer will be automatically executed without a PIXL Auction, *provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled*. This amendment to make clear that only one Auction may be conducted at a time in any given series is consistent with the Act and the PIXL approval order.¹⁸ This rule text makes clear that with respect to Customer-to-Customer PIXL Orders, those orders will be cancelled when another auction is in progress in the same series. This non-substantive change adds more clarity to the rule text.

5. 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 proposed rule change will conform the PIXL rule with the PRISM rule. The Exchange does not believe that the proposed changes produce an undue burden on inter-market competition because these changes will afford Phlx the opportunity to compete for order flow by offering an auction mechanism similar to that of other exchanges, specifically BX.

¹⁸ See Securities Exchange Act 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-Phlx-2010-108).

PIXL Timer

Phlx's amendment to the timer to a shorter duration of time for the auction does not impose an undue burden on intra-market competition because BX believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. The proposed rule allows people to respond quickly at the most favorable price while reducing the risk that the market will move against the response. Phlx believes that its members will be able to compete in no less than one hundred milliseconds and no more than one second and this is a sufficient amount of time to respond to, compete for, and provide price improvement for orders, and will provide investors and other market participants with more timely executions, and reduce their market risk.

Immediate or Cancel

The Exchange's amendment to remove certain uses of the term "rejected" to instead refer to the term "immediately cancelled" does not impose an undue burden on intra-market competition because PIXL Orders and PAN Responses that do not comply with PIXL requirements are not eligible to initiate an Auction and will be immediately cancelled after being reviewed by the trading system. The system enforced criteria will be applied uniformly to all Phlx members. The Exchange believes this non-substantive change adds more clarity to the rule text.

Allocations

The Exchange's amendment to make clear that under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution does not impose an undue burden on intra-market competition. This non-substantive change adds more clarity to the rule text. This amendment is consistent with the Act in that it identifies an existing limitation in the PIXL allocation more specifically and memorializes that limitation.

The Exchange's amendment to provide more specificity concerning the allocation to which an Initiating Participant is entitled, either 40% or 50% depending on whether there are one or more competing quotes, orders or PAN responses does not impose an undue burden on intra-market competition. This is a non-substantive change adds more clarity to the rule text. Also, the rule text which notes that Public Customer interest must be satisfied first is a non-substantive change. This amendment does not impose an undue burden on intra-market competition, rather, it identifies with specificity the manner in which PIXL will allocate to an Initiating Participant.

Stop Price

The Exchange's amendment to revise language where the entire PIXL Order will be executed at, including, in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to *or better than* the price of a limit order

resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response...” does not impose an undue burden on intra-market competition. Rather, this language adds more specificity to the current rule text and accounts for better priced orders.

Professional Order

The Exchange’s amendment to make clear that a public customer order does not include a Professional order does not impose an undue burden on intra-market competition this rule change is consistent with the distinction between Professional and Customer orders.

Rounding

With respect to rounding, all rounding is down to the nearest integer. If rounding of the Initiating Participant’s allocation results in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant, only if the Initiating Participant did not otherwise receive an allocation. The Exchange believes that rounding differently for the Initiating Participant as compared to all other market participants does not impose an undue burden on intra-market competition because the Initiating Participant is not eligible to receive residual contracts as are other market participants, unless no other interest is available to trade. The Exchange is permitting the Initiating Participant to receive the benefit of the rounding in an allocation of less than one contract, only if the Initiating Participant did not otherwise receive an allocation, because the Initiating Participant is not eligible to receive residual contracts.

Public Customers

The Exchange's amendment to add more specificity concerning Public Customer orders to indicate that a Public Customer paired with an order for the account of another Public Customer will be automatically executed without a PIXL Auction, *provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled* does not impose an undue burden on intra-market competition. This non-substantive change adds more clarity to the rule text.

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)¹⁹ of the Act and Rule 19b-4(f)(6) thereunder²⁰ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Phlx's amendment to shorten the duration time of the PIXL timer does not significantly affect the protection of investors or the public interest because this timer already exists today on

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(6).

BX in the BX PRISM Auction.²¹ Phlx's amendment to the timer does not impose any significant burden on competition because BX believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. The amendments to the immediate or cancel, allocations, stop price, professional order, rounding and public customers do not significantly affect the protection of investors or the public interest because these amendments are non-substantive. These amendments conform the rule text to that of BX PRISM, which operates similarly as mentioned herein regarding the proposed amendments with the exception of rounding which is down, but the inclusion of the manner in which rounding operates is being included to make that distinction clear within the rule text. The amendments to the immediate or cancel, allocations, stop price, professional order, rounding and public customers do not impose any significant burden on competition because the amendments are non-substantive and apply to all Phlx members utilizing PIXL.

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

²¹ BX Rules at Chapter VI, Section 9.

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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) so that Phlx make conform its current rule text to that of BX PRISM and add clarifying changes and compete effectively against this market. By providing Phlx with the ability to shorten its auction, similar to BX, will provide market participants an additional venue to submit auction orders, which offer the reduced timer and opportunity to respond quicker.

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

This proposal is similar to a BX PRISM.²²

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.

²² See BX Rules at Chapter VI, Section 9. With respect to the rounding, the manner in which Phlx rounds is different than BX. Phlx rounds down while BX rounds up or down to the nearest integer for the Initiating Participant and all other rounding is down to the nearest integer.

11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2015-95)

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding PIXL

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 November 20, 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 amend Phlx Rule 1080, entitled “Phlx XL and Phlx XL II” to amend the length of time of a Price Improvement XL or PIXLSM Auction and make other clarifying rule changes.

The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6)(iii).

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.

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 Exchange proposes to amend Phlx Rule 1080(n) to amend the length of time of a PIXLSM Auction and make other clarifying rule changes. PIXL is a component of the Exchange's fully automated options trading system, PHLX XL that allows a member to electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction"). The Exchange adopted PIXL in October 2010 as a price-improvement mechanism on the Exchange.⁴ The Exchange proposes the below changes.

⁴ See Securities Exchange Act Release Nos. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-Phlx-2010-108) (Order Granting Approval to a Proposed Rule Change Relating to a Proposed Price Improvement System, Price Improvement XL); 65043 (August 5, 2011), 76 FR 49824 (August 11, 2011) (SR-

PIXL Timer

Today, a PIXL Auction lasts for one second, unless it is concluded early.⁵ The Exchange proposes to amend Rule 1080(n)(ii)(A)(4) to state, “the Auction will last for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction period will be no less than one hundred milliseconds and no more than one second.” This timer is similar to the current timer length in the newly adopted BX PRISM.⁶ The selected timer would be the same length of time for all auctions in all options pursuant to Phlx Rule 1080(n).

The Exchange believes that a shorter duration of time for the auction will reduce market risk for all members executing trades in PIXL. Initiating Participants are required to guarantee an execution at the NBBO or at a better price, and are subject to market risk while their PIXL Order is exposed to other Phlx members. While other Participants are

Phlx-2011-104) (Extending Pilot for Price Improvement System, Price Improvement XL); 67399 (July 11, 2012), 77 FR 42048 (July 17, 2012) (SR-Phlx-2012-94) (Extending Pilot for Price Improvement System, Price Improvement XL); 69845 (June 25, 2013), 78 FR 39429 (July 1, 2013) (SR-Phlx-2013-46) (Order Granting Approval To Proposed Rule Change, as Modified by Amendment No. 1, Regarding Complex Order PIXL); 69989 (July 16, 2013), 78 FR 43950 (July 22, 2013) (SR-Phlx-2013-74) (Extending Pilot for Price Improvement System, Price Improvement XL); and 72619 (July 16, 2014), 79 FR 42613 (July 22, 2014) (Extending Pilot for Price Improvement System, Price Improvement XL).

⁵ The PIXL Auction shall conclude at the earlier to occur of (1) The end of the Auction period; (2) For a PIXL Auction (except if it is a Complex Order), any time the PBBO crosses the PIXL Order stop price on the same side of the market as the PIXL Order; (3) For a Complex Order PIXL Auction, any time the cPBBO or the Complex Order book crosses the PIXL Order stop price on the same side of the market as the PIXL Order; or (4) Any time there is a trading halt on the Exchange in the affected series.

⁶ See NASDAQ OMX BX, Inc. (“BX”) Rules at Chapter VI, Section 9(ii)(A)(3). BX PRISM functionality will be implemented on November 16, 2015.

also subject to market risk, those providing responses in PIXL may cancel or modify their orders. Phlx believes that the Initiating Participant acts in a critical role within the PIXL Auction. Their willingness to guarantee the orders entered into PIXL an execution at NBBO or a better price is the keystone to an order gaining the opportunity for price improvement. Phlx believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. Both the order being exposed and the responding orders are subject to market risk during the auction.

Immediate or Cancel

The Exchange is amending the Phlx Rule 1080(n) to remove certain uses of the term “rejected” to instead refer to the term “immediately cancelled.” Specifically, the Exchange is amending Phlx Rule 1080(n)(i)(D) and (F) and 1080(n)(ii)(A)(8)-(10). Certain orders are submitted and entered into the PIXL Auction prior to the cancellation of such order for non-compliance with Exchange Rules. These orders are not rejected, rather they are immediately cancelled because technically there is time, however miniscule, between the submission of the order and the rejection of the order. The Exchange believes this non-substantive change adds more clarity to the rule text. This distinction is made throughout the newly adopted BX PRISM rule, where applicable.⁷

⁷ See BX Rules at Chapter VI, Section 9.

Allocations

The Exchange is amending Phlx Rule 1080(n)(ii)(A)(1) to first make clear that under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution. This non-substantive change adds more clarity to the rule text as this limitation is present today. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule⁸ and seeks to conform the PIXL rule text to that of BX PRISM.

The Exchange is also amending Phlx Rule 1080(n)(ii)(E)(2)(b) and 1080(n)(ii)(E)(2)(c)(ii) to provide more specificity concerning the allocation to which an Initiating Participant is entitled. The amendments make clear that the allocations can be either 40% or 50% depending on whether there are one or more competing quotes, orders or PAN responses. Also, the rule text notes that Public Customer interest must be satisfied first. This non-substantive change adds more clarity to the rule text as this allocation method is present today. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule⁹ and seeks to conform the PIXL rule text to that of BX PRISM.

Stop Price

The Exchange is amending Phlx Rule 1080(n)(ii)(C) to revise language where the entire PIXL Order will be executed at, including, in the case of the PBBO crossing the

⁸ See BX Rules at Chapter VI, Section 9(ii)(A)(1).

⁹ See BX Rules at Chapter VI, Section 9(ii)(E)(2)(b), (ii)(E)(2)(c)(ii), (ii)(F)(2)(b) and (ii)(F)(2)(c)(ii).

PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to *or better than* the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least one minimum price improvement increment better than the price of such limit order at the time of the conclusion of the Auction. This new “better than” language is currently also utilized in the newly adopted BX PRISM rule.¹⁰ The auction would look for the best price, which in this instance may be through a limit order on the same side as the PIXL Order.

For example, assume the PBBO and NBBO are both .97 – 1.03. A PIXL Order to buy 100 contracts is submitted with a contra-side Initiating Order to stop the PIXL Order at 1.01. Assume a PAN response is submitted to sell 10 contracts at .97 and another to sell 10 contracts at 1.00. Then assume an unrelated buy order is received to pay .98 for 10 contracts. The order is placed on the PHLX book and the PBBO becomes .98 – 1.03. Then assume, a participant submits a bid price of 1.02, crossing the 1.00 stop price and concluding the PIXL Auction prior to the expiration of one second. Therefore, 10 contracts from the PIXL Order will be executed at .99 against the best response price of .97 which is ‘better than’ the price of the .98 limit order resting on the PHLX book on the same side of the market as the PIXL Order. Also, 10 contracts will be executed at 1.00 (the next best response price after the execution at .98) and the remaining 80 contracts will be executed at 1.01 (the stop price) against the Initiating Order. The Exchange

¹⁰ See BX Rules at Chapter VI, Section 9(ii)(C).

believes that this language clarifies the current rule text by providing the “better than” language, which accounts for better priced orders.

Professional Order

The Exchange is amending Phlx Rule 1080(n) in the first paragraph and also 1080(n)(ii)(E)(1) to make clear that a public customer order does not include a Professional¹¹ order. Professionals are not entitled to priority as described within the Phlx Rule 1080(n). This non-substantive change adds more clarity to the rule text. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule¹² and seeks to conform the PIXL rule text to that of BX PRISM.

Rounding

The Exchange is amending Phlx Rule 1080(n)(ii)(E)(2)(f) to add clarifying rule text concerning the manner in which the Exchange will round odd lots. Specifically, the Exchange specifies in this new rule text that residual odd lots will be allocated in time-priority among interest with the highest priority. All rounding is down to the nearest integer. If rounding of the Initiating Participant’s allocation would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant, only if the Initiating Participant did not otherwise receive an allocation. The Exchange believes that this rule text will provide members with greater certainty concerning their allocation. Similar to BX PRISM, rounding will be explained within the rule text.

¹¹ Phlx Rule 1000(b)(14) currently states that the term “Professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

¹² See BX Rules at Chapter VI, Section 9 in the first paragraph and also at Section 9(ii)(E)(1).

Public Customers

The Exchange is amending Phlx Rule 1080(n)(vi) to add more specificity concerning Public Customer orders. An Initiating Participant may enter a PIXL Order for the account of a Public Customer paired with an order for the account of another Public Customer and such paired orders will be automatically executed without a PIXL Auction, *provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled.* Only one Auction may be conducted at a time in any given series. This rule text makes clear that with respect to Customer-to-Customer PIXL Orders, those orders will be cancelled when another auction is in progress. This non-substantive change adds more clarity to the rule text. The Exchange recently included this clarifying rule text in the newly adopted BX PRISM rule¹³ and seeks to conform the PIXL rule text to that of BX PRISM.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by allowing for an auction period of no less than one hundred (100) milliseconds and no more than one (1) second and providing a meaningful opportunity for Phlx members to respond to the

¹³ See BX Rules at Chapter VI, Section 9(vi).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

PIXL Auction while at the same time facilitating the prompt execution of orders.

PIXL Timer

Phlx believes the proposed rule change could provide orders within PIXL an opportunity for price improvement. Also, the shorter duration of time for the auction reduce the market risk for all members executing trades in PIXL. Initiating Participants are required to guarantee an execution at the NBBO or at a better price, and are subject to market risk while their PIXL Order is exposed to other Phlx members. While other Participants are also subject to market risk, those providing responses in PIXL may cancel or modify their orders. Phlx believes that the Initiating Participant acts in a critical role within the PIXL Auction. Their willingness to guarantee the orders entered into PIXL an execution at NBBO or a better price is the keystone to an order gaining the opportunity for price improvement. Phlx believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. Both the order being exposed and the responding orders are subject to market risk during the auction.

While some members may wait to respond until later in the auction, presumably to minimize their market risk, the Exchange believes that a majority of the orders would respond earlier in the auction. Based on the Exchange's experience with the PIXL mechanism,¹⁶ Phlx believes that an auction of no less than one hundred milliseconds and

¹⁶ Phlx staff distributed a survey to all Phlx market maker firms inquiring as to the timeframe within which these market participants respond to an auction with a duration time ranging from less than fifty (50) milliseconds to more than one (1)

no more than one second will continue to provide all market participants with sufficient time to respond, compete, and provide price improvement for orders and will provide investors and other market participants with more timely executions, thereby reducing their market risk. The proposed rule allows people to respond quickly at the most favorable price while reducing the risk that the market will move against the response.

Phlx believes that its members operate electronic systems that enable them to react and respond to orders in a meaningful way in fractions of a second. Phlx believes that its members will be able to compete within no less than one hundred milliseconds and no more than one second and this is a sufficient amount of time to respond to, compete for, and provide price improvement for orders, and will provide investors and other market participants with more timely executions, and reduce their market risk.

Finally, with respect to system capacity, Phlx has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the potential additional traffic associated with auction transactions resulting specifically from the implementation of the auction period of no less than one hundred milliseconds and no more than one second.

Immediate or Cancel

The Exchange’s amendment to remove certain uses of the term “rejected” to instead refer to the term “immediately cancelled” complies with the Exchange Act

second. An overwhelming number of the market maker firms that responded to the survey indicated that they were capable of responding to auctions with a duration time of at least 50 milliseconds. Of the thirty five (35) Phlx market maker firms that were surveyed, twenty (20) of these market makers responded to the survey and of those respondents 100% indicated that that their firm could respond to auctions with a duration time of at least 50 milliseconds. This survey was conducted in May 2014.

because the replacement words provide more specificity to the rule text. Today, PIXL Orders and PAN Responses that do not comply with PIXL requirements are not eligible to initiate an Auction and will be immediately cancelled, after being reviewed by the trading system. The Exchange believes that system enforced criteria will promote just and equitable principles of trade and protect investors and the public interest. The Exchange believes this non-substantive change adds more clarity to the rule text to differentiate rejections and cancellations.

Allocations

The Exchange's amendment to make clear that under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution is a non-substantive change that makes clear that limitation to allocation in PIXL. This non-substantive change adds more clarity to the rule text. This amendment is consistent with the Act in that it identifies the limitation in the PIXL allocation more specifically and memorializes that limitation.

The Exchange's amendment to provide more specificity concerning the allocation to which an Initiating Participant is entitled, either 40% or 50% depending on whether there are one or more competing quotes, orders or PAN responses, is a non-substantive change adds more clarity to the rule text. Also, the rule text which notes that Public Customer interest must be satisfied first is a non-substantive change. This amendment is

consistent with the Act in that it identifies with specificity the manner in which PIXL will allocate to an Initiating Participant.

Stop Price

The Exchange's amendment to revise language where the entire PIXL Order will be executed at, including, in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to *or better than* the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response..."adds more specificity to the current rule text and accounts for responses at the best price, not just equal to other prices. The Exchange believes that the ability to price improve is consistent with the Act because it removes impediments to and perfects the mechanism of a free and open market and a national market system.

Professional Order

The Exchange's amendment to make clear that a public customer order does not include a Professional order is a non-substantive change which adds more clarity to the rule text. This amendment is consistent with the Act and other rule changes which make clear the distinction between Professional and Customer orders.¹⁷

Rounding

With respect to rounding, all rounding is down to the nearest integer. If rounding of the Initiating Participant's allocation results in an allocation of less than one contract,

¹⁷ See Securities Exchange Act Release No. 61426 (January 26, 2010), 75 FR 5360 (February 2, 2010) (SR-Phlx-2010-05) (Notice of Filing of Proposed Rule Change Relating to Professional Orders).

then one contract will be allocated to the Initiating Participant, only if the Initiating Participant did not otherwise receive an allocation. The Exchange is permitting the Initiating Participant to receive the benefit of the rounding in an allocation of less than one contract, only if the Initiating Participant did not otherwise receive an allocation, because the Initiating Participant is not eligible to receive residual contracts. The Exchange believes that rounding differently for the Initiating Participant as compared to all other market participants is not unfairly discriminatory since the Initiating Participant is not eligible to receive residual contracts as are other market participants, unless no other interest is available to trade.

Public Customers

The Exchange's amendment to add more specificity concerning Public Customer orders to indicate that a Public Customer paired with an order for the account of another Public Customer will be automatically executed without a PIXL Auction, *provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled*. This amendment to make clear that only one Auction may be conducted at a time in any given series is consistent with the Act and the PIXL approval order.¹⁸ This rule text makes clear that with respect to Customer-to-Customer PIXL Orders, those orders will be cancelled when another auction is in progress in the same series. This non-substantive change adds more clarity to the rule text.

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

¹⁸ See Securities Exchange Act 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (SR-Phlx-2010-108).

Act. The proposed rule change will conform the PIXL rule with the PRISM rule. The Exchange does not believe that the proposed changes produce an undue burden on inter-market competition because these changes will afford Phlx the opportunity to compete for order flow by offering an auction mechanism similar to that of other exchanges, specifically BX.

PIXL Timer

Phlx's amendment to the timer to a shorter duration of time for the auction does not impose an undue burden on intra-market competition because BX believes that allowing for an auction period of no less than one hundred milliseconds and no more than one second will benefit members trading in PIXL. Phlx believes it is in these members' best interests to minimize the auction time while continuing to allow members adequate time to electronically respond. The proposed rule allows people to respond quickly at the most favorable price while reducing the risk that the market will move against the response. Phlx believes that its members will be able to compete in no less than one hundred milliseconds and no more than one second and this is a sufficient amount of time to respond to, compete for, and provide price improvement for orders, and will provide investors and other market participants with more timely executions, and reduce their market risk.

Immediate or Cancel

The Exchange's amendment to remove certain uses of the term "rejected" to instead refer to the term "immediately cancelled" does not impose an undue burden on intra-market competition because PIXL Orders and PAN Responses that do not comply with PIXL requirements are not eligible to initiate an Auction and will be immediately

cancelled after being reviewed by the trading system. The system enforced criteria will be applied uniformly to all Phlx members. The Exchange believes this non-substantive change adds more clarity to the rule text.

Allocations

The Exchange's amendment to make clear that under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution does not impose an undue burden on intra-market competition. This non-substantive change adds more clarity to the rule text. This amendment is consistent with the Act in that it identifies an existing limitation in the PIXL allocation more specifically and memorializes that limitation.

The Exchange's amendment to provide more specificity concerning the allocation to which an Initiating Participant is entitled, either 40% or 50% depending on whether there are one or more competing quotes, orders or PAN responses does not impose an undue burden on intra-market competition. This is a non-substantive change adds more clarity to the rule text. Also, the rule text which notes that Public Customer interest must be satisfied first is a non-substantive change. This amendment does not impose an undue burden on intra-market competition, rather, it identifies with specificity the manner in which PIXL will allocate to an Initiating Participant.

Stop Price

The Exchange's amendment to revise language where the entire PIXL Order will be executed at, including, in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to *or better than* the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response..." does not impose an undue burden on intra-market competition. Rather, this language adds more specificity to the current rule text and accounts for better priced orders.

Professional Order

The Exchange's amendment to make clear that a public customer order does not include a Professional order does not impose an undue burden on intra-market competition this rule change is consistent with the distinction between Professional and Customer orders.

Rounding

With respect to rounding, all rounding is down to the nearest integer. If rounding of the Initiating Participant's allocation results in an allocation of less than one contract, then one contract will be allocated to the Initiating Participant, only if the Initiating Participant did not otherwise receive an allocation. The Exchange believes that rounding differently for the Initiating Participant as compared to all other market participants does not impose an undue burden on intra-market competition because the Initiating Participant is not eligible to receive residual contracts as are other market participants, unless no other interest is available to trade. The Exchange is permitting the Initiating

Participant to receive the benefit of the rounding in an allocation of less than one contract, only if the Initiating Participant did not otherwise receive an allocation, because the Initiating Participant is not eligible to receive residual contracts.

Public Customers

The Exchange's amendment to add more specificity concerning Public Customer orders to indicate that a Public Customer paired with an order for the account of another Public Customer will be automatically executed without a PIXL Auction, *provided there is not currently another auction in progress in the same series, in which case the orders will be cancelled* does not impose an undue burden on intra-market competition. This non-substantive change adds more clarity to the rule text.

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)(iii) of the Act¹⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.²⁰

¹⁹ 15 U.S.C. 78s(b)(3)(a)(iii).

²⁰ 7 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

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. Please include File Number SR-Phlx-2015-95 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-2015-95. 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

proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2015-95 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.²¹

Robert W. Errett
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ OMX PHLX Rules

* * * * *

Options Rules

* * * * *

Rule 1080. Phlx XL and Phlx XL II

(a) – (m) No change.

(n) Price Improvement XL ("PIXL")

A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in sub-paragraph (n)(i)(F) below) it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction") pursuant to this Rule. The contract size specified in Rule 1080(n) as applicable to PIXL Orders shall apply to Mini Options. For purposes of this Rule, a public customer order does not include a Professional order.

(i) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PIXL. A member (the "Initiating Member") may initiate an Auction provided all of the following are met:

(A) – (C) No change.

(D) PIXL Orders that do not comply with the requirements of sub-paragraphs (A), (B), and (C) above are not eligible to initiate an Auction and will be [rejected]immediately cancelled.

(E) No change.

(F) PIXL Orders submitted during the final two seconds of the trading session in the affected series are not eligible to initiate an Auction and will be [rejected]immediately cancelled.

(G) No change.

(ii) Auction Process. Only one Auction may be conducted at a time in any given series or strategy. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(A) No change.

- (1) To initiate the Auction (except if it is a Complex Order), the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (a) a single price at which it seeks to execute the PIXL Order (a "stop price"); (b) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PIXL Order will be stopped at the NBBO on the Initiating Order side; or (c) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); (ii) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or (iii) stop the entire order at the NBBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the PBBO on the same side of the market as the PIXL Order represents a limit order on the book, the stop price must be at least one minimum price improvement increment better than the booked limit order's limit price. Once the Initiating Member has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (a)-(c) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. Under no circumstances will the Initiating Participant receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, except for rounding, when competing quotes, orders or PAN responses have contracts available for execution.
- (2) No change.
- (3) When the Exchange receives a PIXL Order for Auction processing, a PAN detailing the side and size and option series of the PIXL Order will be sent over the Exchange's TOPO Plus Orders data feed and Specialized Quote Feed.
- (4) The Auction will last [for one second] for a period of time, as determined by the Exchange and announced on the Nasdaq Trader website. The Auction period will be no less than one hundred milliseconds and no more than one second.
- (5) – (7) No change.
- (b) No change.
- (8) A PAN response size at any given price point may not exceed the size of the PIXL Order. A PAN response with a size greater than the size of the PIXL Order will be [rejected]immediately cancelled.
- (9) A PAN response (except if it is a Complex Order) must be equal to or better than the NBBO at the time of receipt of the PAN response. A Complex Order PAN response must be equal to or better than the cPBBO, as defined in Commentary .07(a) of this

Rule 1080 at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response (except if it is a Complex Order) submitted with a price that is outside the NBBO will be rejected. A Complex Order PAN response submitted with a price that is outside the cPBBO will be rejected. A PAN or Complex Order PAN response which is inferior to the stop price of the PIXL order will be [rejected]immediately cancelled.

(10) PAN responses on the same side of the market as the PIXL Order are considered invalid and will be [rejected]immediately cancelled.

(11) No change.

(B) No change.

(1) – (5) No change.

(C) If the situations described in sub-paragraphs (B)(2), (3), or (4) above occur, the entire PIXL Order will be executed at: (1) in the case of the PBBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a limit order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least one minimum price improvement increment better than the price of such limit order at the time of the conclusion of the Auction; (2) in the case of the cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the same side of the market as the Complex PIXL Order, the stop price against executable PAN responses and executable Complex Orders using the allocation algorithm in sub-paragraph (E)(2)(d)(i) through (iv); or (3) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PIXL Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.

(D) No change.

(E) Order Allocation. At the conclusion of the Auction, the PIXL Order will be allocated at the best price(s) as follows:

(1) Public customer orders shall have priority at each price level. For purposes of this Rule, a public customer order does not include a Professional order.

(2) No change.

(a) No change.

(b) If the Initiating Member selected the auto-match option of the PIXL Auction (except if it is a Complex Order), the Initiating Member shall be allocated an

equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the stop price is the final price) after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d). Any remaining contracts shall be allocated to the Initiating Member.

(c) No change.

(i) No change.

(ii) next, to quotes, orders and PAN responses at prices at the Initiating Member's NWT price and better than the Initiating Member's stop price, beginning with the NWT price. The Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price) after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price) after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in Exchange Rules 1014(g)(vii)(B)(1)(b) and (d). Any remaining contracts shall be allocated to the Initiating Member.

(d) and (e) No change.

(f) A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Residual odd lots will be allocated in time-priority among interest with the highest priority. All rounding is down to the nearest integer. If rounding would result in an allocation of less than one contract, then one

contract will be allocated to the Initiating Participant only if the Initiating Participant did not otherwise receive an allocation.

(g) No change.

(F) – (J) No change.

(iii) – (iv) No change.

(vi) In lieu of the procedures in paragraphs (i) - (ii) above, an Initiating Member may enter a PIXL Order for the account of a public customer paired with an order for the account of a public customer and such paired orders will be automatically executed without a PIXL Auction, provided there is not currently another auction in progress in the same series or strategy, in which case the orders will be cancelled. The execution price for such a PIXL Order (except if it is a Complex Order) must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the NBBO or at the same price as any resting customer order. The execution price for such a Complex Order PIXL may be in .01 increments and may not trade at a price equal to or through the cPBBO or at the same price as a resting customer Complex Order.

Rule 1080(c)(ii)(C) prevents an Order Entry Firm from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a firm to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule 1080(c)(ii)(C) for a firm to circumvent Rule 1080(c)(ii)(C) by providing an opportunity for (i) a customer affiliated with the firm, or (ii) a customer with whom the firm has an arrangement that allows the firm to realize similar economic benefits from the transaction as the firm would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PIXL customer-to-customer immediate crosses.

(vii) No change.

(o) and (p) No change.

••• *Commentary:* -----

.01 – 08 No change.

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