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

File No.* SR - 2016 - * 79
Amendment No. (req. for Amendments *) 2

Filing by NASDAQ 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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

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 *).

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
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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.

Date 11/08/2016
By Edward S. Knight
(Name *)

(Title *)
Executive Vice President and General Counsel

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.

edward.knight@nasdaq.com

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For complete Form 19b-4 instructions please refer to the EFFS 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 * 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, 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 Add Remove View 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 Add Remove View	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 Add Remove View	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.

Partial Amendment No. 2 to SR-Phlx-2016-79

On August 4, 2016, NASDAQ PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to amend its rules relating to its opening process. The rule change proposed to amend the current functionality of the Exchange's trading system ("system")[1] regarding the opening of trading in an option series ("Proposal").[2] The Commission published the Proposal in the Federal Register for notice and comment on August 22, 2016.[3] The Commission filed a proposal to designate a longer period of time for Commission Action on October 3. 2016.[4] Partial Amendment No. 1 was filed on November 7, 2016. This Partial Amendment No. 2 supersedes Partial Amendment No. 1.

Phlx is filing this Partial Amendment No. 2 to clarify certain aspects of the Proposal. First, Phlx would like to define quotes on line 7 of page 6 by adding a new footnote 17 which states that "The term quotes shall refer to a two-sided quote."

Phlx proposes to amend the third line of the second full paragraph on page 14 to state, "…routable orders locking or crossing the ABBO, the system will open with an opening quote by…"

Phlx proposes to amend the first paragraph on page 19, to state, "Proposed Rule 1017(j) will provide that the system will calculate an Opening Quote Range ("OQR") for a particular option series that will be utilized in the PDM. The OQR is an additional type of boundary beyond the boundaries mentioned in Rule 1017 at proposed paragraph (i). OQR is intended to limit the Opening Price to a reasonable, middle ground price and thus reduce the potential for erroneous trades during the Opening Process. Although the Exchange applies other boundaries such as the BBO, the OQR is outside of that and provides a range of prices that can satisfy more size while still ensuring a reasonable Opening Price. The Exchange seeks to execute as much volume as is possible at the Opening Price."

Phlx proposes to amend the second full paragraph on page 20, to state, "New Rule 1017(j)(6) deals with the situation where there is an away market price involved. If there is more than one Potential Opening Price possible where no contracts would be left unexecuted and any price used for the mid-point calculation (which is described in new

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1 The Exchange is replacing references to Phlx XL II with the word "system" to reflect current usage.

2 See Securities Exchange Act Release No. 78588 (August 16, 2016), 81 FR 56733 (August 22, 2016) (SR-Phlx-2016-79).

3 Id.

4 See Securities Exchange Act Release No. 79024 (October 3, 2016), 81 FR 69892 (October 7, 2016) (SR-Phlx-2016-79).

Rule 1017(h)) is an away market price when contracts will be routed, the system will use the away market price as the Potential Opening Price. The Exchange is seeking to execute the maximum amount of volume possible at the Opening Price. Because the system may need to route to other markets it uses the away market price as the Opening Price. The Exchange will enter into the Order Book any unfilled interest at a price equal to or inferior to the Opening Price. The Exchange will route Orders that would execute through the Opening Price. The Exchange will not trade-through an away market."

Phlx proposes to amend the second full paragraph on page 22 to state, "Specifically, new Rule 1017(k)(A) provides that the system will broadcast an Imbalance Message (which includes the symbol, side of the imbalance (unmatched contracts), size of matched contracts, size of the imbalance, and price of the affected series (which must be within the Pre-Market BBO) to participants, and begin an "Imbalance Timer," not to exceed three seconds. The Imbalance Timer is currently set at 200 milliseconds. The Imbalance Message is intended to attract additional liquidity, much like an auction is, using an auction message and timer.[5] The Imbalance Timer will be for the same number of seconds for all options traded on the Exchange. This is the same as the existing rule, except that the Exchange is adding more detail to this provision, to provide that the price in the imbalance message must be within the Pre-Market BBO. This is intended, as some of the other boundaries applied in the Opening Process, to help ensure that the price is reasonable in light of the price discovery needed to determine an Opening Price. The Exchange may have up to 4 Imbalance Messages which each run its own Imbalance Timer. The Imbalance Timers for each iteration would be set for the same amount of time, currently 200 milliseconds."

Phlx proposes to add a sentence on line 6 of page 29 the following sentence, "The Exchange Opening Price is bounded by the OQR without trading through the limit price(s) of interest within OQR which is unable to fully executed at the Opening Price in order to provide participants with assurance that their orders will not be traded through."

Next, Phlx seeks to amend footnote 57, which will become footnote 58 with this proposal, on page 28 to state, "The first two Imbalance Messages always occur when there is interest which will route to an away market. If the Exchange is thereafter unable to open at a price without trading through the ABBO, up to two more Imbalance Messages may occur based on whether or not the Exchange has been able to open before repeating the Imbalance Process. The Exchange may open prior to the end of the first two Imbalance Messages provided routing is not necessary."

The following examples will be added to the end of the Purpose section:

Example 1. 1017(f) Opening with a PBBO (No Trade). Suppose the Specialist in an option enters a quote, 2.00 (100) bid and 2.10 (100) offer and a buy order to pay 2.05 for 10 contracts is present in the system. The system also observes an ABBO is present with CBOE quoting a spread of 2.05 (100) and 2.15 (100). Given the

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5 See COOP and COLA descriptions in Rule 1080.07.

Exchange has no interest which locks or crosses each other and does not cross the ABBO, the option opens for trading with the PBBO of 2.05 (10) x 2.10 (100) and no trade. Since there is an ABBO and no Zero Bid Market, the system does not conduct the PDM and the option opens without delay.

Example 2a. 1017(i) Opening with Trade. Suppose the Specialist enters the same quote in an option, 2.00 (100) bid and 2.10 (100) offer. This quote defines the pre-market BBO. CBOE disseminates a quote of 2.01 (100) by 2.09 (100), making up the ABBO. Firm A enters a buy order at 2.04 for 50 contracts. Firm B enters a sell order at 2.04 for 50 contracts. The Exchange opens with the Firm A and Firm B orders fully trading at an Opening Price of 2.04 which satisfies the condition defined in 1017(i)(A)(i), the Potential Opening Price is at or within the best of the Pre-Market BBO and the ABBO.

Example 2b. 1017(i) Opening with Trade. Similarly, suppose the Specialist enters the same quote in an option, 2.00 (100) bid and 2.10 (100) offer. A Market Maker enters a quote of 2.00 (100) x 2.12 (100). The pre-market BBO is therefore 2.00 bid and 2.10 offer. CBOE disseminates a quote of 2.05 (100) by 2.15 (100), making up the ABBO. Firm A enters a buy order at 2.11 for 300 contracts. Firm B enters a sell order at 2.11 for 100 contracts. The option does not open for trading because the Potential Opening Price of 2.11 does not satisfy the condition defined in 1017(i)(A)(i), as the Potential Opening Price is outside the Pre-Market BBO. The System thereafter calculates the OQR and initiates the PDM, as discussed in Rule 1017(k), to facilitate the Opening Process for the option.

Example 3. 1017(k)(B) Price Discovery Mechanism and first iteration. Assume the set up described in Example 2b and an allowable OQRof 0.04. When the PDM is initiated, the System broadcasts an Imbalance Message. At the end of the Imbalance Timer, the option opens with an Opening Price of 2.11 because it is within OQR and the ABBO. The maximum value for OQR is the lowest quote offer of 2.10 plus 0.04.

Example 4. 1017(k)(C) Price Discovery Mechanism and second iteration with routing. Suppose the Specialist enters a quote, 2.00 (100) bid and 2.10 (100) offer and the defined allowable OQR is 0.04. If CBOE disseminates a quote of 2.00 (100) by 2.09 (100), the away offer is better than the Specialist quote. Customer A enters a routable buy order at 2.10 for 150 contracts. The PDM initiates because the Potential Opening Price (2.10) is outside of the Pre-Market BBO. The Potential Opening Price is 2.10 because there is both buy and sell interest at that price point. The System is unable to open after the first iteration of Imbalance since the Potential Opening Price is within the OQR but outside of the ABBO. The System proceeds with the PDM and initiates a Route Timer and broadcasts a second Imbalance Message (assume no additional interest is received during the imbalance period). The System opens the option for trading after the Route Timer has expired and the Imbalance Timer has completed since the Potential Opening Price is within OQR. The System routes 100 contracts of the Customer order to the better priced away offer at CBOE. The Exchange would route to CBOE at an Opening Price of

2.10 to execute against the interest at 2.09 on CBOE. The 50 options contracts open and execute on the Exchange with an Opening Price of 2.10. The Exchange routes to CBOE using the Exchange's Opening Price to ensure, if there is market movement, that the routed order is able to access any price point equal to or better than the Exchange's Opening Price.

Example 5. 1017(k)(C)(5) Forced Opening. Suppose the Specialist enters a quote, 2.00 (100) bid and 2.10 (100) offer and the defined allowable OQR is 0.04. A Market Maker enters a quote for 2.05 (100) x 2.14 (100). Firm A enters a buy order of 250 contracts for 2.15 which is more aggressive than the expected OQR of 2.14. The PDM initiates because the Potential Opening Price of 2.15 is outside the Pre-Market BBO (2.05 x 2.10). Assume no additional interest is received during the PDM. After the final Imbalance Timer, the System opens the option for trading with an execution of 200 contracts at an Opening Price of 2.14, which is the boundary of OQR. The residual 50 contracts from Firm A are cancelled back to the participant because the limit order price of 2.15 is priced through the Opening Price of 2.14.

The Exchange proposes to replace the first full paragraph on page 37 of the Statutory Basis which to state, "The current rule takes away market interest into account at the beginning of the imbalance process, while the proposed rule proposes to open using Exchange interest only within the Pre-Market BBO to determine an Opening Price, provided certain conditions contained in new Rule 1017(i) are present to ensure participants receive a quality execution in the opening. This is reflected beginning in current Rule 1017(l)(ii)(C). It is consistent with the Act to not consider away market liquidity, i.e. away market volume, until the price discovery process occurs because this proposed process provides for a swift, yet conservative opening. The Exchange is bounded by the Pre-Market BBO when determining an Opening Price. The away market prices would be considered, albeit not immediately. It is consistent with the Act to consider interest on the Exchange prior to routing to an away market because the Exchange is utilizing the interest currently present on its market to determine a quality opening price. The Exchange will attempt to match interest in the system, which is within the OQR, and not leave interest unsatisfied that was otherwise at that price. The Exchange will not trade-through the away market interest in satisfying this interest at the Exchange. "

The Exchange proposes to amend the Exhibit 5 at 1017(f) to state, "Opening with a PBBO (No Trade). If there are no opening quotes or orders that lock or cross each other and no routable orders **locking or** crossing the ABBO, the system will open with an opening quote by disseminating the Exchange's best bid and offer among quotes and orders ("PBBO") that exist in the system at that time, unless the following three conditions exist: (i) a Zero Bid Market; (ii) no ABBO; and (iii) no Quality Opening Market. If all of these conditions exist, the Exchange will calculate an Opening Quote Range pursuant to paragraph (j) and conduct the Price Discovery Mechanism pursuant to paragraph (k) below." The bolded text is new text in this paragraph.