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Page 1 of * 24

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2016 - * 22

Amendment No. (req. for Amendments *)

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	Extension of Time Period for Commission Action *	Date Expires *	Rule		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/>
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	<input type="checkbox"/>
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	<input type="checkbox"/>
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) *	Section 3C(b)(2) *		
<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>		

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

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

Proposed rule change to delete Rule 505 (Allocation, Reallocation and Transfer of Issues) and update Rule 506 (Allocation Application).

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 *	Jurij	Last Name *	Trypupenko
Title *	Associate General Counsel		
E-mail *	jurij.trypupenko@nasdaq.com		
Telephone *	(301) 978-8132	Fax	<input type="text"/>

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 02/05/2016

Executive Vice President and General Counsel

By Edward S. Knight

(Name *)

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 EDDS website.

Form 19b-4 Information *

Add Remove View

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

Add Remove View

Exhibit Sent As Paper Document



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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document



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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² NASDAQ PHLX LLC (“Phlx” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to delete Rule 505 (Allocation, Reallocation and Transfer of Issues) and update Rule 506 (Allocation Application).³

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1 and a copy of applicable portion of the Exchange’s rules is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (“Board”) on July 1, 2015. Exchange staff will advise the Board of Directors 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

Jurij Trypupenko
Associate General Counsel
Nasdaq, Inc.
(301) 978-8132.

¹ 15 U.S.C. § 78s(b)(1).

² 17 C.F.R. § 240.19b-4.

³ References to rules are to Phlx rules unless otherwise noted.

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

a. Purpose

The Exchange proposes to update its rules to delete Rule 505 (Allocation, Reallocation and Transfer of Issues) and update Rule 506 (Allocation Application).

Rules 505 and 506 were approved more than three decades ago,⁴ at which time Exchange options trading was strictly on-floor open outcry through specialists. Exchange options trading developed into a robust hybrid system that is currently largely electronic and off-floor⁵ but continues to have on-floor specialists⁶ and open outcry trading. The Exchange is now consolidating its Rules 505 and 506.⁷ Having found that some of the concepts in Rule 505 are obsolete and that others belong in Rule 506, the Exchange is deleting Rule 505. Simultaneously, the Exchange is updating Rule 506 to make it more easily readable and to transfer certain concepts from Rule 505 to Rule 506. These changes are described below.

Deletion of Rule 505

The Exchange has concluded that with the placement of certain concepts from Rule 505 into Rule 506, Rule 505 is no longer needed. The Exchange believes that it is

⁴ See, e.g., Securities Exchange Act Release No. 37019 (August 17, 1982), 47 FR 37019 (August 24, 1982) (SR-Phlx-81-1) (approval order).

⁵ Electronic traders include market makers that are streaming quote traders (“SQTs”), remote streaming quote traders (“RSQTs”), and off-floor specialists (“Remote Specialists”). See Rules 1014(b)(ii)(A), 1014(b)(ii)(B), and 1020.

⁶ Remote Specialists do not have a physical presence on the floor of the Exchange. Rule 1020.

⁷ While the vast majority of options rules are found in Rule 1000 and higher of the Exchange’s rule book, some older options-related rules, such as Rules 505 and 506, are in the Exchange’s rule book below Rule 1000.

desirable to discuss the process of allocation or reallocation application, allocation, reallocation, and transfer in one rule, namely Rule 506. Moreover, “leasing” is not practiced on the Exchange and obsolete language in Rule 505 in respect of leasing is no longer needed.⁸ The Exchange proposes to therefore delete Rule 505, and to update and clarify Rule 506 to be more descriptive and to add several concepts from deleted Rule 505.

Updating of Rule 506

First, Rule 506 is updated to make it clear to the reader that the rule applies to the process of allocation application as well as allocation, reallocation, and transfer. Specifically, the title to Rule 506 is expanded to state “Allocation Application, Allocation, Reallocation, and Transfer”. This will allow the reader to more easily understand what Rule 506 is about.

Second, the Exchange is adding language to indicate that applications may be regarding reallocation. Section (b) of Rule 506 is expanded to state that an allocation or reallocation application shall be submitted to the Exchange’s staff in writing. Each allocation or reallocation application will continue to include, at a minimum, the name and background of the head specialist and assistant specialist(s) (except that a Remote Specialist need not include an assistant specialist), the unit’s experience and capitalization demonstrating an ability to trade the particular options class sought, and any other reasons why the unit believes it should be assigned or allocated the security.⁹

⁸ “Leasing” is the now-obsolete practice or one specialist leasing, or renting, an allocated issue to another specialist.

⁹ The ability of the Exchange to require that the application include other information is continued. Rule 506(b). The Exchange is removing from section (b) antiquated language regarding system acceptance/execution levels and

Third, section (c) of Rule 506 states that allocation decisions and automatic allocations¹⁰ shall be communicated in writing to Exchange members. The Exchange proposes to add into section (c) language to state that reallocation or transfer decisions, like allocation decisions and automatic allocations, shall be communicated in writing to Exchange members.

Fourth, the Exchange is transferring the “Registrant” concept from deleted Rule 505 to section (d) of Rule 506 indicating in whose names an options class needs to be registered; and indicating that Registrant will act as specialist for a period of at least one year (known as “minimum specialist period”). Specifically, the Exchange proposes to add to section (d) the following language:

Upon allocation, reallocation, or transfer of an options class, the options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist (“Registrant”). Each Registrant must be an Exchange member and an approved specialist. The Registrant shall act as specialist for the options class for at least one year (“minimum specialist period”); unless some other period is defined by the Exchange pursuant to this rule. After expiration of the minimum specialist period, the Exchange may re-allocate the options class.

guarantees, as these are not currently used and are therefore obsolete. The language was used with allocation and transfers at a time when there was a lack of uniformity regarding execution levels, as opposed to standardization now (e.g., 1-up, 10-up). Rule 506(b).

¹⁰ Automatic allocations are discussed in Supplementary Material .02 to Rule 506. The Exchange proposes to add “Automatic” in front of the current title “Allocation of Options on Related Securities” so that the title is more descriptive. The Exchange also proposes to rename “Supplementary Material” to “Commentary” to conform with the general naming convention for rules.

In transferring the “Registrant” concept from deleted Rule 505, the Exchange does not state that the options class can be registered solely in the name of an individual acting as specialist since this is not the current practice. Rather, the Exchange proposes to state that the options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist. Commensurate with other changes and the language of Rule 506, the Exchange is also proposing to state in Rule 506(d) that once the specialist unit is allocated, reallocated, or transferred an options class,¹¹ such specialist unit will notify the Exchange in writing regarding any material change in the application for any assigned options class.¹²

Fifth, the Exchange is transferring from Commentary .01 of deleted Rule 505 to new Commentary.03 of Rule 506 the concept that the Exchange may establish a period of less than one year for Registrant to act as a specialist in an options class (known as “alternate specialist period”). This allows the Exchange to establish a period of time that is less than one year, which is shorter than the minimum specialist period. During the alternate specialist period established by the Exchange the Registrant must act as specialist in an allocated options class. If the Exchange decides to establish an alternate specialist period, it will communicate such period in solicitation applications. Also, after the alternate or minimum specialist period the Exchange may re-allocate an options class. Specifically, the Exchange proposes to state in Commentary .03:

¹¹ The term “specialist unit” is used for uniformity and readability in section Rule 506(a) and elsewhere in the rule (e.g., sections (d), (e), Commentary .01 (renamed from Supplementary Material .01 to better follow the naming convention)). Similarly, “issue” is proposed to be changed to “options class”.

¹² The Exchange proposes to also remove obsolete language regarding system acceptance/execution levels from Rule 506(d).

.03 Alternate Specialist Period.

The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a shorter period defined by the Exchange that is less than one year ("alternate specialist period"). If the Exchange establishes an alternate specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506. After expiration of the alternate specialist period, the Exchange may re-allocate the options class.

The Exchange believes that these non-controversial changes to consolidate Rules 505 and 506 and to update and modernize Rule 506 as discussed will make remaining Rule 506 clearer and easier to use.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁴ 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 Rule 505 and updating Rule 506 and thereby consolidating the rules as discussed.

The Exchange believes that the rule change will promote just and equitable principles of trade by making the rules clearer and easier to use. The Exchange is proposing to get rid of an older rule, specifically Rule 505, and to consolidate certain concepts from Rule 505 into remaining Rule 506. By doing so the Exchange is deleting obsolete language in Rule 505 regarding options classes that are subject to a lease, as

¹³ 15 U.S.C. § 78f(b).

¹⁴ 15 U.S.C. § 78f(b)(5).

leasing is not practiced on the Exchange. The Exchange is clarifying that Rule 506 will deal with allocation, reallocation, and transfer and that allocation, reallocation, or transfer decisions and automatic allocations will be communicated in writing to Exchange members. The Exchange proposes to transfer from deleted Rule 505 to Rule 506 the Registrant concept indicating that an options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist; and indicating that Registrant will act as specialist for a one year minimum specialist period. The Exchange proposes to state in Rule 506 that the Exchange can establish an alternate specialist period that is shorter than the minimum specialist period, and that such alternate specialist period will be communicated in solicitation applications. The Exchange will also update language in Rule 506 for clarity and readability (e.g., “specialist unit” and “options class”).

The Exchange believes that the proposed non-controversial change to consolidate Rules 505 and 506 and to update and modernize Rule 506 will make Rule 506 clearer and easier to use to the benefit of market participants.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. While the Exchange does not believe that the proposed non-controversial change is a burden on competition, or is competitive in nature, the Exchange believes that clearer, updated rules are always beneficial to market participants.

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)¹⁵ of the Act and Rule 19b-4(f)(6) thereunder¹⁶ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange believes the rule change qualifies for immediate effectiveness as a “non-controversial” rule change under Rule 19b-4(f)(6) of the Act.

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. The Exchange believes that the proposed non-controversial change does not significantly impact the protection of investors or the public interest. Rather, the proposed change to consolidate

¹⁵ 15 U.S.C. § 78s(b)(3)(A).

¹⁶ 17 C.F.R. § 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.

Rules 505 and 506 and to update and modernize Rule 506 will make Rule 506 clearer and easier to use, which will benefit market participants.

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 the Commission to waive the noted operative delay so that the Exchange may, as soon as possible, consolidate Rules 505 and 506 and thereby make the rules clearer and easier to use, which is beneficial to market participants. The Exchange believes that good reason exists for the Commission to waive the operative effectiveness delay, and that such waiver would be consistent with the protection of investors and in the public interest. Waiver of the operative delay would benefit market participants.

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. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2016-22)

February __, 2016

Self-Regulatory Organizations; NASDAQ PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Rule 505 and Rule 506

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on February 5, 2016, NASDAQ PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposal to delete Rule 505 (Allocation, Reallocation and Transfer of Issues) and update Rule 506 (Allocation Application).³

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.

¹ 15 U.S.C. § 78s(b)(1).

² 17 C.F.R. § 240.19b-4.

³ References to rules are to Phlx rules unless otherwise noted.

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 update its rules to delete Rule 505 (Allocation, Reallocation and Transfer of Issues) and update Rule 506 (Allocation Application).

Rules 505 and 506 were approved more than three decades ago,⁴ at which time Exchange options trading was strictly on-floor open outcry through specialists. Exchange options trading developed into a robust hybrid system that is currently largely electronic and off-floor⁵ but continues to have on-floor specialists⁶ and open outcry trading. The Exchange is now consolidating its Rules 505 and 506.⁷ Having found that some of the concepts in Rule 505 are obsolete and that others belong in Rule 506, the Exchange is

⁴ See, e.g., Securities Exchange Act Release No. 37019 (August 17, 1982), 47 FR 37019 (August 24, 1982) (SR-Phlx-81-1) (approval order).

⁵ Electronic traders include market makers that are streaming quote traders (“SQTs”), remote streaming quote traders (“RSQTs”), and off-floor specialists (“Remote Specialists”). See Rules 1014(b)(ii)(A), 1014(b)(ii)(B), and 1020.

⁶ Remote Specialists do not have a physical presence on the floor of the Exchange. Rule 1020.

⁷ While the vast majority of options rules are found in Rule 1000 and higher of the Exchange’s rule book, some older options-related rules, such as Rules 505 and 506, are in the Exchange’s rule book below Rule 1000.

deleting Rule 505. Simultaneously, the Exchange is updating Rule 506 to make it more easily readable and to transfer certain concepts from Rule 505 to Rule 506. These changes are described below.

Deletion of Rule 505

The Exchange has concluded that with the placement of certain concepts from Rule 505 into Rule 506, Rule 505 is no longer needed. The Exchange believes that it is desirable to discuss the process of allocation or reallocation application, allocation, reallocation, and transfer in one rule, namely Rule 506. Moreover, “leasing” is not practiced on the Exchange and obsolete language in Rule 505 in respect of leasing is no longer needed.⁸ The Exchange proposes to therefore delete Rule 505, and to update and clarify Rule 506 to be more descriptive and to add several concepts from deleted Rule 505.

Updating of Rule 506

First, Rule 506 is updated to make it clear to the reader that the rule applies to the process of allocation application as well as allocation, reallocation, and transfer. Specifically, the title to Rule 506 is expanded to state “Allocation Application, Allocation, Reallocation, and Transfer”. This will allow the reader to more easily understand what Rule 506 is about.

Second, the Exchange is adding language to indicate that applications may be regarding reallocation. Section (b) of Rule 506 is expanded to state that an allocation or reallocation application shall be submitted to the Exchange’s staff in writing. Each allocation or reallocation application will continue to include, at a minimum, the name

⁸ “Leasing” is the now-obsolete practice or one specialist leasing, or renting, an allocated issue to another specialist.

and background of the head specialist and assistant specialist(s) (except that a Remote Specialist need not include an assistant specialist), the unit's experience and capitalization demonstrating an ability to trade the particular options class sought, and any other reasons why the unit believes it should be assigned or allocated the security.⁹

Third, section (c) of Rule 506 states that allocation decisions and automatic allocations¹⁰ shall be communicated in writing to Exchange members. The Exchange proposes to add into section (c) language to state that reallocation or transfer decisions, like allocation decisions and automatic allocations, shall be communicated in writing to Exchange members.

Fourth, the Exchange is transferring the “Registrant” concept from deleted Rule 505 to section (d) of Rule 506 indicating in whose names an options class needs to be registered; and indicating that Registrant will act as specialist for a period of at least one year (known as “minimum specialist period”). Specifically, the Exchange proposes to add to section (d) the following language:

Upon allocation, reallocation, or transfer of an options class, the options class must be registered in either the name of the specialist unit, or jointly in the name of the

⁹ The ability of the Exchange to require that the application include other information is continued. Rule 506(b). The Exchange is removing from section (b) antiquated language regarding system acceptance/execution levels and guarantees, as these are not currently used and are therefore obsolete. The language was used with allocation and transfers at a time when there was a lack of uniformity regarding execution levels, as opposed to standardization now (e.g., 1-up, 10-up). Rule 506(b).

¹⁰ Automatic allocations are discussed in Supplementary Material .02 to Rule 506. The Exchange proposes to add “Automatic” in front of the current title “Allocation of Options on Related Securities” so that the title is more descriptive. The Exchange also proposes to rename “Supplementary Material” to “Commentary” to conform with the general naming convention for rules.

unit and the specialist ("Registrant"). Each Registrant must be an Exchange member and an approved specialist. The Registrant shall act as specialist for the options class for at least one year ("minimum specialist period"); unless some other period is defined by the Exchange pursuant to this rule. After expiration of the minimum specialist period, the Exchange may re-allocate the options class.

In transferring the "Registrant" concept from deleted Rule 505, the Exchange does not state that the options class can be registered solely in the name of an individual acting as specialist since this is not the current practice. Rather, the Exchange proposes to state that the options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist. Commensurate with other changes and the language of Rule 506, the Exchange is also proposing to state in Rule 506(d) that once the specialist unit is allocated, reallocated, or transferred an options class,¹¹ such specialist unit will notify the Exchange in writing regarding any material change in the application for any assigned options class.¹²

Fifth, the Exchange is transferring from Commentary .01 of deleted Rule 505 to new Commentary.03 of Rule 506 the concept that the Exchange may establish a period of less than one year for Registrant to act as a specialist in an options class (known as "alternate specialist period"). This allows the Exchange to establish a period of time that is less than one year, which is shorter than the minimum specialist period. During the

¹¹ The term "specialist unit" is used for uniformity and readability in section Rule 506(a) and elsewhere in the rule (e.g., sections (d), (e), Commentary .01 (renamed from Supplementary Material .01 to better follow the naming convention)). Similarly, "issue" is proposed to be changed to "options class".

¹² The Exchange proposes to also remove obsolete language regarding system acceptance/execution levels from Rule 506(d).

alternate specialist period established by the Exchange the Registrant must act as specialist in an allocated options class. If the Exchange decides to establish an alternate specialist period, it will communicate such period in solicitation applications. Also, after the alternate or minimum specialist period the Exchange may re-allocate an options class. Specifically, the Exchange proposes to state in Commentary .03:

.03 Alternate Specialist Period.

The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a shorter period defined by the Exchange that is less than one year ("alternate specialist period"). If the Exchange establishes an alternate specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506. After expiration of the alternate specialist period, the Exchange may re-allocate the options class.

The Exchange believes that these non-controversial changes to consolidate Rules 505 and 506 and to update and modernize Rule 506 as discussed will make remaining Rule 506 clearer and easier to use.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁴ 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 Rule 505 and updating Rule 506 and thereby consolidating the rules as discussed.

¹³ 15 U.S.C. § 78f(b).

¹⁴ 15 U.S.C. § 78f(b)(5).

The Exchange believes that the rule change will promote just and equitable principles of trade by making the rules clearer and easier to use. The Exchange is proposing to get rid of an older rule, specifically Rule 505, and to consolidate certain concepts from Rule 505 into remaining Rule 506. By doing so the Exchange is deleting obsolete language in Rule 505 regarding options classes that are subject to a lease, as leasing is not practiced on the Exchange. The Exchange is clarifying that Rule 506 will deal with allocation, reallocation, and transfer and that allocation, reallocation, or transfer decisions and automatic allocations will be communicated in writing to Exchange members. The Exchange proposes to transfer from deleted Rule 505 to Rule 506 the Registrant concept indicating that an options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist; and indicating that Registrant will act as specialist for a one year minimum specialist period. The Exchange proposes to state in Rule 506 that the Exchange can establish an alternate specialist period that is shorter than the minimum specialist period, and that such alternate specialist period will be communicated in solicitation applications. The Exchange will also update language in Rule 506 for clarity and readability (e.g., “specialist unit” and “options class”).

The Exchange believes that the proposed non-controversial change to consolidate Rules 505 and 506 and to update and modernize Rule 506 will make Rule 506 clearer and easier to use to the benefit of market participants.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. While the Exchange does not believe that the proposed non-

controversial change is a burden on competition, or is competitive in nature, the Exchange believes that clearer, updated rules are always beneficial to market participants.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁵ of the Act and Rule 19b-4(f)(6) thereunder¹⁶ 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.

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.

¹⁵ 15 U.S.C. § 78s(b)(3)(A).

¹⁶ 17 C.F.R. § 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form
[\(<http://www.sec.gov/rules/sro.shtml>\)](http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2016-22 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2016-22. 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 on official business days between the hours of 10:00 a.m. and 3:00 p.m.

Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-Phlx-2016-22 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.¹⁷

Robert W. Errett
Deputy Secretary

¹⁷ 17 C.F.R. § 200.30-3(a)(12).

New text is underlined. Deleted text is [bracketed].

NASDAQ OMX PHLX Rules of the Exchange

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Rule 505. Reserved.[Allocation, Reallocation and Transfer of Issues]

Upon allocation or transfer of an options class, the options class must be registered in either the name of the unit, the individual acting as specialist, or jointly in the name of the unit and the specialist ("Registrant"). Registrant must be Exchange members and approved specialists. The Registrant shall act as specialist for the security for at least one year. Options classes that are subject to a lease shall be registered in the name of the Registrant and the name of the unit performing specialist duties must be noted on the Registration form. The Registrant shall immediately notify the Exchange in writing, of any change to the registration form for any assigned issue.

• • • *Commentary:* -----

.01 The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a minimum period defined by the Exchange not to exceed one year ("minimum specialist period"). If the Exchange establishes a minimum specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506.

The Exchange may re-allocate an options class after the minimum specialist period.]

Rule 506. Allocation Application, Allocation, Reallocation, and Transfer

(a) When an options class is to be allocated or reallocated by the Exchange, the Exchange will solicit applications from all eligible specialist units. If the Exchange determines that special qualifications should be sought in the successful applicant, it shall indicate such desired qualifications in the notice.

(b) An allocation or reallocation application shall be submitted in writing to the Exchange's designated staff and shall include, at a minimum, the name and background of the head specialist and assistant specialist(s) (except that a Remote Specialist need not include an assistant specialist), the unit's experience and capitalization demonstrating an ability to trade the particular options class sought, and any other reasons why the unit believes it should be assigned or allocated the security. In addition, the Exchange may also require that the application include other information[such as system acceptance/execution levels and guarantees]. The Exchange may re-solicit applications for any reason, including if it determines that its initial solicitation resulted in an insufficient number of applicants.

- (c) Allocation, reallocation, or transfer decisions and automatic allocations shall be communicated in writing to Exchange members.
- (d) Upon allocation, reallocation, or transfer of an options class, the options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist ("Registrant"). Each Registrant must be an Exchange member and an approved specialist. The Registrant shall act as specialist for the options class for at least one year ("minimum specialist period"); unless some other period is defined by the Exchange pursuant to this rule. After expiration of the minimum specialist period, the Exchange may re-allocate the options class. Once the specialist unit is allocated, reallocated, or transferred an [issue]options class, such specialist unit shall immediately notify the Exchange in writing regarding any [change to the respective system acceptance/execution levels or any other]material change in the application for any assigned [issue]options class.

- (e) If a specialist unit seeks to withdraw from allocation in a security, it should so notify the Exchange at least one business day prior to the desired effective date of such withdrawal.

• • • [Supplementary Material:]Commentary: -----

.01 Allocation Preclusion. A specialist unit may not apply for any new listings (allocations) for a six (6) month period after an option was taken away from the specialist in: (i) an involuntary reallocation proceeding; or (ii) a disciplinary proceeding. Such specialist is also prohibited from applying for any new listings (allocations) for a second six month period unless the Exchange is satisfied that adequate corrective actions have been undertaken by the specialist.

02. Automatic Allocation of Options on Related Securities.

For purposes of Supplementary Material. 02 to this Rule 506, the term "Related Securities" means, but is not limited to: securities of a partially or wholly owned subsidiary; securities that are convertible into the securities of the issuer; warrants on securities of the issuer; securities issued in connection with a name change; securities issued in a reverse stock split; contingent value rights; "tracking" securities designed to track the performance of the underlying security or corporate affiliate thereof; securities created in connection with the merger or acquisition of one or more companies; securities created in connection with a "spin-off" transaction; convertible on non-convertible senior securities; and securities into which a listed security is convertible, where such Related Securities emanate from or are related to securities underlying options that are

currently allocated to a specialist on the Exchange ("Currently Allocated Options").

The term Related Securities does not include Exchange Traded Funds.

.03 Alternate Specialist Period.

The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a shorter period defined by the Exchange that is less than one year ("alternate specialist period"). If the Exchange establishes an alternate specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506.

After expiration of the alternate specialist period, the Exchange may re-allocate the options class.

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