

Required fields are shown with yellow backgrounds and asterisks.

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) *
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 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 \*).

**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 * Andrew	Last Name * Madar
Title * Senior Associate General Counsel	
E-mail * andrew.madar@nasdaq.com	
Telephone * (301) 978-8420	Fax (301) 978-8472

**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 10/04/2016	Executive Vice President and General Counsel
By Edward S. Knight	<div style="border: 1px solid black; width: 100%; height: 30px;"></div>
(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 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.

**Partial Amendment No. 2 to SR. Phlx-2016-92**

On September 7, 2016, NASDAQ PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change (“Proposal”) to adopt paragraph (d) and Commentary .12 to Exchange Rule 3317 to describe changes to system functionality necessary to implement the Regulation NMS Plan to Implement a Tick Size Pilot Program (“Plan”).<sup>1</sup> The Exchange also proposed amendments to Rule 3317(a) and (c) to clarify how the Trade-at exception may be satisfied. The SEC published the Proposal in the Federal Register for notice and comment on September 20, 2016.<sup>2</sup> The comment period will expire on October 4, 2016.<sup>3</sup> On September 29, 2016, Phlx filed Partial Amendment No. 1 to clarify aspects of the Proposal.

Phlx is filing this Partial Amendment No. 2 to modify the proposed re-pricing functionality for Price to Comply Orders, Non-Displayed Orders, and Post-Only Orders in Test Group Three Securities.<sup>4</sup> Phlx also proposes to amend the criteria that Block Size orders must meet to qualify for the trade-at exception. For Price to Comply Orders, proposed Rule 3317(d)(2) states that Price to Comply Orders in a Test Group Three Pilot Security will be adjusted repeatedly in accordance with changes to the NBBO until such time as the Price to Comply Order is able to be ranked and displayed at its original entered limit price. Price to Comply Orders that are currently submitted to Phlx through the RASH or FIX protocols are already subject to this re-pricing functionality and will remain subject to this functionality under the Pilot. Phlx has determined that it will not offer the re-pricing functionality to orders entered through the OUCH and FLITE protocols in Test Group Three Securities for Price to Comply Orders. Since this language only impacts the treatment of orders that are submitted through the OUCH and FLITE protocols in Test Group Three Pilot Securities, Phlx proposes to delete the language in proposed Rule 3317(d)(2) accordingly.<sup>5</sup>

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<sup>1</sup> See Securities Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27513 (May 13, 2015) (“Approval Order”).

<sup>2</sup> See Securities Exchange Act Release No. 78835 (September 14, 2016), 81 FR 64552 (September 20, 2016) (SR-Phlx-2016-92).

<sup>3</sup> Id.

<sup>4</sup> As part of this Amendment, Phlx is also making various technical changes. First, Phlx is changing the reference from “exemption” to “exception” in Rule 3317(d)(1) to better reflect the usage of terms in the Plan. Second, Phlx is changing references from “minimum increment” to “minimum price increment” in Rule 3317(d)(3) so that term is consistent with other such references in the proposed rule. Phlx is also correcting cross-references in Rule 3317(d)(7) relating to Midpoint Pegging, Rule 3317(d)(8) relating to Reserve Size, and Rule 3317(d)(9) relating to Good-till-Cancelled Orders.

<sup>5</sup> As part of this change, Phlx also proposes to delete the relevant language on page 13 of its Form 19b-4 and page 45 of its Exhibit 1.

Phlx is proposing a similar change to Rule 3317(d)(3), which addresses the treatment of Non-Displayed Orders. Rule 3317(d)(3) provides that, if market conditions allow, a Non-Displayed Order in a Test Group Three Pilot Security will be adjusted repeatedly in accordance with changes to the NBBO up (down) to the Order's limit price. As with the Price to Comply Order, this language only impacts the treatment of orders that are submitted through the OUCH and FLITE protocols in Test Group Three Pilot Securities, as Non-Displayed Orders that are currently submitted to Phlx through the RASH or FIX protocols are already subject to this re-pricing functionality and will remain subject to this functionality under the Pilot. Phlx has determined that it will not offer the re-pricing functionality to orders entered through the OUCH and FLITE protocols in Test Group Three Securities Non-Displayed Orders, and is deleting the language in proposed Rule 3317(d)(2) accordingly.<sup>6</sup>

Finally, the proposed language relating to the Post-Only Order provides that, if market conditions allow, the Post-Only Order in a Test Group Three Pilot Security will be adjusted repeatedly in accordance with changes to the NBBO or the best price on the Phlx Book, as applicable until such time as the Post-Only Order is able to be ranked and displayed at its original entered limit price. As with the Price to Comply Order and the Non-Displayed Order, this language only impacts the treatment of orders that are submitted through the OUCH and FLITE protocols in Test Group Three Pilot Securities, as Post-Only Orders that are currently submitted to Phlx through the RASH or FIX protocols are already subject to this re-pricing functionality and will remain subject to this functionality under the Pilot. Phlx has determined that it will not offer the re-pricing functionality to Post-Only orders entered through the OUCH and FLITE protocols in Test Group Three Securities, and is deleting the language in proposed Rule 3317(d)(2) accordingly.<sup>7</sup>

Currently, Phlx systems are programmed so that Price to Comply Orders, Non-Displayed Orders and Post-Only Orders entered through the OUCH and FLITE protocols in Test Group Three Securities may be adjusted repeatedly to reflect changes to the NBBO and/or the best price on the Phlx book. Phlx is currently re-programming its systems to remove this functionality for Price to Comply Orders, Non-Displayed Orders and Post-Only Orders entered through the OUCH and FLITE protocols in Test Group Three Securities. Phlx anticipates that this re-programming shall be completed no later than November 30, 2016. If it appears that this functionality will remain operational by October 17, 2016, Phlx will file a proposed rule change with the SEC and will provide notice to market participants sufficiently in advance of that date to provide effective notice. The rule change and the notice to market participants will describe the current operation of the Phlx systems in this regard, and the timing related to the re-programming.

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<sup>6</sup> As part of this change, Phlx also proposes to delete the relevant language on page 15 of its Form 19b-4, and page 45 of its Exhibit 1.

<sup>7</sup> As part of this change, Phlx also proposes to delete the relevant language on page 17 of its Form 19-4, and page 48 of its Exhibit 1.

Phlx also proposes to amend the criteria in Rule 3317 pursuant to which an order may qualify for the Block Size exception to the Trade-At requirement.<sup>8</sup> Currently, Rule 3317(c)(3)(D)(iii)(c) provides that, to qualify for the Block Size exception, the order must be of Block Size at the time of origin and may not be (1) an aggregation of non-block orders; (2) broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution; or (3) executed on multiple Trading Centers. Phlx proposes to delete the third prong of that exception, so that an order may be execute on multiple Trading Centers and still satisfy the Block Size exception (provided that the order meets the other requirements of the Block Size exception that are set forth in the Rule). Deleting this requirement would allow members to route an order in compliance with their obligations under Rule 611 of Regulation NMS<sup>9</sup> while still meeting the Block Size exception. Phlx also notes that this proposed change will align Rule 3317 with guidance that was recently issued in connection with the Plan by Phlx and the other Plan participants.<sup>10</sup>

The Exchange believes that this amendment is consistent with Section 6(b) of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>12</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, 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. The Exchange submitted its initial Proposal to make changes to its handling of Order Types and Order Attributes necessary to implement the requirements of the Plan. Phlx believes that this amendment will provide consistent treatment to Price to Comply Orders, Non-Displayed Orders, and Post-Only Orders that are entered through the OUCH or FLITE protocols across the various Pilot

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<sup>8</sup> The Plan defines a Block Size order as an order (1) of at least 5,000 shares or (2) for a quantity of stock having a market value of at least \$100,000. See Section I(F) of the Plan.

<sup>9</sup> 17 CFR 242.611.

<sup>10</sup> See Tick Size Pilot Program Trading and Quoting FAQs, available at: <http://www.nasdaqtrader.com/content/MarketRegulation/TickSize/TickSizePilotTradingandQuotingFAQs.pdf>.

FAQ #170 states that The OTC Trading Center may rely on the Block Size exception irrespective of whether it routes an ISO, as required by Regulation NMS Rule 611, to execute against the full displayed size of any Protected Quotation with a price superior to the price at which the Block Size order was executed. That FAQ also states that, in all cases, an OTC Trading Center may avail itself of the Block Size exception only where it has committed to execute the order in Block Size, irrespective of whether or not the outbound ISOs required pursuant to Regulation NMS Rule 611 were fully executed.

<sup>11</sup> 15 U.S.C. 78f(b)

<sup>12</sup> 15 U.S.C. 78f(b)(5).

Test Groups. Phlx believes that the amendment to the Block Size exception will permit members to route a Block Size order to satisfy their Rule 611 obligations will still qualifying for the Block Size exception. Phlx also notes that this amendment will make the Block Size exception as set forth in Rule 3317 consistent with recent guidance issued by Phlx and the other Plan participants.

**EXHIBIT 4**

Exhibit 4 shows the changes proposed in this Partial Amendment No. 2, with the proposed changes in the original filing shown as if adopted. Proposed additions in this Partial Amendment No. 2 appear underlined; proposed deletions appear in brackets.

**NASDAQ PHLX Rules**

\* \* \* \* \*

**3317. Compliance with Regulation NMS Plan to Implement a Tick Size Pilot****(a) Tick Size Pilot Program****(1) Definitions.**

(A) – (C) No change.

(D) “Trade-at Intermarket Sweep Order” means a limit order for a Pilot Security that meets the following requirements:

(i) No change.

(ii) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders.

(E) No change.

(2) – (5) No change.

**(b) No change.****(c) Compliance with Quoting and Trading Restrictions**

(1) – (2) No change.

(3) Pilot Securities in Test Group Three shall be subject to the following requirements:

(A) – (C) No change.

(D) Pilot Securities in Test Group Three will be subject to the following Trade-at Prohibition:

(i) – (ii) No change.

(iii) Members may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer if any of the following circumstances exist:

a. – b. No change.

c. The order is of Block Size at the time of origin and may not be:

(A) an aggregation of non-block orders; or

(B) broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution; [ or ]

[(C) executed on multiple Trading Centers;]

d. – i. No change.

j. The order is executed by a Trading Center that simultaneously routed Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders to execute against the full displayed size of the Protected Quotation that was traded at;

k. – o. No change.

(iv) No change.

(d) Operation of Order Types and Order Attributes

This section sets forth PSX's specific procedures for handling, executing, re-pricing and displaying of certain Order Types and Order Attributes applicable to Pilot Securities. Unless otherwise indicated, this section applies to orders in all three Test Group Pilot Securities.

(1) All Order Types. Any Order Type in a security of any of the Test Groups that requires a price and does not otherwise qualify for an exception[exemption], will not be accepted if it is in a minimum price increment other than \$0.05. This minimum price increment applies to repricing and rounding by the System, unless otherwise noted below.

(2) Price to Comply Order. A Price to Comply Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(1) except as provided under this

paragraph. If a Price to Comply Order for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Comply Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Exchange Book at the current midpoint of the NBBO.[ Price to Comply Orders in a Test Group Three Pilot Security will be adjusted repeatedly in accordance with changes to the NBBO until such time as the Price to Comply Order is able to be ranked and displayed at its original entered limit price.]

(3) Non-Displayed Order. A Non-Displayed Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(3) except as provided under this paragraph. A resting Non-Displayed Order in a Test Group Three Pilot security cannot execute at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 3317(c)(3)(D). If the limit price of a buy (sell) Non-Displayed Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will be ranked on the Exchange Book at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower). [If market conditions allow, a Non-Displayed Order in a Test Group Three Pilot Security will be adjusted repeatedly in accordance with changes to the NBBO up (down) to the Order's limit price. ]For a Non-Displayed Order in a Test Group Three Pilot Security entered through RASH or FIX, if after being posted to the Exchange Book, the NBBO changes so that the Non-Displayed Order would no longer be executable at its posted price due to the requirements of Regulation NMS or the Plan, the Non-Displayed Order will be repriced to a price that is at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower) and will receive a new timestamp. For a Non-Displayed Order in a Test Group Three Pilot Security entered through OUCH or FLITE, if after such a Non-Displayed Order is posted to the Exchange Book, the NBBO changes so that the Non-Displayed Order would no longer be executable at its posted price due to the requirements of Regulation NMS or the Plan, the Non-Displayed Order will be cancelled back to the Participant.

(4) Post-Only Order. A Post-Only Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(4) except as provided under this paragraph. For orders that are not attributable, if the limit price of a buy (sell) Post-Only Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Exchange Book at the current midpoint of the NBBO.[ If market conditions allow, the Post-Only Order in a Test Group Three Pilot Security will be adjusted repeatedly in accordance with

changes to the NBBO or the best price on the Exchange Book, as applicable until such time as the Post-Only Order is able to be ranked and displayed at its original entered limit price.]

(5) Market Maker Peg Order. A Market Maker Peg Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(5) except as provided under this paragraph. The displayed price of a Market Maker Peg Order in a Test Group Pilot Security will be rounded up (down) to the nearest minimum price increment for bids (offers), if it would otherwise display at an increment smaller than the minimum price increment. For example, if the NBB is \$10.05 and NBO is \$10.15, and the Designated Percentage (as defined in Rule 3213) is 28%, the displayed price of a Market Maker Peg Order to buy 100 shares of a Test Group Pilot Security would be \$7.25 (i.e.,  $\$10.05 - (\$10.05 \times 0.28) = \$7.236$ , rounded up to \$7.25). Using the same market, but with a Market Maker Peg Order to sell 100 shares, the displayed price of the Order would be \$12.95 (i.e.,  $\$10.15 + (\$10.15 \times 0.28) = \$12.992$ , rounded down to \$12.95).

(6) Midpoint Peg Post-Only Order. A Midpoint Peg Post-Only Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(6) except as provided under this paragraph. A Midpoint Peg Post-Only Order in a Test Group Pilot Security may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(7) Midpoint Pegging. An Order with Midpoint Pegging in a Test Group Pilot Security will operate as described in Rule 3301B(d)[ 3302A(d)] except as provided under this paragraph. An order in a Test Group Pilot Security with Midpoint Pegging may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(8) Reserve Size. An Order with Reserve Size in a Test Group Pilot Security will operate as described in Rule 3301B(h)[ 3302A(h)] except as provided under this paragraph. A resting Order in a Test Group Three Pilot Security with a Reserve Size (either a Price to Comply Order or a Price to Display Order through RASH or FIX) may not execute the non-displayed Reserve Size at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 3317(c)(3)(D). If an Order with Reserve Size for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Comply Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will display at one minimum price increment below (above) the Protected Quotation, and the displayed and non-displayed portions of the Order will be ranked on the Exchange Book at the current midpoint of the NBBO. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Display Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another

market center, the displayed portion of the Order will display and be ranked at one minimum price increment below (above) the Protected Quotation, and the non-displayed portion of the Order will be ranked on the Exchange Book at the current midpoint of the NBBO. If after being posted to the Exchange Book, the NBBO changes so that the Order with Reserve Size in a Test Group Three Pilot Security would no longer be executable at its ranked price due to the requirements of Regulation NMS or the Plan, the order will be adjusted in the same manner as described above.

(9) Good-till-Cancelled. An Order with a Time-in-Force of Good-till-Cancelled in a Test Group Pilot Security will operate as described in Rule 3301B(a)(3)[3302A(a)(3)] except as provided under this paragraph. An order in a Test Group Security with a Good-till-Cancelled Time-in-Force that is adjusted pursuant to Rule 3311(b) will be adjusted based on a \$0.05 increment.

**Commentary:**

.01 - .11 No change.

.12 For purposes of qualifying for the Block Size exception under paragraph (c)(3)(D)(iii) of this Rule, the Order must have a size of 5,000 shares or more and the resulting execution upon entry must have a size of 5,000 shares or more in aggregate.

\* \* \* \* \*

**EXHIBIT 5**

New text is underlined.

**NASDAQ PHLX Rules**

\* \* \* \* \*

**3317. Compliance with Regulation NMS Plan to Implement a Tick Size Pilot**

## (a) Tick Size Pilot Program

## (1) Definitions.

(A) – (C) No change.

(D) “Trade-at Intermarket Sweep Order” means a limit order for a Pilot Security that meets the following requirements:

(i) No change.

(ii) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders.

(E) No change.

(2) – (5) No change.

(b) No change.

## (c) Compliance with Quoting and Trading Restrictions

(1) – (2) No change.

(3) Pilot Securities in Test Group Three shall be subject to the following requirements:

(A) – (C) No change.

(D) Pilot Securities in Test Group Three will be subject to the following Trade-at Prohibition:

(i) – (ii) No change.

(iii) Members may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer if any of the following circumstances exist:

a. – b. No change.

c. The order is of Block Size at the time of origin and may not be:

(A) an aggregation of non-block orders; or

(B) broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution; [ or]

[(C) executed on multiple Trading Centers;]

d. – i. No change.

j. The order is executed by a Trading Center that simultaneously routed Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders to execute against the full displayed size of the Protected Quotation that was traded at;

k. – o. No change.

(iv) No change.

(d) Operation of Order Types and Order Attributes

This section sets forth PSX's specific procedures for handling, executing, re-pricing and displaying of certain Order Types and Order Attributes applicable to Pilot Securities. Unless otherwise indicated, this section applies to orders in all three Test Group Pilot Securities.

(1) All Order Types. Any Order Type in a security of any of the Test Groups that requires a price and does not otherwise qualify for an exception, will not be accepted if it is in a minimum price increment other than \$0.05. This minimum price increment applies to repricing and rounding by the System, unless otherwise noted below.

(2) Price to Comply Order. A Price to Comply Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(1) except as provided under this paragraph. If a Price to Comply Order for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Exchange Book,

and the limit price of a buy (sell) Price to Comply Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Exchange Book at the current midpoint of NBBO.

(3) Non-Displayed Order. A Non-Displayed Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(3) except as provided under this paragraph. A resting Non-Displayed Order in a Test Group Three Pilot security cannot execute at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 3317(c)(3)(D). If the limit price of a buy (sell) Non-Displayed Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will be ranked on the Exchange Book at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower). For a Non-Displayed Order in a Test Group Three Pilot Security entered through RASH or FIX, if after being posted to the Exchange Book, the NBBO changes so that the Non-Displayed Order would no longer be executable at its posted price due to the requirements of Regulation NMS or the Plan, the Non-Displayed Order will be repriced to a price that is at either one minimum price increment below (above) the National Best Offer (National Best Bid) or at the midpoint of the NBBO, whichever is higher (lower) and will receive a new timestamp. For a Non-Displayed Order in a Test Group Three Pilot Security entered through OUCH or FLITE, if after such a Non-Displayed Order is posted to the Exchange Book, the NBBO changes so that the Non-Displayed Order would no longer be executable at its posted price due to the requirements of Regulation NMS or the Plan, the Non-Displayed Order will be cancelled back to the Participant.

(4) Post-Only Order. A Post-Only Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(4) except as provided under this paragraph. For orders that are not attributable, if the limit price of a buy (sell) Post-Only Order in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the Order will display at one minimum price increment below (above) the Protected Quotation, and the Order will be ranked on the Exchange Book at the current midpoint of the NBBO.

(5) Market Maker Peg Order. A Market Maker Peg Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(5) except as provided under this paragraph. The displayed price of a Market Maker Peg Order in a Test Group Pilot Security will be rounded up (down) to the nearest minimum price increment for bids (offers), if it would otherwise display at an increment smaller than the minimum price increment. For example, if the NBB is \$10.05 and NBO is \$10.15, and the Designated Percentage (as defined in Rule 3213) is 28%, the displayed price of a Market Maker Peg Order to buy 100 shares of a Test Group Pilot Security would be \$7.25 (i.e.,  $\$10.05 - (\$10.05 \times 0.28) = \$7.236$ , rounded up to \$7.25). Using the same market, but

with a Market Maker Peg Order to sell 100 shares, the displayed price of the Order would be \$12.95 (i.e.,  $\$10.15 + (\$10.15 \times 0.28) = \$12.992$ , rounded down to \$12.95).

(6) Midpoint Peg Post-Only Order. A Midpoint Peg Post-Only Order in a Test Group Pilot Security will operate as described in Rule 3301A(b)(6) except as provided under this paragraph. A Midpoint Peg Post-Only Order in a Test Group Pilot Security may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(7) Midpoint Pegging. An Order with Midpoint Pegging in a Test Group Pilot Security will operate as described in Rule 3301B(d) except as provided under this paragraph. An order in a Test Group Pilot Security with Midpoint Pegging may execute at the midpoint of the NBBO in an increment other than the minimum price increment.

(8) Reserve Size. An Order with Reserve Size in a Test Group Pilot Security will operate as described in Rule 3301B(h) except as provided under this paragraph. A resting Order in a Test Group Three Pilot Security with a Reserve Size (either a Price to Comply Order or a Price to Display Order through RASH or FIX) may not execute the non-displayed Reserve Size at the price of a Protected Quotation of another market center unless the incoming Order otherwise qualifies for an exception to the Trade-at prohibition provided under Rule 3317(c)(3)(D). If an Order with Reserve Size for a Test Group Three Pilot Security is partially executed upon entry and the remainder would lock a Protected Quotation of another market center, the unexecuted portion of the Order will be cancelled. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Comply Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will display at one minimum price increment below (above) the Protected Quotation, and the displayed and non-displayed portions of the Order will be ranked on the Exchange Book at the current midpoint of the NBBO. If the Order is not executable against any previously posted orders on the Exchange Book, and the limit price of a buy (sell) Price to Display Order with Reserve Size in a Test Group Three Pilot Security would lock or cross a Protected Quotation of another market center, the displayed portion of the Order will be display and be ranked at one minimum price increment below (above) the Protected Quotation, and the non-displayed portion of the Order will be ranked on the Exchange Book at the current midpoint of the NBBO. If after being posted to the Exchange Book, the NBBO changes so that the Order with Reserve Size in a Test Group Three Pilot Security would no longer be executable at its ranked price due to the requirements of Regulation NMS or the Plan, the order will be adjusted in the same manner as described above.

(9) Good-till-Cancelled. An Order with a Time-in-Force of Good-till-Cancelled in a Test Group Pilot Security will operate as described in Rule 3301B(a)(3) except as provided under this paragraph. An order in a Test Group Security with a Good-till-Cancelled Time-in-Force that is adjusted pursuant to Rule 3311(b) will be adjusted based on a \$0.05 increment.

**Commentary:**

.01 - .11 No change.

.12 For purposes of qualifying for the Block Size exception under paragraph (c)(3)(D)(iii) of this Rule, the Order must have a size of 5,000 shares or more and the resulting execution upon entry must have a size of 5,000 shares or more in aggregate.

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