Proposal to relocate and amend Rule 1080(m), titled Away Markets and Order Routing, to new Rule 1093 with the same title. The Exchange also proposes to relocate Rule 1080(m)(v) to new Rule 1091
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.

<table>
<thead>
<tr>
<th>Partial Amendment</th>
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<td>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.</td>
</tr>
</tbody>
</table>
1. **Text of the Proposed Rule Change**

   (a) Nasdaq PHLX LLC ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) is filing with the Securities and Exchange Commission ("Commission") a proposal to relocate and amend Rule 1080(m), titled "Away Markets and Order Routing" to new Rule 1093 with the same title. The Exchange also proposes to relocate Rule 1080(m)(v) to new Rule 1091.

   A notice of the proposed rule change for publication in the **Federal Register** is attached as **Exhibit 1**. The text of the proposed rule change 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 the Board of Directors of the Exchange on July 25, 2016. No other action is necessary for the filing of the rule change.

   Questions and comments on the proposed rule change may be directed to:

   Angela Saccomandi Dunn  
   Principal Associate General Counsel  
   Nasdaq, Inc.  
   215-496-5692

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

a. Purpose

The Exchange proposes to amend\(^3\) and relocate Rule 1080(m), titled “Away Markets and Order Routing” to new Rule 1093 with the same title. The Exchange will also update cross references to Rule 1080(m) to reflect new Rule 1093.\(^4\) The Exchange proposes to reserve Rule 1080(m). The Exchange proposes to relocate Rule 1080(m)(v) to Rule 1091, which is currently reserved, and title that Rule “Cancellation of Orders and Error Account.” The proposed changes will be discussed below in greater detail.

Rule 1093

As noted above, the Exchange is renaming proposed new Rule 1093 as “Away Markets and Order Routing.” There are some universal amendments that are proposed to this rule, which are explained herein. The Exchange proposes to utilize the term “System”\(^5\) within proposed new Rule 1093 and remove references to “Phlx XL” which is an outdated term. The Exchange proposes new language at the beginning of the rule text to proposed new Rule 1093 as described below.

The Exchange utilizes the term “NBBO” in certain places in current Rule 1080(m), which term encompasses both the away market “ABBO” and local market “PBBO,” although in certain places were the local market has been exhausted, it is more

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\(^3\) The Exchange notes that the amendments to Rule 1080(m) reflect the current operation of the System. The purpose of the amendment is to align the rule to the specific operation of the routing functionality on Phlx.

\(^4\) The Exchange proposes to amend cross-references in Rule 607 (Covered Sale Fee), Rule 1047 (Trading Halts), Rule 1066 (Certain Types of Floor-Based (Non-PHLX XL) Orders Defined) and Rule 1082 (Firm Quotations).

\(^5\) See Rule 1000(b)(45).
accurate to refer to the away market only. The Exchange proposes to replace the term “NBBO” with the term “ABBO” where the local market has been exhausted to specifically refer to the away market. The Exchange proposes to define the term “minimum price variation” within the first paragraph of proposed Phlx Rule 1093 with the acronym “MPV” and utilize the acronym throughout the rule.

Rule 1080(m) references an Opening Process, Phlx Rule 1017, throughout the rule. Specifically, Phlx Rule 1017(k) references the portion of the Opening Process rule which explains the manner in which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language currently contained in Rule 1080(m). To avoid any confusion, the Exchange proposes to replace rule text related to an Opening Process with a reference to governing Rule 1017. Also, the Exchange proposes throughout the rule to remove language which states, “during open trading” and instead reference “after an Opening Process.”

These universal changes impact multiple rule amendments and will be applied throughout the rule. In addition to these amendments, other proposed changes are described below.

The current paragraph to Rule 1080(m) provides,

The Phlx XL II system will route FIND and SRCH Orders (as defined below) with no other contingencies. IOC Orders will be cancelled immediately if not executed, and will not be routed. Eligible orders can be designated as either available for routing or not available for routing. Routable FIND and SRCH Orders (as defined in Rule 1080(m)(iv) below) designated as available for routing will first be checked by the Phlx XL II system for available contracts for potential execution. After checking the Phlx XL II system for available contracts, orders

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6 The Exchange is also defining the term “Opening Process” with this proposal as explained below.
are sent to other available market centers for potential execution. When checking the book, the Phlx XL II system will seek to execute at the price at which it would send the order to a destination market center. In situations where the Exchange's disseminated bid or offer is inferior to the NBBO price, the Phlx XL II system will contemporaneously route an order marked as an ISO to each away market disseminating prices better than the Exchange's price, for the lesser of: (a) the disseminated size of such away markets, or (b) the order size and, if order size remains after such routing, trade at the Exchange’s disseminated bid or offer up to its disseminated size. If contracts still remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will not route the order to the locking or crossing market center, except as specified below.

The Exchange is rewording the above language in proposed new Rule 1093(a).

The Exchange continues to reflect the two routing strategies, FIND and SRCH and notes that the two routing strategies will be explained in more detail below. The Exchange also proposes to note that an order may be marked Do Not Route or “DNR.” This concept does not exist in the current introductory paragraph although it is discussed later in the proposed rule. The Exchange proposes to add the concept of DNR at the beginning of proposed Rule 1093 to make clear up-front that this option is available when selecting a routing strategy. The Exchange is rewriting this initial paragraph to introduce concepts which are contained throughout the rule text in this initial paragraph. The term “Immediate or Cancel” is being defined as “IOC” within this paragraph for ease of reference.

The Exchange is adding the following sentences to the introductory sentence for clarity, to define terms and introduce universal concepts, “For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or stop orders.

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7 An All-or None Order may only be submitted by a public customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all public customer orders if the size contingency can be met. The Acceptable Trade Range protection in Rule 1099(a) is not applied to All-Or-None Orders. See Phlx Rule 1093.
which have not been triggered and the “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding All-or-None Orders.” This is the case today, non-displayed order types are not reflected in the Exchange’s disseminated PBBO, rather the actual Order Book or “internal PBBO” represents both displayed and non-displayed order types on the Order Book. The Exchange will utilize the terms “PBBO” and “internal PBBO,” as explained herein, throughout the rule.

Generally, the Exchange proposes, for purposes of this rule, to provide an explanation of the Route Timer and remove detail concerning the Route Timer throughout the rule to avoid repetitiveness. The Exchange proposes to add in this introductory paragraph, “For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer.” The Exchange believes that this additional language will assist market participants in understanding the manner in which this term is used throughout this rule.

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8 A stop order is a limit or market order to buy or sell at a limit price when a trade or quote on the Exchange for a particular option contract reaches a specified price. A stop-market or stop-limit order shall not be triggered by a trade that is reported late or out of sequence or by a complex order trading with another complex order.

9 The Exchange proposes to remove the term “not to exceed one second” throughout the Rule to avoid repeating this timeframe which the Exchange proposes to identify at the beginning of Rule 1093.

10 The Exchange notes that the Route Timer shall not exceed one second in this paragraph. The Exchange proposes to remove this text throughout the rule to avoid repetitiveness.

11 Proposed new Rule 1093(a) would provide, “Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or
Timer is currently set at 200 milliseconds, which the Exchange has determined is a reasonable time period to gather additional interest on the Exchange before routing away. The Route Timer is intended to attract additional liquidity, much like an auction. The Exchange would issue a notice if it were to change the timing of the Route Timer. If the Exchange were to select a time which exceeds 1 second it would be required file a rule proposal with the Commission.

Also, for purposes of this rule, “exposure” or “exposing” an order shall mean a “notification sent to participants with the price, size, and side of interest that is available for execution.” The Exchange also proposes to add the following language to the end of “DNR”. The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or stop orders which have not been triggered and the “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding All-or-None Orders. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, “exposure” or “exposing” an order shall mean a notification sent to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx’s opening process is governed by Rule 1017 and includes an opening after a trading halt (“Opening Process”). For purposes of this rule, the term “Public Customer” means a person or entity that is not a broker or dealer in securities and is not a professional as defined within Rule 1000(b)(14).”
this paragraph, “Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent.” Also the Exchange proposes to add “An order exposure alert is sent if the order size is modified.” The Exchange is adding this language to make clear the manner in which exposure notifications are handled today and when the exposure alert is sent. Also, the proposal seeks to make clear that an exposure notification is not being sent in cases where the incoming order joins a previously displayed price when the ABBO is locked or crossed with the PBBO. Today, the Exchange executes any response at a price at or better than the ABBO on a first come, first served basis prior to routing the order to an away market in accordance with the rules currently in effect in Rule 1080(m). If a response is received which is executable against the full volume of the order, it may execute immediately. Since the order was filled, the Route Timer no longer exists because the order no longer exists. The Exchange noted in the rule change establishing order exposure that, “Broadcasting the message to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions and consequently, facilitate the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the

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12 Today, order exposures are sent if the order size is modified. The Exchange believes that adding this rule text will clarify the rule.
time the order was received.”13 The Exchange believes that the exposure notification is not necessary in a case where an incoming order joins an already established PBBO price when the ABBO is locked or crossed with the PBBO. This is because other orders previously established the PBBO on Phlx’s Order Book. The established PBBO price is a disseminated price which is available to market participants. A second exposure message would reflect the same price as the disseminated PBBO price and would not offer market participants new information. This change would conform the rule text to the System’s operation.

The Exchange proposes to introduce a defined term “Opening Process.” The term would be defined as the Phlx opening process governed by Phlx Rule 1017 and would include an opening after a trading halt. Finally, the Exchange proposes for purposes of this rule to define a Public Customer as a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14). The Exchange proposes to replace references to the term “customer” with “Public Customer” throughout the rule.

The following rule text exists in the current introductory paragraph to Rule 1080(m):

In situations where the Exchange’s disseminated bid or offer is inferior to the NBBO price, the Phlx XL II system will contemporaneously route an order marked as an ISO to each away market disseminating prices better than the Exchange's price, for the lesser of: (a) the disseminated size of such away markets, or (b) the order size and, if order size remains after such routing, trade at the Exchange’s disseminated bid or offer up to its disseminated size. If contracts still remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will

not route the order to the locking or crossing market center, except as specified below.

The Exchange proposes removing the above language because ISO orders are currently addressed within Phlx Rule 1083(h) and 1084(a). The Exchange makes references to ISO orders throughout proposed Rule 1093. The manner in which an ISO is handled is sufficiently noted in other rules. The Exchange does not believe that this language is necessary. Similar to other order types, if contracts still remain unexecuted after routing, they are posted on the Order Book. Today, once on the Order Book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center, except as specified within proposed Rule 1093.

The Exchange is not substantively amending the paragraph in new proposed Rule 1093(a)(i) which is currently at Rule 1080(m)(i). The Exchange is predominately maintaining the language with some slight changes in word choice that the Exchange believes makes the paragraph easier to read.

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14 Phlx Rule 1080 at Commentary .03 provides, “Intermarket Sweep Order” or “ISO” is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II system or cancelled, and shall not be eligible for routing as set out in Rule 1080. Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs. See also Phlx 1083 and 1084(a).

15 Proposed new Rule 1093(a)(i) would provide, “Priority of Routed Orders. Orders sent to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes
Rule 1080(m)(ii) is being relocated without change to proposed new Rule 1093(a)(ii). The Exchange is not substantively amending the paragraph in new proposed Rule 1093(a)(ii)(A) which is currently at Rule 1080(m)(iii)(A).16

Rules 1080(m)(iii)(B) – (G) are being relocated without change to proposed new Rule 1093(a)(ii)(B) - (G), respectively.

**DNR Orders**

The Exchange proposes to relocate current Rule 1080(m)(iv)(A) to proposed new Rule 1093(a)(iii)(A) and amend the rule. Proposed Rule 1093(a)(iii) would provide,

"The following order types are available:"

**DNR Order.** A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Phlx book and be displayed at a price one minimum price variation inferior to that away best bid/offer. The Exchange shall immediately upon receipt of the DNR order expose the order at the NBBO to Phlx XL II participants and other market participants. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order is subject to the rules and procedures of the destination market including, but not limited to, order cancellation. A routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System, unless any portion of the original order remains on the System, in which case the routed order shall retain its timestamp and its priority.”

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16 Proposed new Rule 1093(a)(ii) would provide, “Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.”
order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price.

The Exchange proposes to add a new sentence to proposed new Rule 1093(a)(iii)(A) that provides, “If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one minimum price variation (“MPV”)17 away from the ABBO.” An order that the entering party has elected not to make eligible for routing will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) and displayed at one MPV above (for offers) or below (for bids) the national best price. The Exchange displays the DNR Order at one MPV away in compliance with Regulation NMS. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions.18 This proposed new sentence will add greater transparency as to the manner in which the Exchange handles locked and cross orders today and re-prices those orders. The Exchange proposes to amend the current sentence which states, “The Exchange shall immediately upon receipt of the DNR Order expose the order at the NBBO to Phlx XL II participants and other market participants” to

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17 Any reference to minimum price variance in the rules will be replaced with “MPV.”

18 Also, an order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions.
provide, “The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading.” The Exchange notes that inserting “ABBO” more clearly provides that the away market is considered because the local book has already been exhausted in this scenario. The Exchange proposes to amend the next sentence which provides, “Any incoming order interacting with such a resting DNR Order will receive the best away market price.” The Exchange proposes to instead state, “Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed price, in which case the incoming order will execute at the previous ABBO price.” The Exchange is expanding this language because it is accounting for a scenario where an ABBO was disseminated after the crossing condition took place. This is a change to reflect the current practice and amend the rule text to conform to the manner in which the System is operating. While the ABBO can improve, when it crosses the DNR Order the updated ABBO cannot be utilized to execute the DNR Order. The Exchange is amending the sentence, “Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO” to “Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and
expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO.” The Exchange is rewording this sentence because the NBBO by definition includes the PBBO. However, if the DNR Order locks or crosses the PBBO, the DNR Order will immediately execute. Only if the DNR Order locks or crosses the ABBO will the DNR Order be exposed. This amendment reflects current practice.

The proposed rule text is intended to bring more clarity to the current rule regarding DNR Orders.¹⁹ The Exchange believes that adding context around a DNR Order when that order is locked or crossed will provide more transparency to the current rule. The Exchange notes that consistent with FIND and SRCH Orders, a DNR Order that is locked or crossed will display one MPV away from the ABBO. The Exchange believes that the proposed language will benefit market participants because it provides greater information.

¹⁹ Proposed new Rule 1093(a)(iii)(A) would provide, “DNR Order. A DNR Order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in the Phlx Order Book and be displayed at a price one MPV inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.”
FIND Order

Current Rule 1080(m)(iv)(B) states, 

FIND Order. A FIND order is an order that is routable upon receipt during open trading. Only a customer FIND order on the Phlx XL II book, whether it is received prior to the opening or it is a GTC FIND order from a prior day, may be routed as part of the Opening Process. Non-customer FIND orders are not eligible for routing during the Opening Process. Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation (“MPV”) from the ABBO price if it would otherwise lock or cross the ABBO. Such FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange proposes to relocate this paragraph to proposed new Rule 1093(a)(iii)(B) and amend this language to provide, “A FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open.” The Exchange believes that expanding the current language to add the reference to an Opening Process as well as intra-day is more inclusive and will add clarity to the rule text which follows this introductory paragraph. The remainder of new Rule 1093(a)(iii)(B) includes new rule text that is proposed to add context to the rule text which follows this paragraph. The Exchange proposes to state, “FIND Orders submitted after an Opening Process initiate their own Route Timers and are routed in the order in which their Route Timers end.” Specifically, each order begins a separate Route Timer, which cannot be early terminated. Each individual order’s Route Timer must complete before the order can route to an away market. The Exchange believes that this language makes clear how the FIND Order is prioritized today for routing purposes, which is sequentially based on the Route Timer. Finally, the Exchange proposes to state in the introductory paragraph that the System handles marketable and non-marketable FIND Orders differently. Specifically, FIND Orders that are not
marketable with ABBO upon receipt will be treated as DNR for the remainder of the trading day.20

The remainder of the introductory paragraph at current Rule 1080(m)(iv)(B) is proposed to be relocated within new Rule 1093(a)(iii)(B)(1). The Exchange adds the context, “With respect to an Opening Process” before the current text in Rule 1080(m)(iv)(B) starting at the second sentence. The Exchange is amending the next sentence to state “at the conclusion of an Opening Process” to further add context that this routing takes places during an Opening Process. The current rule text which states, “Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation (“MPV“) from the ABBO price if it would otherwise lock or cross the ABBO” is being reworded. The Exchange proposes to state, “At the end of an Opening Process, any FIND Order that is priced through the Opening Price,21 pursuant to Phlx Rule 1017(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k).”22 This proposed sentence

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20 The remainder of the trading day is intended to indicate that good-till-cancel and good-till-day orders remaining on the Order Book would be able to route the next trading day but not for the remainder of the current trading day. The tags would be retained on those orders.

21 Opening Price is defined in Phlx Rule 1017(a)(iii).

22 Proposed new Rule 1093(a)(iii)(B)(1) would provide, “With respect to an Opening Process, only a Public Customer and professional FIND Order on the Order Book, whether it is received prior to the opening or it is a GTC FIND Order from a prior day, may be routed at the conclusion of an Opening Process. Non-Public Customer and non-professional FIND Orders are not eligible for routing at the conclusion of an Opening Process. At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Phlx Rule 1017(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). Such FIND Order will
describes which FIND Orders would be cancelled, which is currently not described in the rules, although it is the current practice. The sentence also references back to Rule 1017(k) for execution during an Opening Process. FIND Orders received after an Opening Process are subject to other portions of this rule such as proposed Rule 1093(a)(iii)(B)(3) and (4), which language is discussed below and was relocated from the current Rule 1080(m). Phlx Rule 1017(k) explains the various processes by which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language contained in Rule 1080(m). To avoid any confusion, the Exchange proposes to remove any language from Rule 1080(m), which explains the routing process during the opening, and simply refer to the governing rule. Proposed new Rule 1093(a)(iii)(B)(2) provides a further description of when FIND Orders would rest on the Order Book and the reason the order would rest.

The Exchange is adding a new paragraph that is not currently in Rule 1080(m) at proposed new Rule 1093(a)(iii)(B)(2). The new proposed rule text would read as follows:

With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but remains better than the PBBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the route timer.

not be eligible for routing until the next time the option series is subject to a new Opening Process.”
The Exchange currently does not specify in Rule 1080(m) a circumstance, when, during an Opening Process route timer, markets move and the FIND Order becomes executable against resting interest on the Exchange’s Order Book. The Exchange proposes to add this scenario as well as the outcome. Further, this new language addresses the circumstance when during the Opening Process route timer the ABBO moves such that the FIND Order is no longer marketable anywhere, then it would post to the book. Finally, a locked or crossed FIND Order would route at the completion of the route timer, however if the ABBO worsens but is better than the PBBO, the FIND order will reprice and be re-exposed at the new price(s) and the route timer would continue without interruption.\footnote{Proposed new Rule 1093(a)(iii)(B)(2) would provide, “With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but remains better than the PBBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the route timer.”} The Exchange rules currently does not address what happens during the route timer in these situations. The Exchange believes that adding this language to proposed new Rule 1093 will bring greater clarity to the Rulebook and provide market participants with additional information as to the manner in which a FIND Order will be handled during the route timer.

The Exchange is relocating the second paragraph within Rule 1080(m)(iv)(B) to proposed new Rule 1093(a)(iii)(B)(3).\footnote{The Exchange proposes to replace “not eligible for routing” with “treated as a DNR” for additional clarity. The current rule text reads as follows: A FIND order received during open trading that is not marketable against the PBBO or the} The proposed new rule text reads as follows:
A FIND Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day.

The Exchange is also relocating the third paragraph within Rule 1080(m)(iv)(B) to proposed new Rule 1093(a)(iii)(B)(4). The proposed new rule text reads as follows:

A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is inferior to the internal PBBO will be traded at the Exchange at or better than the PBBO price. If the FIND Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day.

The Exchange is adding the newly defined term “internal PBBO” in place of PBBO to account for All-or-None Order treatment. The Exchange also notes, the internal PBBO will be traded at the Exchange at or better than the PBBO price because All-or-None Orders are non-displayed orders that are available for execution on the Order Book. The addition of this specificity will make clear that a market participant could receive a better execution because the all-or-none resting order is not displayed. The Exchange is

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25 Currently, the rule text reads as follows: “A FIND order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the FIND order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV away from the ABBO if locking or crossing the ABBO. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.”
amending the rule text which currently states, “The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process” to “The FIND Order will be treated as DNR for the remainder of the trading day.” This language is being amended to conform to the current System practice. As noted in the introductory paragraph to FIND Orders, these orders that are not marketable with the ABBO upon receipt, rather these orders will be treated as DNR for the remainder of the trading day.

FIND Orders that are marketable with ABBO at the time of receipt will not be eligible for routing until the next time the option series is subject to a new Opening Process. In this particular instance the order was marketable against the PBBO and therefore is marked DNR for the remainder of the trading day. The Exchange notes that because the FIND Order would not route, even if there was a reopening that it proposes to state that the FIND Order would be treated as DNR for the remainder of the trading day. The Exchange is making this adjustment to conform its rule text to its practice.

The Exchange is amending the fourth paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(5). Proposed new Rule 1093(a)(iii)(B)(5) would read as follows:

A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is equal to the internal PBBO

26 The current rule text provides, “A FIND order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the FIND order has size remaining after exhausting the PBBO, it will initiate a Route Timer, not to exceed one second, and expose the FIND order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.
will be traded at the Exchange at the internal PBBO. If the FIND Order has size remaining after exhausting the PBBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.

The Exchange is adding the word “internal” before PBBO several times within this paragraph as well to account for All-or-None Orders resting on the Order Book. The word “internal” is meant to represent interest on the book, including non-displayed interest. The Route Timer was described in the current paragraph, as well as the descriptive language ‘not to exceed one second.” The Exchange proposes to remove the descriptive language here because it is repetitive. Thus, the Exchange is amending the following sentence, “If the FIND order has size remaining after exhausting the PBBO, it will initiate a Route Timer, not to exceed one second, and expose the FIND order at the NBBO to allow market participants an opportunity to interact with the remainder of the FIND Order” to provide “If the FIND Order has size remaining after exhausting the PBBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order.” The Exchange notes that use of the term ABBO is a more accurate representation than NBBO because the local market has been exhausted and this portion of the rule is describing the FIND Order reacting to the ABBO. Finally, the Exchange proposes to add the following sentence to the end of this paragraph, “If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest that arrives opposite the
FIND Order that is marketable against the FIND Order will trade at the FIND Order price.” This new sentence will address the specific situation where the ABBO crosses the FIND Order and the price at which the FIND Order would trade. This situation is not currently addressed in Rule 1080(m). If the away market price crosses the PBBO, the market is crossed and contra interest would execute at the price the order rested on the Order Book. If the away price locks the displayed price, the contra interest would execute at its displayed price in accordance with trade-through provisions. The price at which the order booked on Phlx is a valid execution price because of the crossed market condition present in this example. The Exchange notes that in this situation the away market crossed Phlx’s displayed market price. The new language will provide market participants with greater transparency as to the manner in which the System will handle a FIND Order in that particular situation. The Exchange believes that this amendment brings more specificity to the current rule.

The Exchange is amending the fifth paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(6). The current rule text reads as follows:

In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still at the same or a better price, the FIND order will route to the away market up to a size equal to the lesser of either (a) the away market's size or (b) the remaining size of the FIND order. If the FIND order still has remaining size after routing, it will be entered into the Phlx XL II book and posted at the same price at which it was routed. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange is proposing to eliminate the first sentence, “In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer
expires depends on the ABBO price at that time” because this text is unnecessary and
does not provide any new information. The Exchange is replacing the words, “the ABBO
is still at the same or better price” with “the FIND Order is still marketable with the
ABBO” in the second sentence of the current rule text because the Exchange believes that
this phrase better defines the contingency for when the FIND Order will route. The
Exchange is amending the penultimate sentence to provide that the FIND Order may still
trade at a PBBO price within the Order Book or rest on the Order Book. The Exchange is
accounting for the possibility that the FIND Order still has the possibility of executing or
posting to the book. The Exchange is also clarifying that only if size remains will the
FIND Order not be eligible for routing until the next time the option series is subject to a
new Opening Process. The Exchange believes that this will provide additional context to
this statement in light of the rest of the rule text in this paragraph. Finally, the Exchange
proposes to add the following sentence for clarity, “The remaining size of a non-Public
Customer and non-professional FIND Order will be cancelled upon an intra-day trading
halt.” The current rule does not account for an intra-day trading halt. Public Customer
and professional27 orders are held by the System until trading resumes, at which point
they are handled at their original limit price. At the conclusion of an Opening Process,
the System will only route non-contingency Public Customer and professional orders.28
The Exchange notes that it cancels all non-routable interest at the time of an intra-day
trading halt. When the Exchange re-opens the market, an Opening Process pursuant to

27 Professional is defined within Rule 1000(b)(14).

28 See Phlx Rule 1017(k)(C)(6). The System will execute orders at the Opening
Price that have contingencies (such as, without limitation, all-or-none) and non-
routable orders, such as a “Do Not Route” or “DNR” Orders, to the extent
possible.
Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. This language provides more transparency for market participants as to trading halt situations.\textsuperscript{29}

The Exchange proposes to provide an example for proposed Rule 1093(B)(6).

\textbf{Example 1: Find Order received when (internal PBBO and ABBO equal) – Proposed Rule 1093(a)(iii)(B)(6)}

MPV: Penny  
Away BBO: 4.30 (100) x 4.40 (20)  
PBBO: 4.10 x 4.60

Enter Public Customer FIND Order to sell 50 @ 4.40  
PBBO (reprices) 4.10 x 4.40  
ABBO (unchanged) 4.30 x 4.40  
Enter Firm FIND Order to buy 100 @ 4.40

Conclusion:

The Find Order would execute 50 contracts against the Public Customer order immediately.

Subsequently, a Route Timer would initiate and the 50 remaining contracts from the FIND Order would be exposed @ 4.40 via an exposure notification over market data feeds and protocols.

At the conclusion of the Route Timer, the FIND Order would route 20 contracts to the away market BBO @ 4.40.

\textsuperscript{29} Proposed new Rule 1093(a)(iii)(B)(6) would provide, “If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either (1) an away market’s size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next PBBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.”
The remaining volume of the FIND Order would rest on the Order Books and display 30 contracts @ 4.40.

The Exchange is amending the sixth paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(7). The rule text currently reads as follows:

A FIND order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the FIND order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

The Exchange is adding the word “internal” before PBBO several times within this paragraph as well to account for All-or-None Orders resting on the Order Book, which are non-displayed. The word “internal” is meant to represent interest on the Order Book, including non-displayed interest. The Route Timer was described in the current paragraph, as well as the descriptive language “not to exceed one second.” The Exchange proposes to remove the descriptive language here as it is repetitive. The Exchange is replacing the “NBBO” with “ABBO” so that the first sentence of new Rule 1093(a)(iii)(B)(7) would read, “A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order.” The Exchange believes that ABBO is a more accurate representation than NBBO because the local market has been exhausted. Finally, the Exchange is adding more clarifying language in
the penultimate last sentence to provide, “During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO.” The addition of the proposed italicized new text accounts for the differences that may exist between the local and away markets. Market participants would receive the best price and this language more accurately reflects this distinction.

The Exchange is amending the seventh paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(8). The rule text currently reads as follows:

In the circumstances described in the preceding paragraph, what happens to a FIND order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the FIND order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the FIND order. If the FIND order still has remaining size after such routing, it will (i) trade at the next PBBO price, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Phlx XL II book and posted at its limit price. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange is eliminating the first sentence because it proposes to add a cross-reference to the prior subparagraph (7) within the new rule text. The Exchange is adding

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30 The italicized language represents proposed new rule text.

31 Proposed new Rule 1093(a)(iii)(B)(7) would provide, “A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price.”
the phrase “and is marketable with the FIND Order” in the second sentence to add more context to when the order will route. The Exchange proposes to state, “If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the FIND Order.” The Exchange believes that the italicized new text better defines the contingency for when the FIND Order will route. Further, the Exchange proposes to amend the next sentence to provide, “If the FIND Order still has remaining size after such routing, it will (i) trade at the PBBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO.” The Exchange believes that adding “or better” makes this statement accurate because the price can be better than the local market. The Exchange is also amending the rule to note that the order will reprice one MPV away if it locks or crosses the ABBO. This is the case today and the addition of this language makes this sentence more accurate because it accounts for a scenario where the market locks or crosses the ABBO. The Exchange is deleting this sentence, “The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer.” This sentence is not accurate because the FIND Order may not route at the end of the Route Timer. The Exchange’s System has operated as explained herein. The current rule text does not provide for the

32 The italicized language represents proposed new rule text.
possibility that the FIND Order may not route at the end of the Route Timer. This language will provide an accurate description of the current System. The Exchange is also clarifying that only if size remains will the FIND Order not be eligible for routing until the next time the option series is subject to a new Opening Process. The Exchange believes that this will provide additional context to this statement in light of the rest of the rule text in this paragraph. Finally, the Exchange proposes to add the following sentence for clarity, “The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.” The current rule does not account for an intra-day trading halt. Public Customer and professional orders are held by the System until trading resumes, at which point they are handled at their original limit price. At the conclusion of an Opening Process, the System will only route non-contingency Public Customer and professional orders. The Exchange notes that it cancels all non-routable interest at the time of an intra-day trading halt. When the Exchange re-opens the market, an Opening Process pursuant to Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. This language provides more transparency for market participants as to halt situations.\footnote{Proposed new Rule 1093(a)(iii)(B)(8) would provide, “If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the PBBO price or better, subject to the order’s limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a}
Finally, the Exchange is amending the last paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(9). The rule text currently reads, “A FIND Order that is routed to an away market will be marked as an ISO.” The Exchange proposes to amend this sentence to state, “A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order “ISO” and designed as an IOC order.” The Exchange today marks these orders as IOC. Orders are routed as IOC so that they do not rest on the away market’s order book. Unexecuted portions of the routed order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the rules.

**SRCH Order**

The first paragraph current Rule 1080(m)(iv)(C) provides,

> A SRCH order is a customer order that is routable at any time. A SRCH order on the Phlx XL II book during the Opening Process (including a re-opening following a trading halt), whether it is received prior to the opening or it is a GTC SRCH order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market (see below).

The Exchange proposes to amend and relocate the first two sentences of Rule 1080(m)(iv)(C) into paragraph Rule 1093(a)(iii)(C). The Exchange proposes to add new rule text to the end of proposed Rule 1093(a)(iii)(C) to provide, “Orders initiate their own new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.”
Route Timers and are routed in the order in which their Route Timers end.” Specifically, each order begins a separate Route Timer, which cannot be early terminated. Each individual order’s Route Timer must complete before the order can route to an away market. Additionally, a new Route Timer would commence at the conclusion of each Route Timer interval, provided the order is still available to trade. The Exchange believes that this language makes clear how the SRCH Order is prioritized today for routing purposes, which is sequentially based on the Route Timer.34

The Exchange also proposes to add new text into proposed Rule 1093(a)(iii)(C)(1) as follows,

At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.

The Exchange is removing the third and fourth sentences of Rule 1080(m)(iv)(C) which currently describe the manner in which a SRCH Order would route at the end of an Opening Process and replace it with a reference to Phlx Rule 1017(k) as described in the new text that is being added to 1093(a)(iii)(C)(1). The Exchange believes that the addition of this new paragraph which references Phlx Rule 1017(k) applies to the manner

34 Proposed new Rule 1093(a)(iii)(C) would provide, “SRCH Order. A SRCH Order is a Public Customer order that is routable at any time. A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.”
in which a SRCH Order would route at the end of an Opening Process. The Exchange is updating the current rule text to make clear that routing is subject to Phlx Rule 1017. Phlx Rule 1017(k) explains the various processes by which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language currently contained in Rule 1080(m). To avoid any confusion, the Exchange proposes to remove any current language in Rule 1080(m), which explains the routing process during the opening, and simply refer to the governing rule. The Exchange also proposes various scenarios that may occur to a SRCH Order when the Route Timer is in effect. The Exchange proposes to add similar scenarios to the FIND Order rule. The Exchange believes the proposed rule text adds greater transparency to the manner in which Phlx routes by providing market participants with all possible outcomes during a Route Timer.

The Exchange proposes to relocate the following language within the second paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(2) without any substantive changes. The new text would state that, “A SRCH Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”

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35 Proposed new Rule 1093(a)(iii)(C)(2) would provide, “A SRCH Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
The Exchange proposes to relocate the following language within the third paragraph of Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(3) without any substantive changes. The current rule text reads as follows:

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the SRCH order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

The Exchange is adding the phrase “at or better than the PBBO price” to account for All-or-None Orders that are non-displayed. The Exchange is also removing the reference to “not to exceed one second” for the same reasons described in the discussion regarding the proposed changes to Rule 1080(m)(iv)(B). Finally, the Exchange is replacing the reference to “Phlx price” with “PBBO,” and also adding a phrase to make clear that it would also include All-or-None Orders that can be satisfied. All-or-none orders are non-displayed orders and therefore not included in the PBBO. For purposes of

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36 Proposed new Rule 1093(a)(iii)(C)(3) would provide, “A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at or better than the PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
the execution price, an All-or-None Order that can be satisfied may be accessed and a better price could be obtained.

The Exchange proposes to relocate the fourth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(4) without any substantive changes. The current rule text reads as follows:

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the SRCH order has size remaining after exhausting the PBBO, it will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the SRCH order. During the timer, the SRCH order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

The Exchange is adding the term “internal PBBO” in two places in the first sentence to account for All-or-None Orders that are non-displayed. The Exchange is replacing “NBBO” with “ABBO” where only the away market is considered because the local market is exhausted. The Exchange is also removing the reference to “not to exceed one second” for the same reasons described in the discussion regarding the proposed changes to Rule 1080(m)(iv)(B). Finally, the Exchange proposes to add the following sentence to the end of this paragraph, “If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest that arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.” This new sentence will address the specific situation where the ABBO cross a SRCH Order and the price at which the SRCH Order would trade. In this situation, the away market has crossed Phlx’s PBBO. The contra interest would therefore execute at the SRCH Order
price. This situation is not currently addressed within Rule 1080(m). The new language will provide market participants with greater transparency as to the manner in which the System currently handles a SRCH Order in that particular situation.\textsuperscript{37}

The Exchange proposes to relocate the following language within the fifth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(5). The current rule text reads as follows:

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets’ size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

The Exchange proposes to eliminate the first sentence, “In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time” because it is unnecessary and

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\textsuperscript{37} Proposed new Rule 1093(a)(iii)(C)(4) would provide, “A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it will initiate a Route Timer and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the timer, the SRCH Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.”
\end{flushright}
does not provide any new information. The Exchange proposes new text within Rule 1093(a)(iii)(C)(5) to explain the various scenarios that may occur both during the Route Timer and also once the Route Timer ends. The second sentence of the current rule text provides, “If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets’ size, or (b) the remaining size of the SRCH order.” The Exchange proposes to reword this sentence to provide “If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order.” The Exchange is adding the phrase “the SRCH Order is marketable with the ABBO” in place of “the ABBO is still the best price” to add the specific contingency as to when the order will route. The Exchange is removing the wording “to the away market(s) whose disseminated price is better than the PBBO” because this language is not necessary. The rule text does not add any new information. Routing would occur because the order cannot be satisfied on Phlx. Next the Exchange is adding language to account for a scenario where the SRCH Order is locked or crossed by away quotes, in which case it would route at the completion of the Route Timer. Also, the Exchange is adding the situation where the ABBO worsens but is better than the PBBO, in which case the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. The Exchange believes that this additional language will provide more
transparency as to all the possibilities with respect to routing the SRCH Order once the 
Route Timer expires.\textsuperscript{38}

The Exchange proposes to relocate the following language within the sixth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(6). The current rule text reads as follows:

A SRCH order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the PBBO at a price one MPV inferior to the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

The Exchange is removing the “not to exceed one second” language in the first sentence consistent with other amendments described herein. The Exchange is also replacing “NBBO” with “ABBO” where only the away market is being considered because the local market has been exhausted. The words “with the remainder of” are being removed from the end of the first sentence because these words are superfluous.

\textsuperscript{38} Proposed new Rule 1093(a)(iii)(C)(5) would provide, “If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. The System will route and execute contracts conterminously at the end of the Route Timer. Once on the book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
Finally the Exchange is adding additional language, which is italicized, to the second sentence to provide, “During the Route Timer, the SRCH Order will be included in the PBBO at a price that is the better of one MPV inferior to the ABBO or at the PBBO,” to account for All-or-None Orders which may rest on the Order Book as non-displayed orders.39

The Exchange proposes to relocate the following language within the seventh paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(7) without substantive rule changes. The current rule text reads as follows:

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets’ size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

The Exchange is rewording the second sentence to replace “If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s)” with “If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will

39 Proposed new Rule 1093(a)(iii)(C)(6) would provide, “A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the Route Timer, the SRCH Order will be included in the PBBO at a price that is the better of one MPV inferior to the ABBO or at the PBBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price.”
route to the away market(s)" because the language will conform to similar language in this rule. The Exchange believes that this proposed rule text does not change the meaning of the sentence, rather it rewords the sentence for clarity. The proposed replacement language adds more clarity to the rule text.40

The Exchange proposes to relocate the following language within the eighth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(8). The current rule text reads as follows:

A SRCH order on the Phlx XL II book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the PBBO which includes a SRCH order, the Phlx XL II system will initiate a Route Timer not to exceed one second in order to allow Phlx users an opportunity to interact with the SRCH order. During the Route Timer, the SRCH order remains in the PBBO at its posted price. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at its ABBO price.

The Exchange proposes to amend the remainder of the paragraph to read as follows, “If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the

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40 Proposed new Rule 1093(a)(iii)(C)(7) would provide, “If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Order Book at its limit price if not locking or crossing the PBBO including All-or-None Orders which can be satisfied or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.”41 The Exchange notes in this new rule text that a Route Timer would subsequently initiate at the conclusion of another Route Timer provided interest remains. The Exchange notes that with a SRCH Order a Route Timer would initiate at the conclusion of a Route Timer in each case. This paragraph is intended to convey the repeated process of routing which takes place with SRCH Orders when a Route Timer ends. The second and third sentence of the current rule text are being removed because they are unnecessary and do not provide any new information; the prior paragraph provides the context necessary to obtain this information. The Exchange is instead noting that where the market is locked or crossed the SRCH Order may route to the ABBO when the Route Timer concludes. This information provides market participant with greater transparency. The Exchange is amending the final sentence to replace “ABBO price” with “SRCH Order Price” to properly reflect the price at which the order will be executed.

The Exchange proposes to relocate the following language within the ninth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(9).42 The paragraph

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41 Proposed new Rule 1093(a)(iii)(C)(8) would provide, “A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.”

42 Proposed new Rule 1093(a)(iii)(C)(9) would provide, “If, at the end of the Route Timer pursuant to subparagraph (8) above, the ABBO is still the best price, the SRCH Order will route to the away market(s) up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at
In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size, that size will remain on the book.

The Exchange proposes to amend the last sentence which provides, “If the SRCH order still has remaining size, that size will remain on the book.” The Exchange proposes to state, “If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO.” The Exchange notes with this proposed language that the SRCH Order may still trade at a PBBO price within the Order Book or rest on the Order Book. The Exchange is accounting for the possibility that the SRCH Order still has the possibility of executing or posting to the book. This proposed rule text conforms with proposed rule text within the FIND Order portion of the proposed rule. This new language represents current handling.

The Exchange proposes to relocate the following language within the last paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(10). The current rule text reads as follows: “A SRCH Order that is routed to an away market will be marked as the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO.”
an ISO.” The Exchange proposes to amend this rule text to provide, “A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC order.” The Exchange today marks these orders as IOC. Orders are routed as IOC so that they do not rest on the away market’s order book. Unexecuted portions of the routed order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the proposed rule.

Rule 1091

The Exchange proposes to relocate the rule text currently contained in Rule 1080(m)(v) to proposed new Rule 1091 and title that rule “Cancellation of Orders and Error Account.” The Exchange proposes to re-letter and renumber the rule, however, no other changes are proposed except to amend internal cross-references to the proposed re-lettering and renumbering.

Rule 1080

The Exchange proposes to update cross-references to Rule 1080(m) within this rule.

Rule 1047

The Exchange proposes to amend Rule 1047 to make clear the manner in which interest is handled during a Trading Halt on Phlx. The Exchange proposes an affirmative statement that during a trading halt, existing quotes are cancelled. This language is not being amended, rather the sentence was confusing and the text is being broken into two sentence. Also, the Exchange proposes to address auctions by making clear that auction orders and auction responses as well as Crossing Orders which can be entered into an auction mechanism will be rejected. The Exchange believes that this information will bring greater clarity to the trading halt rule.
b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\footnote{15 U.S.C. 78f(b).} in general, and furthers the objectives of Section 6(b)(5) of the Act,\footnote{15 U.S.C. 78f(b)(5).} in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest because the Exchange is adding more detail to its routing rule to provide market participants with greater transparency. The Exchange believes the added scenarios will provide more context to routing in general and for the specific routing strategies for the benefit of investors and the public interest. Also, in defining terms and utilizing consistent language throughout the rule, the Exchange believes proposed Rule 1093 will be more transparent with respect to the manner in which Phlx routes orders. The Exchange continues to offer various choices to its market participants with respect to routing.

**Rule 1093**

The Exchange’s proposal to utilize the term “System” will conform this rule to other Phlx rules which utilize that term. Explaining the Route Timer at the beginning with detail will provide context to use of the term throughout the rule and avoid repetitiveness. Replacing the term “NBBO” with the term “ABBO” where appropriate is consistent with the Act because the term “ABBO” refers to the away market and not the local market, which is a more accurate term in situation where the local market has been exhausted. Defining minimum price variation, Opening Process and Public Customer
will bring greater transparency to proposed Rule 1093. The use of defined terms will add
greater transparency to the Exchange’s rule.

The Exchange believes that it is consistent with the Act to remove any language
from Rule 1080(m), which explains the routing process during an Opening Process, and
simply refer to the governing rule as it will avoid confusion for market participants.
Also, the Exchange is proposing rule text within proposed Rule 1093 to describe more
specifically when routing takes places with respect to an Opening Process.

The Exchange’s proposal to add the concept of DNR at the beginning of the rule
to make clear up-front that this option is available when selecting a routing strategy is a
structural non-substantive change intended to bring greater clarity to the rule.

The addition of proposed text rule text defining the Phlx’s best bid or offer or
“PBBO” and the “internal PBBO” is intended to add greater transparency to proposed
Rule 1093. The Exchange proposes to more clearly define the terms “PBBO” and
“internal PBBO” to make clear that certain non-displayed order types are not reflected in
the Exchange’s disseminated PBBO, rather the actual Order Book or “internal PBBO”
represents both displayed and non-displayed order types on the Order Book. The
Exchange believes that it is consistent with the Act and the protection of investors to
utilize these two different terms, “PBBO” and “internal PBBO,” to more specifically
refer to the Order Book.

The Exchange proposes to more specifically explain within the rule text what is
meant by “exposure” or “exposing” an order. The Exchange proposes to make clear that
exposure shall mean a “notification sent to participants with the price, size, and side of
interest that is available for execution.” The Exchange believes that this additional
language in consistent with the Act because it will assist market participants in
understanding the manner in which these terms are used throughout this rule. In addition,
the Exchange’s proposal to add the following rule text “An order exposure alert is sent if
the order size is modified.” The addition of this rule text is consistent with the Act
because it will make clear the manner in which exposure notifications are handled today
and when the exposure alert is sent.

The Exchange’s proposal to add the following language, “Exposure notifications
will be sent to participants in accordance with the routing procedures described in Rule
1093(a)(iii) below except if an incoming order is joining an already established PBBO
price when the ABBO is locked or crossed with the PBBO, in which case such order will
join the established PBBO price and no exposure notification will be sent” is consistent
with the Act because it will assist market participants in understanding the manner in
which these terms are used throughout this rule. The Exchange’s proposal to not
disseminate an exposure notification to participants if an incoming order is joining an
already established PBBO price when the ABBO is locked or crossed with the PBBO is
consistent with the Act because in this case, such order will join the established PBBO
price, which is already disseminated. This proposed change would conform the rule to
the System operation. The Exchange believes that exposing an order which reflects a
disseminated price could cause confusion rather than inform investors and the general
public of the availability of an order. Today, the Exchange executes responses at a price
at or better than the ABBO on a first come, first served basis prior to routing the order to
an away market in accordance with the rules currently in effect in Rule 1080(m). If a

45 Today, order exposures are sent if the order size is modified. The Exchange
believes that adding this rule text will clarify the rule.
response is received which is executable against the full volume of the order, it may execute immediately. Since the order was filled, the Route Timer no longer exists because the order no longer exists. The Exchange noted in the rule change establishing order exposure that, “Broadcasting the message to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions and consequentially, facilitate the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the time the order was received.” The Exchange believes that this notification is not necessary in the case of an incoming order that joins an already established PBBO price when the ABBO is locked or crossed with the PBBO as other orders previously established the PBBO on the Order Book. The established PBBO price is a disseminated price which is available to market participants. A second notification with the exposure message would reflect the same price as the disseminated PBBO price and would not offer market participants new information.

The Exchange’s proposal to remove certain rule text concerning ISO orders throughout the new rule is consistent with the Act because other Phlx rules address the manner in which an ISO is handled. Also, the text which refers to unexecuted contracts

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47 Phlx Rule 1080 at Commentary .03 provides, “Intermarket Sweep Order” or “ISO” is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II
is similar to other order types. Today, if contracts still remain unexecuted after routing, they are posted on the Order Book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center, except as specified within Rule 1080(m). This behavior is not specific to ISO Orders.

The remainder of the rule changes in the introduction are non-substantive rule changes that simply seek to reorganize and add transparency to the current rule text.

DNR Orders

The Exchange’s proposal to add a new sentence to proposed new Rule 1093(a)(iii)(A) that provides, “If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO” is consistent with the Act because this behavior is compliant with Regulation NMS. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions.48

The Exchange’s proposal to account for a scenario where an ABBO was disseminated system or cancelled, and shall not be eligible for routing as set out in Rule 1080. Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs. See also Phlx 1084 and 1086 also discuss ISO orders.

48 Also, an order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions.
after the crossing condition took place is consistent with the Act because an updated
ABBO that crosses the DNR Order cannot be utilized to execute the DNR Order. The
Exchange believes that adding context around a DNR Order when that order is locked or
crossed will provide more transparency to the rule. The Exchange notes that consistent
with FIND and SRCH Orders, a DNR Order that is locked or crossed will display one
MPV away from the ABBO. The Exchange believes that the proposed language will
benefit market participants because it provides greater information.

FIND and SRCH Orders

The Exchange’s proposal to expand the current language within FIND and SRCH
Orders to add a reference to an Opening Process as well as an intra-day re-opening is
more inclusive and will add clarity to the rule text which follows this introductory
paragraph.49 Also, making clear that each order begins a separate Route Timer, which
cannot be early terminated and the individual order’s Route Timer must complete before
the order can route to an away market is consistent with the Act because the Exchange is
allowing the entire time on the Route Timer to obtain the best price for the order.
Finally, in order to maintain priority within the System, FIND and SRCH Orders are
prioritized today for routing purposes. The priority is sequentially based on the Route
Timer. This proposed new language is consistent with the Act because it will make clear
the manner in which the Route Timer operates.

The Exchange also proposes to make clear within the proposed rule text the
diverse handling of marketable and non-marketable orders. The proposed language seeks

49 See proposed rule text at Rule 1093(a)(iii)(B) and (C).
to utilize the terms “ABBO” and “PBBO” more succinctly to distinguish orders which can be executed locally and orders must route to an away market to receive an execution.

The Exchange’s proposal to add “at the conclusion of an Opening Process” to further the proposed text is a non-substantive change that adds context that this routing takes places during an Opening Process.\textsuperscript{50} Making clear that at the end of an Opening Process, any order that is priced through the Opening Price will be cancelled, also adds context to the current rule text.\textsuperscript{51} As well as noting that any order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k).\textsuperscript{52} The Exchange will not execute orders at inferior prices. The Exchange believes that this language is consistent with the Act because it provides an expectation that is consistent for the market participant as to the manner in which Phlx will handle their order. Phlx Rule 1017(k) explains the various processes by which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language contained in Rule 1080(m). The Exchange’s proposal to remove any language from Rule 1080(m), which explains the routing process during an Opening Process, and simply refer to the governing rule is consistent with the Act because the

\textsuperscript{50} See proposed rule text at Rule 1093(a)(iii)(B), (B)(1) and (2), and (C)(8).

\textsuperscript{51} See proposed rule text at Rule 1093(a)(iii)(B)(1) and (C)(1).

\textsuperscript{52} See proposed rule text at Rule 1093(a)(iii)(B)(1) and (2) and (C)(1). The proposed text makes clear which orders would be cancelled, which is currently not described in the rules, although it is the current practice. This cited rule text also references back to Phlx Rule 1017(k) for execution during an Opening Process.
Rule 1017(k) describes an Opening Process as part of the larger process and provides more context. The reference to the rule will provide a reference for market participants.

**FIND Order**

The Exchange’s proposal to provide a scenario which specifies a circumstance when, during a Route Timer, if markets move and the FIND Order becomes executable against resting interest on the Exchange’s Order Book that the order would execute is consistent with the Act because it makes clear that in this situation the order would post to the Order Book because the FIND Order is no longer marketable.\(^53\) Also with respect to a locked or crossed scenario, a FIND Order would route at the completion of the Route Timer, however if the ABBO worsens but is better than the PBBO, the FIND order will reprice and be re-exposed at the new price(s) and the Route Timer would continue without interruption.\(^54\) For both FIND and SRCH Orders, the Exchange notes that it is consistent with the Act to route marketable orders and not trade-through an away market. The Exchange believes that adding this language to its rules will bring greater clarity to the Rulebook and provide market participants with additional information as to the manner in which an order will be handled during the Route Timer. This is also the case for SRCH Orders.

The Exchange proposes to note that FIND Orders that are not marketable with ABBO upon receipt will be treated as DNR for the remainder of the trading day.\(^55\) This

\(^{53}\) See proposed new Rule 1093(a)(iii)(B)(2).

\(^{54}\) See proposed new Rule 1093(a)(iii)(B)(4).

\(^{55}\) The remainder of the trading day is intended to indicate that good-till-cancel and good-till-day orders remaining on the Order Book would be able to route the next trading day but not for the remainder of the current trading day. The tags would be retained on those orders.
language is being amended to conform to the current System practice. As noted in the introductory paragraph to FIND Orders, these orders that are not marketable with the ABBO upon receipt, rather these orders will be treated as DNR for the remainder of the trading day. FIND Orders that are marketable with ABBO at the time of receipt will not be eligible for routing until the next time the option series is subject to a new Opening Process. In this particular instance, the FIND Order was marketable against the PBBO and therefore is marked DNR for the remainder of the trading day. The Exchange notes that because the FIND Order would not route, even if there was a reopening that it proposes to state that the FIND Order would be treated as DNR for the remainder of the trading day. The Exchange believes this amendment is consistent with the Act because it will provide market participants with the expected outcome and allow them to determine if they would like to cancel the order or allow it to remain on the Order Book. Providing members with expectations as to the manner in which their order will be handled provides clarity and consistency.

The Exchange’s proposal to note a scenario where the ABBO moves and crosses the FIND Order during a Route Timer. In this case, any new interest that arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price. This situation is not currently addressed in the rules. If the away market price crosses the PBBO, the market is crossed and contra interest would execute at the price the order rested on the Order Book. If the away price locks the displayed price, the contra interest would execute at its displayed price. This proposed rule text is consistent with the Act because it would not permit a trade-through but would allow a

56 See proposed new Rule 1093(a)(iii)(B)(5).
FIND Order to trade where the order is marketable, but does not trade-through. The new language will provide market participants with greater transparency as to the manner in which the System will handle a FIND Order in that particular situation. This is also applicable to SRCH Orders.

The Exchange’s addition of language within the FIND Order which accounts for both possibilities where the FIND Order may still trade at a PBBO price within the Order Book or rest on the Order Book\textsuperscript{57} is consistent with the Act because the more expansive language takes into account a greater number of potential accounts to inform the participant of all possibilities when routing an order. The Exchange’s clarification that only if size remains will the FIND Order not be eligible for routing until the next time the option series is subject to a new Opening Process merely provides context for purposes of the rule that size may have been exhausted at that point. The Exchange views this amendment as non-substantive.

With respect to the language which provides, “The remaining size of a non-Public Customer and non-professional FIND or SRCH Order will be cancelled upon an intra-day trading halt, the Exchange believes that this amendment to the rule text is consistent with the Act because Public Customer and professional orders are held by the System until trading resumes, at which point they are handled at their original limit price. At the conclusion of an Opening Process, the System will only route non-contingency Public Customer and non-professional orders.\textsuperscript{58} The Exchange notes that it cancels all non-

\textsuperscript{57} See proposed new Rule 1093(a)(iii)(B)(6).

\textsuperscript{58} See Phlx Rule 1017(k)(C)(6). The System will execute orders at the Opening Price that have contingencies (such as, without limitation, all-or-none) and non-routable orders, such as a “Do Not Route” or “DNR” Orders, to the extent possible.
routable interest at the time of an intra-day trading halt. When the Exchange re-opens the market, an Opening Process pursuant to Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. The Exchange in this circumstance provides market participants with an expectation for their order during a trading halt.

The Exchange’s proposal to delete the sentence, “The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer”\textsuperscript{59} is consistent with the Act because the FIND Order may not route at the end of the Route Timer. This sentence was not accurate and FIND Orders would route at the end of the Route Timer provided they are marketable.

The Exchange’s proposal to note that “A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order “ISO” and designed as an IOC order”\textsuperscript{60} is consistent with the Act because orders which are routed and not satisfied are returned to the originating market. The Exchange today marks these orders as IOC so the order does not rest on the away market’s order book. Unexecuted portions of the routed order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the rules. This is also true with respect to SRCH Orders.

**SRCH Order**

The Exchange’s proposal to eliminate the sentence which provides, “In the circumstances described in the preceding paragraph, what happens to a SRCH order after

\textsuperscript{59} See proposed new Rule 1093(a)(iii)(B)(7).

\textsuperscript{60} See proposed new Rule 1093(a)(iii)(B)(9).
the Route Timer expires depends on the ABBO price at that time.\textsuperscript{61} is consistent with the Act because this language is unnecessary and does not provide any new information because the Exchange has amended proposed Rule 1093(a)(iii)(C)(4) and also proposes changes to this paragraph to explain the various scenarios that may occur both during the Route Timer and also once the Route Timer ends.

The Exchange’s proposal to provide, “If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price,”\textsuperscript{62} is consistent with the Act because where the market is locked or crossed the SRCH Order may route at the ABBO when the Route Timer concludes. This information provides market participant with greater transparency.

\textbf{Rule 1091}

The Exchange’s proposal to relocate the rule text currently contained in Rule 1080(m)(v) to proposed new Rule 1091 and title that rule “Cancellation of Orders and Error Account” and re-letter and renumber the rule is consistent with the Act because

\textsuperscript{61} See current Rule 1080(m)(iv)(C).

\textsuperscript{62} Proposed new Rule 1093(a)(iii)(C)(8) would provide, “A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.”
these changes update the rule for accuracy. The Exchange notes that these amendments are non-substantive.

**Rule 1080**

The Exchange’s proposal to update cross-references is a non-substantive rule change.

**Rule 607**

The Exchange’s proposal to correct a cross-reference within Rule 607 is a non-substantive rule change.

**Rule 1047**

The Exchange’s proposal to create a new sentence and redraft the current rule while specifically noting that auction orders and auction responses as well as Crossing Orders, which can be entered into an auction mechanism, will be rejected will bring greater transparency to the Exchange’s rules and provide members with certainty as to the handling of their orders during a trading halt.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed routing rules apply to all market participants including routing during an Opening Process. The Exchange believes that adding greater detail to its rules does not impose an undue burden on competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies. Further, the Exchange notes that market participants may elect not to route their orders. The Exchange continues to offer various options to its market participants with respect to routing.
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**

   The Exchange does not consent to an extension of the time period for Commission action.

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)(iii)\(^{63}\) of the Act and Rule 19b-4(f)(6) thereunder\(^{64}\) 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 that this proposal does not significantly affect the protection of investors or the public interest because the proposal will add clarity and detail to the current rules that does not exist today. Where the Exchange has added scenarios, more context will be provided as to the manner in which Phlx routes. Utilizing the term “System” will conform this rule to other Phlx rules which utilize that term. Explaining the Route Timer at the beginning with detail will provide context to use of the term throughout the rule and avoid repetitiveness. Replacing the term “NBBO” with the

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term “ABBO” will more specifically refer to the away market and not the local market. Defining minimum price variation, Opening Process and Public Customer will bring greater transparency to proposed Phlx Rule 1093. The addition of proposed text rule text defining the Phlx’s best bid or offer or “PBBO” and the “internal PBBO” will add greater transparency to proposed Rule 1093 and make clear that certain non-displayed order types are not reflected in the Exchange’s disseminated PBBO, rather the actual Order Book or “internal PBBO” represents both displayed and non-displayed order types on the Order Book. The proposal makes clear that exposure shall mean a notification sent to participants that includes the price, size, and side of interest that is available for execution. In addition, the Exchange’s proposal to add the following rule text “An order exposure alert is sent if the order size is modified” does not significantly affect the protection of investors or the public interest because the rule text will make clear the manner in which exposure notifications are handled today and when the exposure alert is sent. Not disseminating an exposure notification to participants if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO does not significantly affect the protection of investors or the public interest because in this case, such order will join the established PBBO price, which is already known. The Exchange believes that exposing an order which reflects a disseminated price could cause confusion rather than inform investors and the general public. This amendment will conform the rule text to the current System. Removing certain rule text concerning ISO orders throughout the new rule does not significantly affect the protection of investors or the public interest because other Phlx rules address the manner

65 Today, order exposures are sent if the order size is modified. The Exchange believes that adding this rule text will clarify the rule.
in which an ISO is handled. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions. Each individual order’s Route Timer must complete before the order can route to an away market is consistent with the Act because the Exchange is allowing the entire time to obtain the best price for the order. Also, in order to maintain priority within the System, the FIND and SRCH Order is prioritized today for routing purposes, which is sequentially based on the Route Timer. The handling of marketable and non-marketable orders in a different manner does not significantly affect the protection of investors or the public interest because the Exchange is seeking to determine which orders can be executed locally and which orders must route to receive an execution. Orders that are not marketable with ABBO upon receipt will be treated as DNR for the remainder of the trading day. The Exchange notes this provides market participants with an expected outcome and allows them to determine if they would like to cancel the order or allow it to remain on the Order Book. This amendment will conform the rule text to the current System. For both FIND and SRCH Orders, the Exchange notes that it does not significantly affect the protection of investors or the public interest to route marketable orders and not trade-through an away market. The Exchange’s proposal to note a scenario where the ABBO moves and crosses the FIND Order during a Route Timer does not significantly affect the protection of investors or the public interest because any new interest that arrives opposite the FIND or SRCH Order that is marketable against the order will trade at the FIND or SRCH Order price. If the away market price crosses the PBBO, the market is crossed and contra
Interest would execute at the price the order rested on the Order Book. If the away price locks the displayed price, the contra interest would execute at its displayed price. With respect to the language which provides, “The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt,” the Exchange believes that this amendment to the rule text does not significantly affect the protection of investors or the public interest because Public Customer and professional orders are held by the System until trading resumes, at which point they are handled at their original limit price. At the conclusion of an Opening Process, the System will only route non-contingency Public Customer and non-professional orders. The Exchange notes that it cancels all non-routable interest at the time of an intra-day trading halt. When the Exchange re-opens the market, an Opening Process pursuant to Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. The Exchange in this circumstance provides market participants with an expectation for their order during a trading halt. The Exchange’s proposal to note that “A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order “ISO” and designed as an IOC order” does not significantly affect the protection of investors or the public interest because orders which are routed and not satisfied are returned to the originating market. The Exchange today marks these orders as IOC so the order does not rest on the away market’s order book. Unexecuted portions of the routed order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the rules. This is also true with respect to SRCH Orders. The Exchange believes that the additional language does not significantly affect the protection of investors or the public interest because adding greater detail to its rules does not impose
an undue burden on competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies. Further, the Exchange notes that market participants may elect not to route their orders.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may adopt its routing rules to reflect the current operation of its System. The Exchange believes that this additional detail will provide market participants with greater information for each potential order routing strategy and in general provide greater transparency.
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**

    5. Text of the proposed rule change.
SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2019-06)

April __, 2019

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 1080(m) related to Routing to Away Markets

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 4, 2019, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes relocate and amend Rule 1080(m), titled “Away Markets and Order Routing” to new Rule 1093 with the same title. The Exchange also proposes to relocate Rule 1080(m)(v) to new Rule 1091.

The text of the proposed rule change is available on the Exchange’s Website at http://nasdaqphlx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. **Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. **Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

1. **Purpose**

The Exchange proposes to amend and relocate Rule 1080(m), titled “Away Markets and Order Routing” to new Rule 1093 with the same title. The Exchange will also update cross references to Rule 1080(m) to reflect new Rule 1093. The Exchange proposes to reserve Rule 1080(m). The Exchange proposes to relocate Rule 1080(m)(v) to Rule 1091, which is currently reserved, and title that Rule “Cancellation of Orders and Error Account.” The proposed changes will be discussed below in greater detail.

**Rule 1093**

As noted above, the Exchange is renaming proposed new Rule 1093 as “Away Markets and Order Routing.” There are some universal amendments that are proposed to this rule, which are explained herein. The Exchange proposes to utilize the term

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3 The Exchange notes that the amendments to Rule 1080(m) reflect the current operation of the System. The purpose of the amendment is to align the rule to the specific operation of the routing functionality on Phlx.

4 The Exchange proposes to amend cross-references in Rule 607 (Covered Sale Fee), Rule 1047 (Trading Halts), Rule 1066 (Certain Types of Floor-Based (Non-PHLX XL) Orders Defined) and Rule 1082 (Firm Quotations).
“System”\textsuperscript{5} within proposed new Rule 1093 and remove references to “Phlx XL” which is an outdated term. The Exchange proposes new language at the beginning of the rule text to proposed new Rule 1093 as described below.

The Exchange utilizes the term “NBBO” in certain places in current Rule 1080(m), which term encompasses both the away market “ABBO” and local market “PBBO,” although in certain places were the local market has been exhausted, it is more accurate to refer to the away market only. The Exchange proposes to replace the term “NBBO” with the term “ABBO” where the local market has been exhausted to specifically refer to the away market. The Exchange proposes to define the term “minimum price variation” within the first paragraph of proposed Phlx Rule 1093 with the acronym “MPV” and utilize the acronym throughout the rule.

Rule 1080(m) references an Opening Process, Phlx Rule 1017, throughout the rule. Specifically, Phlx Rule 1017(k) references the portion of the Opening Process rule which explains the manner in which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language currently contained in Rule 1080(m). To avoid any confusion, the Exchange proposes to replace rule text related to an Opening Process with a reference to governing Rule 1017. Also, the Exchange proposes throughout the rule to remove language which states, “during open trading” and instead reference “after an Opening Process.”\textsuperscript{6}

\textsuperscript{5} See Rule 1000(b)(45).

\textsuperscript{6} The Exchange is also defining the term “Opening Process” with this proposal as explained below.
These universal changes impact multiple rule amendments and will be applied throughout the rule. In addition to these amendments, other proposed changes are described below.

The current paragraph to Rule 1080(m) provides,

The Phlx XL II system will route FIND and SRCH Orders (as defined below) with no other contingencies. IOC Orders will be cancelled immediately if not executed, and will not be routed. Eligible orders can be designated as either available for routing or not available for routing. Routable FIND and SRCH Orders (as defined in Rule 1080(m)(iv) below) designated as available for routing will first be checked by the Phlx XL II system for available contracts for potential execution. After checking the Phlx XL II system for available contracts, orders are sent to other available market centers for potential execution. When checking the book, the Phlx XL II system will seek to execute at the price at which it would send the order to a destination market center. In situations where the Exchange’s disseminated bid or offer is inferior to the NBBO price, the Phlx XL II system will contemporaneously route an order marked as an ISO to each away market disseminating prices better than the Exchange’s price, for the lesser of: (a) the disseminated size of such away markets, or (b) the order size and, if order size remains after such routing, trade at the Exchange’s disseminated bid or offer up to its disseminated size. If contracts still remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will not route the order to the locking or crossing market center, except as specified below.

The Exchange is rewording the above language in proposed new Rule 1093(a).

The Exchange continues to reflect the two routing strategies, FIND and SRCH and notes that the two routing strategies will be explained in more detail below. The Exchange also proposes to note that an order may be marked Do Not Route or “DNR.” This concept does not exist in the current introductory paragraph although it is discussed later in the proposed rule. The Exchange proposes to add the concept of DNR at the beginning of proposed Rule 1093 to make clear up-front that this option is available when selecting a routing strategy. The Exchange is rewriting this initial paragraph to introduce concepts which are contained throughout the rule text in this initial paragraph. The term
“Immediate or Cancel” is being defined as “IOC” within this paragraph for ease of reference.

The Exchange is adding the following sentences to the introductory sentence for clarity, to define terms and introduce universal concepts, “For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or stop orders which have not been triggered and the “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding All-or-None Orders.” This is the case today, non-displayed order types are not reflected in the Exchange’s disseminated PBBO, rather the actual Order Book or “internal PBBO” represents both displayed and non-displayed order types on the Order Book. The Exchange will utilize the terms “PBBO” and “internal PBBO,” as explained herein, throughout the rule.

Generally, the Exchange proposes, for purposes of this rule, to provide an explanation of the Route Timer and remove detail concerning the Route Timer throughout the rule to avoid repetitiveness. The Exchange proposes to add in this introductory paragraph, “For purposes of this rule, a Route Timer shall not exceed one

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7 An All-or None Order may only be submitted by a public customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all public customer orders if the size contingency can be met. The Acceptable Trade Range protection in Rule 1099(a) is not applied to All-Or-None Orders. See Phlx Rule 1093.

8 A stop order is a limit or market order to buy or sell at a limit price when a trade or quote on the Exchange for a particular option contract reaches a specified price. A stop-market or stop-limit order shall not be triggered by a trade that is reported late or out of sequence or by a complex order trading with another complex order.

9 The Exchange proposes to remove the term “not to exceed one second” throughout the Rule to avoid repeating this timeframe which the Exchange proposes to identify at the beginning of Rule 1093.
second\textsuperscript{10} and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer.”

The Exchange believes that this additional language will assist market participants in understanding the manner in which this term is used throughout this rule.\textsuperscript{11} The Route Timer is currently set at 200 milliseconds, which the Exchange has determined is a reasonable time period to gather additional interest on the Exchange before routing away.

\footnotesize
\textsuperscript{10} The Exchange notes that the Route Timer shall not exceed one second in this paragraph. The Exchange proposes to remove this text throughout the rule to avoid repetitiveness.

\textsuperscript{11} Proposed new Rule 1093(a) would provide, “Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or “DNR”. The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or stop orders which have not been triggered and the “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding All-or-None Orders. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, “exposure” or “exposing” an order shall mean a notification sent to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx’s opening process is governed by Rule 1017 and includes an opening after a trading halt (“Opening Process”). For purposes of this rule, the term “Public Customer” means a person or entity that is not a broker or dealer in securities and is not a professional as defined within Rule 1000(b)(14).”
The Route Timer is intended to attract additional liquidity, much like an auction. The Exchange would issue a notice if it were to change the timing of the Route Timer. If the Exchange were to select a time which exceeds 1 second it would be required file a rule proposal with the Commission.

Also, for purposes of this rule, “exposure” or “exposing” an order shall mean a “notification sent to participants with the price, size, and side of interest that is available for execution.” The Exchange also proposes to add the following language to the end of this paragraph, “Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent.” Also the Exchange proposes to add “An order exposure alert is sent if the order size is modified.” The Exchange is adding this language to make clear the manner in which exposure notifications are handled today and when the exposure alert is sent. Also, the proposal seeks to make clear that an exposure notification is not being sent in cases where the incoming order joins a previously displayed price when the ABBO is locked or crossed with the PBBO. Today, the Exchange executes any response at a price at or better than the ABBO on a first come, first served basis prior to routing the order to an away market in accordance with the rules currently in effect in Rule 1080(m). If a response is received which is executable against the full volume of the order, it may execute immediately. Since the order was filled, the Route Timer no longer exists because the order no longer exists. The Exchange noted in the rule change establishing

12 Today, order exposures are sent if the order size is modified. The Exchange believes that adding this rule text will clarify the rule.
order exposure that, “Broadcasting the message to all market participants should promote
together participants and encourage more robust competition for these orders. In
addition, the proposal would continue to guarantee that orders will receive an execution
that is at a price at least as good as the price disseminated by the best away market at the
time the order was received.” The Exchange believes that the exposure notification is
not necessary in a case where an incoming order joins an already established PBBO price
when the ABBO is locked or crossed with the PBBO. This is because other orders
previously established the PBBO on Phlx’s Order Book. The established PBBO price is
a disseminated price which is available to market participants. A second exposure
message would reflect the same price as the disseminated PBBO price and would not
offer market participants new information. This change would conform the rule text to
the System’s operation.

The Exchange proposes to introduce a defined term “Opening Process.” The term
would be defined as the Phlx opening process governed by Phlx Rule 1017 and would
include an opening after a trading halt. Finally, the Exchange proposes for purposes of
this rule to define a Public Customer as a person or entity that is not a broker or dealer in
securities and is not a professional as defined within Phlx Rule 1000(b)(14). The
Exchange proposes to replace references to the term “customer” with “Public Customer”
throughout the rule.

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13 See Securities and Exchange Release Act No. 68517 (December 21, 2012), 77 FR
The following rule text exists in the current introductory paragraph to Rule 1080(m):

In situations where the Exchange’s disseminated bid or offer is inferior to the NBBO price, the Phlx XL II system will contemporaneously route an order marked as an ISO to each away market disseminating prices better than the Exchange's price, for the lesser of: (a) the disseminated size of such away markets, or (b) the order size and, if order size remains after such routing, trade at the Exchange’s disseminated bid or offer up to its disseminated size. If contracts still remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will not route the order to the locking or crossing market center, except as specified below.

The Exchange proposes removing the above language because ISO orders are currently addressed within Phlx Rule 1083(h) and 1084(a). The Exchange makes references to ISO orders throughout proposed Rule 1093. The manner in which an ISO is handled is sufficiently noted in other rules. The Exchange does not believe that this language is necessary. Similar to other order types, if contracts still remain unexecuted after routing, they are posted on the Order Book. Today, once on the Order Book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center, except as specified within proposed Rule 1093.

14 Phlx Rule 1080 at Commentary .03 provides, “Intermarket Sweep Order” or “ISO” is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II system or cancelled, and shall not be eligible for routing as set out in Rule 1080. Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs. See also Phlx 1083 and 1084(a).
The Exchange is not substantively amending the paragraph in new proposed Rule 1093(a)(i) which is currently at Rule 1080(m)(i). The Exchange is predominately maintaining the language with some slight changes in word choice that the Exchange believes makes the paragraph easier to read.\(^{15}\)

Rule 1080(m)(ii) is being relocated without change to proposed new Rule 1093(a)(ii). The Exchange is not substantively amending the paragraph in new proposed Rule 1093(a)(ii)(A) which is currently at Rule 1080(m)(iii)(A).\(^{16}\)

Rules 1080(m)(iii)(B) – (G) are being relocated without change to proposed new Rule 1093(a)(ii)(B) - (G), respectively.

**DNR Orders**

The Exchange proposes to relocate current Rule 1080(m)(iv)(A) to proposed new Rule 1093(a)(iii)(A) and amend the rule. Proposed Rule 1093(a)(iii) would provide, “The following order types are available:” Current Rule 1080(m)(iv)(A) states,

*DNR Order.* A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best

\(^{15}\) Proposed new Rule 1093(a)(i) would provide, “Priority of Routed Orders. Orders sent to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. A routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System, unless any portion of the original order remains on the System, in which case the routed order shall retain its timestamp and its priority.”

\(^{16}\) Proposed new Rule 1093(a)(ii) would provide, “Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.”
away market price but, if that best away market remains, the DNR order will remain in the Phlx book and be displayed at a price one minimum price variation inferior to that away best bid/offer. The Exchange shall immediately upon receipt of the DNR order expose the order at the NBBO to Phlx XL II participants and other market participants. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price.

The Exchange proposes to add a new sentence to proposed new Rule 1093(a)(iii)(A) that provides, “If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one minimum price variation (“MPV”) away from the ABBO.” An order that the entering party has elected not to make eligible for routing will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) and displayed at one MPV above (for offers) or below (for bids) the national best price. The Exchange displays the DNR Order at one MPV away in compliance with Regulation NMS. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and

17 Any reference to minimum price variance in the rules will be replaced with “MPV.”
Crossed Markets restrictions. This proposed new sentence will add greater
transparency as to the manner in which the Exchange handles locked and cross orders
today and re-prices those orders. The Exchange proposes to amend the current sentence
which states, “The Exchange shall immediately upon receipt of the DNR Order expose
the order at the NBBO to Phlx XL II participants and other market participants” to
provide, “The Exchange shall immediately expose the order at the ABBO to participants,
provided the option series has opened for trading.” The Exchange notes that inserting
“ABBO” more clearly provides that the away market is considered because the local
book has already been exhausted in this scenario. The Exchange proposes to amend the
next sentence which provides, “Any incoming order interacting with such a resting DNR
Order will receive the best away market price.” The Exchange proposes to instead state,
“Any incoming order interacting with such a resting DNR Order will execute at the
ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed
price, in which case the incoming order will execute at the previous ABBO price.” The
Exchange is expanding this language because it is accounting for a scenario where an
ABBO was disseminated after the crossing condition took place. This is a change to
reflect the current practice and amend the rule text to conform to the manner in which the
System is operating. While the ABBO can improve, when it crosses the DNR Order the
updated ABBO cannot be utilized to execute the DNR Order. The Exchange is amending
the sentence, “Should the best away market change its price, or move to an inferior price
level, the DNR order will automatically re-price from its one minimum price variation

18 Also, an order that is designated by the member as routable will be routed in
compliance with applicable Trade-Through and Locked and Crossed Markets
restrictions.
inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO” to “Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO.” The Exchange is rewording this sentence because the NBBO by definition includes the PBBO. However, if the DNR Order locks or crosses the PBBO, the DNR Order will immediately execute. Only if the DNR Order locks or crosses the ABBO will the DNR Order be exposed. This amendment reflects current practice.

The proposed rule text is intended to bring more clarity to the current rule regarding DNR Orders. The Exchange believes that adding context around a DNR

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19 Proposed new Rule 1093(a)(iii)(A) would provide, “DNR Order. A DNR Order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in the Phlx Order Book and be displayed at a price one MPV inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR Order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if
Order when that order is locked or crossed will provide more transparency to the current rule. The Exchange notes that consistent with FIND and SRCH Orders, a DNR Order that is locked or crossed will display one MPV away from the ABBO. The Exchange believes that the proposed language will benefit market participants because it provides greater information.

**FIND Order**

Current Rule 1080(m)(iv)(B) states,

*FIND Order.* A FIND order is an order that is routable upon receipt during open trading. Only a customer FIND order on the Phlx XL II book, whether it is received prior to the opening or it is a GTC FIND order from a prior day, may be routed as part of the Opening Process. Non-customer FIND orders are not eligible for routing during the Opening Process. Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation (“MPV”) from the ABBO price if it would otherwise lock or cross the ABBO. Such FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange proposes to relocate this paragraph to proposed new Rule 1093(a)(iii)(B) and amend this language to provide, “A FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open.” The Exchange believes that expanding the current language to add the reference to an Opening Process as well as intra-day is more inclusive and will add clarity to the rule text which follows this introductory paragraph. The remainder of new Rule 1093(a)(iii)(B) includes new rule text that is proposed to add the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.”
context to the rule text which follows this paragraph. The Exchange proposes to state, “FIND Orders submitted after an Opening Process initiate their own Route Timers and are routed in the order in which their Route Timers end.” Specifically, each order begins a separate Route Timer, which cannot be early terminated. Each individual order’s Route Timer must complete before the order can route to an away market. The Exchange believes that this language makes clear how the FIND Order is prioritized today for routing purposes, which is sequentially based on the Route Timer. Finally, the Exchange proposes to state in the introductory paragraph that the System handles marketable and non-marketable FIND Orders differently. Specifically, FIND Orders that are not marketable with ABBO upon receipt will be treated as DNR for the remainder of the trading day.20

The remainder of the introductory paragraph at current Rule 1080(m)(iv)(B) is proposed to be relocated within new Rule 1093(a)(iii)(B)(1). The Exchange adds the context, “With respect to an Opening Process” before the current text in Rule 1080(m)(iv)(B) starting at the second sentence. The Exchange is amending the next sentence to state “at the conclusion of an Opening Process” to further add context that this routing takes places during an Opening Process. The current rule text which states, “Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation (“MPV”) from the ABBO price if it would otherwise lock or cross the ABBO” is being reworded. The Exchange proposes to state, “At the end of an

20 The remainder of the trading day is intended to indicate that good-till-cancel and good-till-day orders remaining on the Order Book would be able to route the next trading day but not for the remainder of the current trading day. The tags would be retained on those orders.
Opening Process, any FIND Order that is priced through the Opening Price,\textsuperscript{21} pursuant to Phlx Rule 1017(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k).\textsuperscript{22} This proposed sentence describes which FIND Orders would be cancelled, which is currently not described in the rules, although it is the current practice. The sentence also references back to Rule 1017(k) for execution during an Opening Process. FIND Orders received after an Opening Process are subject to other portions of this rule such as proposed Rule 1093(a)(iii)(B)(3) and (4), which language is discussed below and was relocated from the current Rule 1080(m). Phlx Rule 1017(k) explains the various processes by which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language contained in Rule 1080(m). To avoid any confusion, the Exchange proposes to remove any language from Rule 1080(m), which explains the routing process during the opening, and simply refer to the governing rule. Proposed new Rule 1093(a)(iii)(B)(2) provides a further description of when FIND Orders would rest on the Order Book and the reason the order would rest.

\textsuperscript{21} Opening Price is defined in Phlx Rule 1017(a)(iii).

\textsuperscript{22} Proposed new Rule 1093(a)(iii)(B)(1) would provide, “With respect to an Opening Process, only a Public Customer and professional FIND Order on the Order Book, whether it is received prior to the opening or it is a GTC FIND Order from a prior day, may be routed at the conclusion of an Opening Process. Non-Public Customer and non-professional FIND Orders are not eligible for routing at the conclusion of an Opening Process. At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Phlx Rule 1017(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). Such FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.”
The Exchange is adding a new paragraph that is not currently in Rule 1080(m) at proposed new Rule 1093(a)(iii)(B)(2). The new proposed rule text would read as follows:

With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but remains better than the PBBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the route timer.

The Exchange currently does not specify in Rule 1080(m) a circumstance, when, during an Opening Process route timer, markets move and the FIND Order becomes executable against resting interest on the Exchange’s Order Book. The Exchange proposes to add this scenario as well as the outcome. Further, this new language addresses the circumstance when during the Opening Process route timer the ABBO moves such that the FIND Order is no longer marketable anywhere, then it would post to the book. Finally, a locked or crossed FIND Order would route at the completion of the route timer, however if the ABBO worsens but is better than the PBBO, the FIND order will reprice and be re-exposed at the new price(s) and the route timer would continue without interruption.\(^\text{23}\) The Exchange rules currently does not address what happens

\(^{23}\) Proposed new Rule 1093(a)(iii)(B)(2) would provide, “With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but
during the route timer in these situations. The Exchange believes that adding this language to proposed new Rule 1093 will bring greater clarity to the Rulebook and provide market participants with additional information as to the manner in which a FIND Order will be handled during the route timer.

The Exchange is relocating the second paragraph within Rule 1080(m)(iv)(B) to proposed new Rule 1093(a)(iii)(B)(3).\(^\text{24}\) The proposed new rule text reads as follows:

A FIND Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day.

The Exchange is also relocating the third paragraph within Rule 1080(m)(iv)(B) to proposed new Rule 1093(a)(iii)(B)(4).\(^\text{25}\) The proposed new rule text reads as follows:

A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is inferior to the internal PBBO will be traded at the Exchange at or better than the PBBO price. If the FIND Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or remains better than the PBBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the route timer.”

\(^\text{24}\) The Exchange proposes to replace “not eligible for routing” with “treated as a DNR” for additional clarity. The current rule text reads as follows: A FIND order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XL II book at its limit price. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

\(^\text{25}\) Currently, the rule text reads as follows: “A FIND order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the FIND order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV away from the ABBO if locking or crossing the ABBO. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.”
crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day.

The Exchange is adding the newly defined term “internal PBBO” in place of PBBO to account for All-or-None Order treatment. The Exchange also notes, the internal PBBO will be traded at the Exchange at or better than the PBBO price because All-or-None Orders are non-displayed orders that are available for execution on the Order Book. The addition of this specificity will make clear that a market participant could receive a better execution because the all-or-none resting order is not displayed. The Exchange is amending the rule text which currently states, “The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process” to “The FIND Order will be treated as DNR for the remainder of the trading day.” This language is being amended to conform to the current System practice. As noted in the introductory paragraph to FIND Orders, these orders that are not marketable with the ABBO upon receipt, rather these orders will be treated as DNR for the remainder of the trading day. FIND Orders that are marketable with ABBO at the time of receipt will not be eligible for routing until the next time the option series is subject to a new Opening Process. In this particular instance the order was marketable against the PBBO and therefore is marked DNR for the remainder of the trading day. The Exchange notes that because the FIND Order would not route, even if there was a reopening that it proposes to state that the FIND Order would be treated as DNR for the remainder of the trading day. The Exchange is making this adjustment to conform its rule text to its practice.
The Exchange is amending the fourth paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(5). Proposed new Rule 1093(a)(iii)(B)(5) would read as follows:

A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO. If the FIND Order has size remaining after exhausting the PBBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.

The Exchange is adding the word “internal” before PBBO several times within this paragraph as well to account for All-or-None Orders resting on the Order Book. The word “internal” is meant to represent interest on the book, including non-displayed interest. The Route Timer was described in the current paragraph, as well as the descriptive language ‘not to exceed one second.’ The Exchange proposes to remove the descriptive language here because it is repetitive. Thus, the Exchange is amending the following sentence, “If the FIND order has size remaining after exhausting the PBBO, it

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26 The current rule text provides, “A FIND order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the FIND order has size remaining after exhausting the PBBO, it will initiate a Route Timer, not to exceed one second, and expose the FIND order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.
will initiate a Route Timer, not to exceed one second, and expose the FIND order at the NBBO to allow market participants an opportunity to interact with the remainder of the FIND Order” to provide “If the FIND Order has size remaining after exhausting the PBBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order.”

The Exchange notes that use of the term ABBO is a more accurate representation than NBBO because the local market has been exhausted and this portion of the rule is describing the FIND Order reacting to the ABBO. Finally, the Exchange proposes to add the following sentence to the end of this paragraph, “If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest that arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.” This new sentence will address the specific situation where the ABBO crosses the FIND Order and the price at which the FIND Order would trade. This situation is not currently addressed in Rule 1080(m). If the away market price crosses the PBBO, the market is crossed and contra interest would execute at the price the order rested on the Order Book. If the away price locks the displayed price, the contra interest would execute at its displayed price in accordance with trade-through provisions. The price at which the order booked on Phlx is a valid execution price because of the crossed market condition present in this example. The Exchange notes that in this situation the away market crossed Phlx’s displayed market price. The new language will provide market participants with greater transparency as to the manner in which the System will handle a FIND Order in that particular situation. The Exchange believes that this amendment brings more specificity to the current rule.
The Exchange is amending the fifth paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(6). The current rule text reads as follows:

In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still at the same or a better price, the FIND order will route to the away market up to a size equal to the lesser of either (a) the away market's size or (b) the remaining size of the FIND order. If the FIND order still has remaining size after routing, it will be entered into the Phlx XL II book and posted at the same price at which it was routed. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange is proposing to eliminate the first sentence, “In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer expires depends on the ABBO price at that time” because this text is unnecessary and does not provide any new information. The Exchange is replacing the words, “the ABBO is still at the same or better price” with “the FIND Order is still marketable with the ABBO” in the second sentence of the current rule text because the Exchange believes that this phrase better defines the contingency for when the FIND Order will route. The Exchange is amending the penultimate sentence to provide that the FIND Order may still trade at a PBBO price within the Order Book or rest on the Order Book. The Exchange is accounting for the possibility that the FIND Order still has the possibility of executing or posting to the book. The Exchange is also clarifying that only if size remains will the FIND Order not be eligible for routing until the next time the option series is subject to a new Opening Process. The Exchange believes that this will provide additional context to this statement in light of the rest of the rule text in this paragraph. Finally, the Exchange proposes to add the following sentence for clarity, “The remaining size of a non-Public
Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt. The current rule does not account for an intra-day trading halt. Public Customer and professional orders are held by the System until trading resumes, at which point they are handled at their original limit price. At the conclusion of an Opening Process, the System will only route non-contingency Public Customer and professional orders.

The Exchange notes that it cancels all non-routable interest at the time of an intra-day trading halt. When the Exchange re-opens the market, an Opening Process pursuant to Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. This language provides more transparency for market participants as to trading halt situations.

The Exchange proposes to provide an example for proposed Rule 1093(B)(6).

**Example 1:** Find Order received when (internal PBBO and ABBO equal) – Proposed Rule 1093(a)(iii)(B)(6)

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27 Professional is defined within Rule 1000(b)(14).

28 See Phlx Rule 1017(k)(C)(6). The System will execute orders at the Opening Price that have contingencies (such as, without limitation, all-or-none) and non-routable orders, such as a “Do Not Route” or “DNR” Orders, to the extent possible.

29 Proposed new Rule 1093(a)(iii)(B)(6) would provide, “If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either (1) an away market’s size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next PBBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.”
MPV: Penny
Away BBO: 4.30 (100) x 4.40 (20)
PBBO: 4.10 x 4.60

Enter Public Customer FIND Order to sell 50 @ 4.40
PBBO (reprices) 4.10 x 4.40
ABBO (unchanged) 4.30 x 4.40
Enter Firm FIND Order to buy 100 @ 4.40

Conclusion:
The Find Order would execute 50 contracts against the Public Customer order immediately.

Subsequently, a Route Timer would initiate and the 50 remaining contracts from the FIND Order would be exposed @ 4.40 via an exposure notification over market data feeds and protocols.

At the conclusion of the Route Timer, the FIND Order would route 20 contracts to the away market BBO @ 4.40.

The remaining volume of the FIND Order would rest on the Order Books and display 30 contracts @ 4.40.

The Exchange is amending the sixth paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(7). The rule text currently reads as follows:

A FIND order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the FIND order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

The Exchange is adding the word “internal” before PBBO several times within this paragraph as well to account for All-or-None Orders resting on the Order Book, which are non-displayed. The word “internal” is meant to represent interest on the Order
Book, including non-displayed interest. The Route Timer was described in the current paragraph, as well as the descriptive language “not to exceed one second.” The Exchange proposes to remove the descriptive language here as it is repetitive. The Exchange is replacing the “NBBO” with “ABBO” so that the first sentence of new Rule 1093(a)(iii)(B)(7) would read, “A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order.” The Exchange believes that ABBO is a more accurate representation than NBBO because the local market has been exhausted. Finally, the Exchange is adding more clarifying language in the penultimate last sentence to provide, “During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO.”

The italicized language represents proposed new rule text.

Proposed new Rule 1093(a)(iii)(B)(7) would provide, “A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price.”

The italicized language represents proposed new rule text.

Proposed new Rule 1093(a)(iii)(B)(7) would provide, “A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price.”
The Exchange is amending the seventh paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(8). The rule text currently reads as follows:

In the circumstances described in the preceding paragraph, what happens to a FIND order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the FIND order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the FIND order. If the FIND order still has remaining size after such routing, it will (i) trade at the next PBBO price, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Phlx XL II book and posted at its limit price. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

The Exchange is eliminating the first sentence because it proposes to add a cross-reference to the prior subparagraph (7) within the new rule text. The Exchange is adding the phrase “and is marketable with the FIND Order” in the second sentence to add more context to when the order will route. The Exchange proposes to state, “If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order,32 the order will route to the away market(s) whose disseminated price(s) is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the FIND Order.” The Exchange believes that the italicized new text better defines the contingency for when the FIND Order will route. Further, the Exchange proposes to amend the next sentence to provide, “If the FIND Order still has remaining size after such routing, it will (i) trade at the PBBO price or better, subject to the order's limit price, and, if contracts still remain

32 The italicized language represents proposed new rule text.
unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO.”

The Exchange believes that adding “or better” makes this statement accurate because the price can be better than the local market. The Exchange is also amending the rule to note that the order will reprice one MPV away if it locks or crosses the ABBO. This is the case today and the addition of this language makes this sentence more accurate because it accounts for a scenario where the market locks or crosses the ABBO. The Exchange is deleting this sentence, “The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer.” This sentence is not accurate because the FIND Order may not route at the end of the Route Timer. The Exchange’s System has operated as explained herein. The current rule text does not provide for the possibility that the FIND Order may not route at the end of the Route Timer. This language will provide an accurate description of the current System. The Exchange is also clarifying that only if size remains will the FIND Order not be eligible for routing until the next time the option series is subject to a new Opening Process. The Exchange believes that this will provide additional context to this statement in light of the rest of the rule text in this paragraph. Finally, the Exchange proposes to add the following sentence for clarity, “The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.” The current rule does not account for an intra-day trading halt. Public Customer and professional orders are held by the System until trading resumes, at which point they are handled at their original limit price. At the conclusion of an Opening Process, the System will only route non-contingency
Public Customer and professional orders. The Exchange notes that it cancels all non-routable interest at the time of an intra-day trading halt. When the Exchange re-opens the market, an Opening Process pursuant to Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. This language provides more transparency for market participants as to halt situations.33

Finally, the Exchange is amending the last paragraph within Rule 1080(m)(iv)(B) and relocating it to proposed new Rule 1093(a)(iii)(B)(9). The rule text currently reads, “A FIND Order that is routed to an away market will be marked as an ISO.” The Exchange proposes to amend this sentence to state, “A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order “ISO” and designed as an IOC order.” The Exchange today marks these orders as IOC. Orders are routed as IOC so that they do not rest on the away market’s order book. Unexecuted portions of the routed order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the rules.

**SRCH Order**

The first paragraph current Rule 1080(m)(iv)(C) provides,

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33 Proposed new Rule 1093(a)(iii)(B)(8) would provide, “If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the PBBO price or better, subject to the order’s limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.”
**SRCH Order.** A SRCH order is a customer order that is routable at any time. A SRCH order on the Phlx XL II book during the Opening Process (including a re-opening following a trading halt), whether it is received prior to the opening or it is a GTC SRCH order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market (see below).

The Exchange proposes to amend and relocate the first two sentences of Rule 1080(m)(iv)(C) into paragraph Rule 1093(a)(iii)(C). The Exchange proposes to add new rule text to the end of proposed Rule 1093(a)(iii)(C) to provide, “Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.” Specifically, each order begins a separate Route Timer, which cannot be early terminated. Each individual order’s Route Timer must complete before the order can route to an away market. Additionally, a new Route Timer would commence at the conclusion of each Route Timer interval, provided the order is still available to trade. The Exchange believes that this language makes clear how the SRCH Order is prioritized today for routing purposes, which is sequentially based on the Route Timer.34

The Exchange also proposes to add new text into proposed Rule 1093(a)(iii)(C)(1) as follows,

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34 Proposed new Rule 1093(a)(iii)(C) would provide, “**SRCH Order.** A SRCH Order is a Public Customer order that is routable at any time. A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.”
At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.

The Exchange is removing the third and fourth sentences of Rule 1080(m)(iv)(C) which currently describe the manner in which a SRCH Order would route at the end of an Opening Process and replace it with a reference to Phlx Rule 1017(k) as described in the new text that is being added to 1093(a)(iii)(C)(1). The Exchange believes that the addition of this new paragraph which references Phlx Rule 1017(k) applies to the manner in which a SRCH Order would route at the end of an Opening Process. The Exchange is updating the current rule text to make clear that routing is subject to Phlx Rule 1017. Phlx Rule 1017(k) explains the various processes by which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language currently contained in Rule 1080(m). To avoid any confusion, the Exchange proposes to remove any current language in Rule 1080(m), which explains the routing process during the opening, and simply refer to the governing rule. The Exchange also proposes various scenarios that may occur to a SRCH Order when the Route Timer is in effect. The Exchange proposes to add similar scenarios to the FIND Order rule. The Exchange believes the proposed rule text adds greater transparency to the manner in which Phlx routes by providing market participants with all possible outcomes during a Route Timer.
The Exchange proposes to relocate the following language within the second paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(2) without any substantive changes. The new text would state that, “A SRCH Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”

The Exchange proposes to relocate the following language within the third paragraph of Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(3) without any substantive changes. The current rule text reads as follows:

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the SRCH order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

The Exchange is adding the phrase “at or better than the PBBO price” to account for All-or-Nothing Orders that are non-displayed. The Exchange is also removing the reference to “not to exceed one second” for the same reasons described in the discussion regarding the proposed changes to Rule 1080(m)(iv)(B).

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35 Proposed new Rule 1093(a)(iii)(C)(2) would provide, “A SRCH Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”

36 Proposed new Rule 1093(a)(iii)(C)(3) would provide, “A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at or better than the PBBO price.”
replacing the reference to “Phlx price” with “PBBO,” and also adding a phrase to make clear that it would also include All-or-None Orders that can be satisfied. All-or-none orders are non-displayed orders and therefore not included in the PBBO. For purposes of the execution price, an All-or-None Order that can be satisfied may be accessed and a better price could be obtained.

The Exchange proposes to relocate the fourth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(4) without any substantive changes. The current rule text reads as follows:

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the SRCH order has size remaining after exhausting the PBBO, it will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the SRCH order. During the timer, the SRCH order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

The Exchange is adding the term “internal PBBO” in two places in the first sentence to account for All-or-None Orders that are non-displayed. The Exchange is replacing “NBBO” with “ABBO” where only the away market is considered because the local market is exhausted. The Exchange is also removing the reference to “not to exceed price. If the SRCH Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
one second” for the same reasons described in the discussion regarding the proposed changes to Rule 1080(m)(iv)(B). Finally, the Exchange proposes to add the following sentence to the end of this paragraph, “If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest that arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.” This new sentence will address the specific situation where the ABBO cross a SRCH Order and the price at which the SRCH Order would trade. In this situation, the away market has crossed Phlx’s PBBO. The contra interest would therefore execute at the SRCH Order price. This situation is not currently addressed within Rule 1080(m). The new language will provide market participants with greater transparency as to the manner in which the System currently handles a SRCH Order in that particular situation.37

The Exchange proposes to relocate the following language within the fifth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(5). The current rule text reads as follows:

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose

37 Proposed new Rule 1093(a)(iii)(C)(4) would provide, “A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it will initiate a Route Timer and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the timer, the SRCH Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.”
disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets’ size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

The Exchange proposes to eliminate the first sentence, “In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time” because it is unnecessary and does not provide any new information. The Exchange proposes new text within Rule 1093(a)(iii)(C)(5) to explain the various scenarios that may occur both during the Route Timer and also once the Route Timer ends. The second sentence of the current rule text provides, “If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets’ size, or (b) the remaining size of the SRCH order.” The Exchange proposes to reword this sentence to provide “If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order.” The Exchange is adding the phrase “the SRCH Order is marketable with the ABBO” in place of “the ABBO is still the best price” to add the specific contingency as to when the order will route. The Exchange is removing the wording “to the away market(s) whose disseminated price is better than the PBBO” because this language is not necessary. The rule text does not add any new information. Routing would occur because the order
cannot be satisfied on Phlx. Next the Exchange is adding language to account for a scenario where the SRCH Order is locked or crossed by away quotes, in which case it would route at the completion of the Route Timer. Also, the Exchange is adding the situation where the ABBO worsens but is better than the PBBO, in which case the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. The Exchange believes that this additional language will provide more transparency as to all the possibilities with respect to routing the SRCH Order once the Route Timer expires.38

The Exchange proposes to relocate the following language within the sixth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(6). The current rule text reads as follows:

A SRCH order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the PBBO at a price one MPV inferior to the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO

38 Proposed new Rule 1093(a)(iii)(C)(5) would provide, “If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. The System will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
price, the SRCH order will trade against such new interest at the ABBO price.

The Exchange is removing the “not to exceed one second” language in the first sentence consistent with other amendments described herein. The Exchange is also replacing “NBBO” with “ABBO” where only the away market is being considered because the local market has been exhausted. The words “with the remainder of” are being removed from the end of the first sentence because these words are superfluous. Finally the Exchange is adding additional language, which is italicized, to the second sentence to provide, “During the Route Timer, the SRCH Order will be included in the PBBO at a price that is the better of one MPV inferior to the ABBO or at the PBBO,” to account for All-or-None Orders which may rest on the Order Book as non-displayed orders.39

The Exchange proposes to relocate the following language within the seventh paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(7) without substantive rule changes. The current rule text reads as follows:

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it

39 Proposed new Rule 1093(a)(iii)(C)(6) would provide, “A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the Route Timer, the SRCH Order will be included in the PBBO at a price that is the better of one MPV inferior to the ABBO or at the PBBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price.”
may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

The Exchange is rewording the second sentence to replace “If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s)” with “If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s)” because the language will conform to similar language in this rule. The Exchange believes that this proposed rule text does not change the meaning of the sentence, rather it rewords the sentence for clarity. The proposed replacement language adds more clarity to the rule text.40

The Exchange proposes to relocate the following language within the eighth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(8). The current rule text reads as follows:

A SRCH order on the Phlx XL II book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the PBBO which includes a SRCH order, the Phlx XL II system will initiate a Route Timer not to exceed one second in order to allow Phlx users an opportunity to interact with the SRCH order. During the Route Timer, the SRCH order remains in the PBBO at its posted price. If, during the Route Timer, the ABBO locks or crosses the PBBO which includes a SRCH order, the SRCH order may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Order Book at its limit price if not locking or crossing the PBBO including All-or-None Orders which can be satisfied or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.”

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40 Proposed new Rule 1093(a)(iii)(C)(7) would provide, “If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Order Book at its limit price if not locking or crossing the PBBO including All-or-None Orders which can be satisfied or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.”
Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at its ABBO price.

The Exchange proposes to amend the remainder of the paragraph to read as follows, “If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.” The Exchange notes in this new rule text that a Route Timer would subsequently initiate at the conclusion of another Route Timer provided interest remains. The Exchange notes that with a SRCH Order a Route Timer would initiate at the conclusion of a Route Timer in each case. This paragraph is intended to convey the repeated process of routing which takes place with SRCH Orders when a Route Timer ends. The second and third sentence of the current rule text are being removed because they are unnecessary and do not provide any new information; the prior paragraph provides the context necessary to obtain this information. The Exchange is instead noting that where the market is locked or crossed the SRCH Order may route at the ABBO when the Route Timer concludes. This information provides market participant with greater transparency. The Exchange is

41 Proposed new Rule 1093(a)(iii)(C)(8) would provide, “A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.”
amending the final sentence to replace “ABBO price” with “SRCH Order Price” to properly reflect the price at which the order will be executed.

The Exchange proposes to relocate the following language within the ninth paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(9). The paragraph currently reads as follows:

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size, that size will remain on the book.

The Exchange proposes to amend the last sentence which provides, “If the SRCH order still has remaining size, that size will remain on the book.” The Exchange proposes to state, “If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO.” The Exchange notes with this proposed language that the SRCH Order may still trade at a PBBO price within the Order Book or rest on the Order Book. The Exchange

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42 Proposed new Rule 1093(a)(iii)(C)(9) would provide, “If, at the end of the Route Timer pursuant to subparagraph (8) above, the ABBO is still the best price, the SRCH Order will route to the away market(s) up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO.”
is accounting for the possibility that the SRCH Order still has the possibility of executing or posting to the book. This proposed rule text conforms with proposed rule text within the FIND Order portion of the proposed rule. This new language represents current handling.

The Exchange proposes to relocate the following language within the last paragraph of current Rule 1080(m)(iv)(C) to Rule 1093(a)(iii)(C)(10). The current rule text reads as follows: “A SRCH Order that is routed to an away market will be marked as an ISO.” The Exchange proposes to amend this rule text to provide, “A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC order.” The Exchange today marks these orders as IOC. Orders are routed as IOC so that they do not rest on the away market’s order book. Unexecuted portions of the routed order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the proposed rule.

**Rule 1091**

The Exchange proposes to relocate the rule text currently contained in Rule 1080(m)(v) to proposed new Rule 1091 and title that rule “Cancellation of Orders and Error Account.” The Exchange proposes to re-letter and renumber the rule, however, no other changes are proposed except to amend internal cross-references to the proposed re-lettering and renumbering.

**Rule 1080**

The Exchange proposes to update cross-references to Rule 1080(m) within this rule.
Rule 1047

The Exchange proposes to amend Rule 1047 to make clear the manner in which interest is handled during a Trading Halt on Phlx. The Exchange proposes an affirmative statement that during a trading halt, existing quotes are cancelled. This language is not being amended, rather the sentence was confusing and the text is being broken into two sentence. Also, the Exchange proposes to address auctions by making clear that auction orders and auction responses as well as Crossing Orders which can be entered into an auction mechanism will be rejected. The Exchange believes that this information will bring greater clarity to the trading halt rule.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest because the Exchange is adding more detail to its routing rule to provide market participants with greater transparency. The Exchange believes the added scenarios will provide more context to routing in general and for the specific routing strategies for the benefit of investors and the public interest. Also, in defining terms and utilizing consistent language throughout the rule, the Exchange believes proposed Rule 1093 will be more transparent with respect to the manner in which Phlx routes orders. The Exchange continues to offer various choices to its market participants with respect to routing.


**Rule 1093**

The Exchange’s proposal to utilize the term “System” will conform this rule to other Phlx rules which utilize that term. Explaining the Route Timer at the beginning with detail will provide context to use of the term throughout the rule and avoid repetitiveness. Replacing the term “NBBO” with the term “ABBO” where appropriate is consistent with the Act because the term “ABBO” refers to the away market and not the local market, which is a more accurate term in situation where the local market has been exhausted. Defining minimum price variation, Opening Process and Public Customer will bring greater transparency to proposed Rule 1093. The use of defined terms will add greater transparency to the Exchange’s rule.

The Exchange believes that it is consistent with the Act to remove any language from Rule 1080(m), which explains the routing process during an Opening Process, and simply refer to the governing rule as it will avoid confusion for market participants. Also, the Exchange is proposing rule text within proposed Rule 1093 to describe more specifically when routing takes places with respect to an Opening Process.

The Exchange’s proposal to add the concept of DNR at the beginning of the rule to make clear up-front that this option is available when selecting a routing strategy is a structural non-substantive change intended to bring greater clarity to the rule.

The addition of proposed text rule text defining the Phlx’s best bid or offer or “PBBO” and the “internal PBBO” is intended to add greater transparency to proposed Rule 1093. The Exchange proposes to more clearly define the terms “PBBO” and “internal PBBO” to make clear that certain non-displayed order types are not reflected in the Exchange’s disseminated PBBO, rather the actual Order Book or “internal PBBO” represents both displayed and non-displayed order types on the Order Book. The
Exchange believes that it is consistent with the Act and the protection of investors to utilize these two different terms, “PBBO” and “internal PBBO,” to more specifically refer to the Order Book.

The Exchange proposes to more specifically explain within the rule text what is meant by “exposure” or “exposing” an order. The Exchange proposes to make clear that exposure shall mean a “notification sent to participants with the price, size, and side of interest that is available for execution.” The Exchange believes that this additional language in consistent with the Act because it will assist market participants in understanding the manner in which these terms are used throughout this rule. In addition, the Exchange’s proposal to add the following rule text “An order exposure alert is sent if the order size is modified."45 The addition of this rule text is consistent with the Act because it will make clear the manner in which exposure notifications are handled today and when the exposure alert is sent.

The Exchange’s proposal to add the following language, “Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent” is consistent with the Act because it will assist market participants in understanding the manner in which these terms are used throughout this rule. The Exchange’s proposal to not disseminate an exposure notification to participants if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO is consistent with the Act because it will assist market participants in understanding the manner in which these terms are used throughout this rule. The Exchange believes that adding this rule text will clarify the rule.

45 Today, order exposures are sent if the order size is modified. The Exchange believes that adding this rule text will clarify the rule.
consistent with the Act because in this case, such order will join the established PBBO price, which is already disseminated. This proposed change would conform the rule to the System operation. The Exchange believes that exposing an order which reflects a disseminated price could cause confusion rather than inform investors and the general public of the availability of an order. Today, the Exchange executes responses at a price at or better than the ABBO on a first come, first served basis prior to routing the order to an away market in accordance with the rules currently in effect in Rule 1080(m). If a response is received which is executable against the full volume of the order, it may execute immediately. Since the order was filled, the Route Timer no longer exists because the order no longer exists. The Exchange noted in the rule change establishing order exposure that, “Broadcasting the message to all market participants should promote broader awareness of, and provide increased opportunities for greater participation in, these executions and consequentially, facilitate the ability of the Exchange to bring together participants and encourage more robust competition for these orders. In addition, the proposal would continue to guarantee that orders will receive an execution that is at a price at least as good as the price disseminated by the best away market at the time the order was received.”\textsuperscript{46} The Exchange believes that this notification is not necessary in the case of an incoming order that joins an already established PBBO price when the ABBO is locked or crossed with the PBBO as other orders previously established the PBBO on the Order Book. The established PBBO price is a disseminated price which is available to market participants. A second notification with the exposure

message would reflect the same price as the disseminated PBBO price and would not offer market participants new information.

The Exchange’s proposal to remove certain rule text concerning ISO orders throughout the new rule is consistent with the Act because other Phlx rules address the manner in which an ISO is handled.47 Also, the text which refers to unexecuted contracts is similar to other order types. Today, if contracts still remain unexecuted after routing, they are posted on the Order Book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center, except as specified within Rule 1080(m). This behavior is not specific to ISO Orders.

The remainder of the rule changes in the introduction are non-substantive rule changes that simply seek to reorganize and add transparency to the current rule text.

DNR Orders

The Exchange’s proposal to add a new sentence to proposed new Rule 1093(a)(iii)(A) that provides, “If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one

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47 Phlx Rule 1080 at Commentary .03 provides, “Intermarket Sweep Order" or “ISO” is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II system or cancelled, and shall not be eligible for routing as set out in Rule 1080. Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs. See also Phlx 1084 and 1086 also discuss ISO orders.
MPV away from the ABBO” is consistent with the Act because this behavior is compliant with Regulation NMS. An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions.\textsuperscript{48} The Exchange’s proposal to account for a scenario where an ABBO was disseminated after the crossing condition took place is consistent with the Act because an updated ABBO that crosses the DNR Order cannot be utilized to execute the DNR Order. The Exchange believes that adding context around a DNR Order when that order is locked or crossed will provide more transparency to the rule. The Exchange notes that consistent with FIND and SRCH Orders, a DNR Order that is locked or crossed will display one MPV away from the ABBO. The Exchange believes that the proposed language will benefit market participants because it provides greater information.

**FIND and SRCH Orders**

The Exchange’s proposal to expand the current language within FIND and SRCH Orders to add a reference to an Opening Process as well as an intra-day re-opening is more inclusive and will add clarity to the rule text which follows this introductory paragraph.\textsuperscript{49} Also, making clear that each order begins a separate Route Timer, which cannot be early terminated and the individual order’s Route Timer must complete before the order can route to an away market is consistent with the Act because the Exchange is

\textsuperscript{48} Also, an order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions.

\textsuperscript{49} See proposed rule text at Rule 1093(a)(iii)(B) and (C).
allowing the entire time on the Route Timer to obtain the best price for the order.

Finally, in order to maintain priority within the System, FIND and SRCH Orders are prioritized today for routing purposes. The priority is sequentially based on the Route Timer. This proposed new language is consistent with the Act because it will make clear the manner in which the Route Timer operates.

The Exchange also proposes to make clear within the proposed rule text the diverse handling of marketable and non-marketable orders. The proposed language seeks to utilize the terms “ABBO” and “PBBO” more succinctly to distinguish orders which can be executed locally and orders must route to an away market to receive an execution.

The Exchange’s proposal to add “at the conclusion of an Opening Process” to further the proposed text is a non-substantive change that adds context that this routing takes places during an Opening Process.\textsuperscript{50} Making clear that at the end of an Opening Process, any order that is priced through the Opening Price will be cancelled, also adds context to the current rule text.\textsuperscript{51} As well as noting that any order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k).\textsuperscript{52} The Exchange will not execute orders at inferior prices. The Exchange believes that this language is consistent with the Act because it provides an expectation that is consistent for the market participant as to the manner in which Phlx will handle their order. Phlx Rule 1017(k)

\textsuperscript{50} \textit{See} proposed rule text at Rule 1093(a)(iii)(B), (B)(1) and (2), and (C)(8).

\textsuperscript{51} \textit{See} proposed rule text at Rule 1093(a)(iii)(B)(1) and (C)(1).

\textsuperscript{52} \textit{See} proposed rule text at Rule 1093(a)(iii)(B)(1) and (2) and (C)(1). The proposed text makes clear which orders would be cancelled, which is currently not described in the rules, although it is the current practice. This cited rule text also references back to Phlx Rule 1017(k) for execution during an Opening Process.
explains the various processes by which the Exchange will open an options series and route orders at the conclusion of an Opening Process. The language contained in Rule 1017(k) with respect to routing during an Opening Process is much more explicit than the broad language contained in Rule 1080(m). The Exchange’s proposal to remove any language from Rule 1080(m), which explains the routing process during an Opening Process, and simply refer to the governing rule is consistent with the Act because the Rule 1017(k) describes an Opening Process as part of the larger process and provides more context. The reference to the rule will provide a reference for market participants.

**FIND Order**

The Exchange’s proposal to provide a scenario which specifies a circumstance when, during a Route Timer, if markets move and the FIND Order becomes executable against resting interest on the Exchange’s Order Book that the order would execute is consistent with the Act because it makes clear that in this situation the order would post to the Order Book because the FIND Order is no longer marketable.\(^{53}\) Also with respect to a locked or crossed scenario, a FIND Order would route at the completion of the Route Timer, however if the ABBO worsens but is better than the PBBO, the FIND order will reprice and be re-exposed at the new price(s) and the Route Timer would continue without interruption.\(^{54}\) For both FIND and SRCH Orders, the Exchange notes that it is consistent with the Act to route marketable orders and not trade-through an away market. The Exchange believes that adding this language to its rules will bring greater clarity to the Rulebook and provide market participants with additional information as to the

\(^{53}\) See proposed new Rule 1093(a)(iii)(B)(2).

\(^{54}\) See proposed new Rule 1093(a)(iii)(B)(4).
manner in which an order will be handled during the Route Timer. This is also the case for SRCH Orders.

The Exchange proposes to note that FIND Orders that are not marketable with ABBO upon receipt will be treated as DNR for the remainder of the trading day.55 This language is being amended to conform to the current System practice. As noted in the introductory paragraph to FIND Orders, these orders that are not marketable with the ABBO upon receipt, rather these orders will be treated as DNR for the remainder of the trading day. FIND Orders that are marketable with ABBO at the time of receipt will not be eligible for routing until the next time the option series is subject to a new Opening Process. In this particular instance, the FIND Order was marketable against the PBBO and therefore is marked DNR for the remainder of the trading day. The Exchange notes that because the FIND Order would not route, even if there was a reopening that it proposes to state that the FIND Order would be treated as DNR for the remainder of the trading day. The Exchange believes this amendment is consistent with the Act because it will provide market participants with the expected outcome and allow them to determine if they would like to cancel the order or allow it to remain on the Order Book. Providing members with expectations as to the manner in which their order will be handled provides clarity and consistency.

The Exchange’s proposal to note a scenario where the ABBO moves and crosses the FIND Order during a Route Timer.56 In this case, any new interest that arrives

55 The remainder of the trading day is intended to indicate that good-till-cancel and good-till-day orders remaining on the Order Book would be able to route the next trading day but not for the remainder of the current trading day. The tags would be retained on those orders.

56 See proposed new Rule 1093(a)(iii)(B)(5).
opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price. This situation is not currently addressed in the rules. If the away market price crosses the PBBO, the market is crossed and contra interest would execute at the price the order rested on the Order Book. If the away price locks the displayed price, the contra interest would execute at its displayed price. This proposed rule text is consistent with the Act because it would not permit a trade-through but would allow a FIND Order to trade where the order is marketable, but does not trade-though. The new language will provide market participants with greater transparency as to the manner in which the System will handle a FIND Order in that particular situation. This is also applicable to SRCH Orders.

The Exchange’s addition of language within the FIND Order which accounts for both possibilities where the FIND Order may still trade at a PBBO price within the Order Book or rest on the Order Book is consistent with the Act because the more expansive language takes into account a greater number of potential accounts to inform the participant of all possibilities when routing an order. The Exchange’s clarification that only if size remains will the FIND Order not be eligible for routing until the next time the option series is subject to a new Opening Process merely provides context for purposes of the rule that size may have been exhausted at that point. The Exchange views this amendment as non-substantive.

With respect to the language which provides, “The remaining size of a non-Public Customer and non-professional FIND or SRCH Order will be cancelled upon an intra-day trading halt, the Exchange believes that this amendment to the rule text is consistent with

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57 See proposed new Rule 1093(a)(iii)(B)(6).
the Act because Public Customer and professional orders are held by the System until trading resumes, at which point they are handled at their original limit price. At the conclusion of an Opening Process, the System will only route non-contingency Public Customer and non-professional orders.\(^{58}\) The Exchange notes that it cancels all non-routable interest at the time of an intra-day trading halt. When the Exchange re-opens the market, an Opening Process pursuant to Rule 1017 will occur and at that time, only Public Customer and professional orders would be subject to routing. The Exchange in this circumstance provides market participants with an expectation for their order during a trading halt.

The Exchange’s proposal to delete the sentence, “The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer”\(^{59}\) is consistent with the Act because the FIND Order may not route at the end of the Route Timer. This sentence was not accurate and FIND Orders would route at the end of the Route Timer provided they are marketable.

The Exchange’s proposal to note that “A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order “ISO” and designed as an IOC order”\(^{60}\) is consistent with the Act because orders which are routed and not satisfied are returned to the originating market. The Exchange today marks these orders as IOC so the order does not rest on the away market’s order book. Unexecuted portions of the routed

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\(^{58}\) See Phlx Rule 1017(k)(C)(6). The System will execute orders at the Opening Price that have contingencies (such as, without limitation, all-or-none) and non-routable orders, such as a “Do Not Route” or “DNR” Orders, to the extent possible.

\(^{59}\) See proposed new Rule 1093(a)(iii)(B)(7).

\(^{60}\) See proposed new Rule 1093(a)(iii)(B)(9).
order would be returned to Phlx for further handling. Adding this detail provides greater transparency to the rules. This is also true with respect to SRCH Orders.

**SRCH Order**

The Exchange’s proposal to eliminate the sentence which provides, “In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time”\(^{61}\) is consistent with the Act because this language is unnecessary and does not provide any new information because the Exchange has amended proposed Rule 1093(a)(iii)(C)(4) and also proposes changes to this paragraph to explain the various scenarios that may occur both during the Route Timer and also once the Route Timer ends..

The Exchange’s proposal to provide, “If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price,”\(^ {62}\) is consistent with the Act because where the market is locked or crossed the SRCH Order

\(^{61}\) See current Rule 1080(m)(iv)(C).

\(^{62}\) Proposed new Rule 1093(a)(iii)(C)(8) would provide, “A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.”
may route at the ABBO when the Route Timer concludes. This information provides market participant with greater transparency.

**Rule 1091**

The Exchange’s proposal to relocate the rule text currently contained in Rule 1080(m)(v) to proposed new Rule 1091 and title that rule “Cancellation of Orders and Error Account” and re-letter and renumber the rule is consistent with the Act because these changes update the rule for accuracy. The Exchange notes that these amendments are non-substantive.

**Rule 1080**

The Exchange’s proposal to update cross-references is a non-substantive rule change.

**Rule 607**

The Exchange’s proposal to correct a cross-reference within Rule 607 is a non-substantive rule change.

**Rule 1047**

The Exchange’s proposal to create a new sentence and redraft the current rule while specifically noting that auction orders and auction responses as well as Crossing Orders, which can be entered into an auction mechanism, will be rejected will bring greater transparency to the Exchange’s rules and provide members with certainty as to the handling of their orders during a trading halt.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed routing rules apply to all market participants including routing during
an Opening Process. The Exchange believes that adding greater detail to its rules does not impose an undue burden on competition, rather it provides greater transparency as to the potential outcomes when utilizing different routing strategies. Further, the Exchange notes that market participants may elect not to route their orders. The Exchange continues to offer various options to its market participants with respect to routing.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act\(^\text{63}\) and subparagraph (f)(6) of Rule 19b-4 thereunder.\(^\text{64}\)

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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the


\(^{64}\) 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2019-06 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2019-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the
Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-Phlx-2019-06 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.65

Eduardo A. Aleman
Assistant Secretary

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX Rules

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Rule 607. Covered Sale Fee

(a) No change.

(b) Each member and member organization engaged in executing sale transactions on the Exchange or executing transactions on another exchange or on a Participant in FINRA's Alternative Display Facility ("ADF Participant"), which were routed through the Exchange's Routing Facility, as defined in Rule [1080(m)(iii)]1093(a)(ii)(A), during any computational period shall pay a Covered Sale Fee equal to (i) the Section 31 fee rate multiplied by (ii) the member's aggregate dollar amount of covered sales.

(c) No change.

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Rule 1047. Trading Halts

(a) – (e) No change.

(f) During a halt, the Exchange will maintain existing orders on the book (but not existing quotes), except as noted in Rule 1093, accept orders and quotes, and process cancels[, except existing quotes are cancelled]. During a halt, existing quotes are cancelled and auction orders and auction responses, as well as Crossing Orders, are rejected.

(g) No change.

• • • Commentary :------------------

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Rule 1066. Certain Types of Floor-Based (Non-PHLX XL) Orders Defined

(a)– (g) No change.

(h) Routing order types. In Phlx XL II, the following order types will be available and governed by Rule [1080(m)]1093: DNR (do not route), FIND and SRCH.
Commentary:------------------

.01 and .02  No change.

* * * * * *

Rule 1080. Phlx

(a) No change.

(b) Eligible Orders

(i) The following types of orders are eligible for entry into AUTOM:

(A) Agency orders may be entered. The following types of agency orders are eligible for AUTOM: day, GTC, Immediate or Cancel ("IOC"), Intermarket Sweep Order ("ISO"), market, limit, stop, stop-limit, all or none, or better, simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order, opening-only-market order, limit on opening order, and possible duplicate orders. For purposes of Exchange options trading, an agency order is any order entered on behalf of a public customer, and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule [1080(m)]1093.

(B) No change.

(1) No change.

(2) The following types of orders for the proprietary account(s) of SQTs and RSQTs are eligible for entry via electronic interface with AUTOM: limit on opening, IOC, ISO, and day limit. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule [1080(m)]1093.

(C) Off-floor broker-dealer limit orders, subject to the restrictions on order entry set forth in Commentary .05 of this Rule, may be entered. The following types of broker-dealer limit orders are eligible for AUTOM: day, GTC, IOC, ISO, stop, stop-limit, simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order, limit on opening order. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule [1080(m)]1093. For purposes of this Rule 1080, the term "off-floor broker-dealer order" means an order delivered from off the floor of the Exchange by or on behalf of a broker-dealer for the proprietary account(s) of such broker-dealer, including an order for a market maker located
on an exchange or trading floor other than the Exchange's trading floor delivered via AUTOM for the proprietary account(s) of such market maker.

(ii) and (iii) No change.

(c) - (l) No change.

(m) Reserved.

[Away Markets and Order Routing]

The Phlx XL II system will route FIND and SRCH Orders (as defined below) with no other contingencies. IOC Orders will be cancelled immediately if not executed, and will not be routed. Eligible orders can be designated as either available for routing or not available for routing. Routable FIND and SRCH Orders (as defined in Rule 1080(m)(iv) below) designated as available for routing will first be checked by the Phlx XL II system for available contracts for potential execution. After checking the Phlx XL II system for available contracts, orders are sent to other available market centers for potential execution. When checking the book, the Phlx XL II system will seek to execute at the price at which it would send the order to a destination market center. In situations where the Exchange's disseminated bid or offer is inferior to the NBBO price, the Phlx XL II system will contemporaneously route an order marked as an ISO to each away market disseminating prices better than the Exchange's price, for the lesser of: (a) the disseminated size of such away markets, or (b) the order size and, if order size remains after such routing, trade at the Exchange's disseminated bid or offer up to its disseminated size. If contracts still remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will not route the order to the locking or crossing market center, except as specified below.

(i) Priority of Routed Orders. Orders sent to other markets do not retain time priority with respect to other orders in the Phlx XL II system and the Phlx XL II system shall continue to execute other orders while routed orders are away at another market center. Once routed by the Phlx XL II system, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. As described above, a routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the Phlx XL II system, unless any portion of the original order remains on the Phlx XL II system, in which case the routed order shall retain its timestamp and its priority.

(ii) Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.

(iii) (A) The Exchange shall route orders in options via Nasdaq Execution Services, LLC ("NES"), a broker-dealer that is a member of an unaffiliated SRO which is
the designated examining authority for the broker-dealer. NES serves as the Routing Facility of the Exchange (the "Routing Facility"). The sole use of the Routing Facility by the Phlx XL II system will be to route orders in options listed and open for trading on the Phlx XL II system to away markets either directly or through one or more third-party unaffiliated routing broker-dealers pursuant to Exchange rules on behalf of the Exchange and, in addition, where one component of a Complex Order is the underlying security, to execute and report such component otherwise than on the Exchange, pursuant to Rule 1098(h). The Routing Facility is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Securities Exchange Act of 1934, as amended.

(B) Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing (a Do Not Route Order, as described in sub-paragraph (iv)(A) below).

(C) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

(D) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(E) Market Access. In addition to the Exchange Rules regarding routing to away trading centers, NES as defined above, has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel any orders that have been routed.
(F) The Exchange and NES may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.

(G) The Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (E) above, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

(iv) The following order types are available:

(A) **DNR Order.** A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Phlx book and be displayed at a price one minimum price variation inferior to that away best bid/offer. The Exchange shall immediately upon receipt of the DNR order expose the order at the NBBO to Phlx XL II participants and other market participants. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the NBBO to Phlx XL II participants and other market participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price.

(B) **FIND Order.** A FIND order is an order that is routable upon receipt during open trading. Only a customer FIND order on the Phlx XL II book, whether it is received prior to the opening or it is a GTC FIND order from a prior day, may be routed as part of the Opening Process. Non-customer FIND orders are not eligible for routing during the Opening Process. Once the Opening Process is complete, any FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation ("MPV") from the ABBO price if it would otherwise lock or cross the ABBO. Such FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XL II book at its limit price.
The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the FIND order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV away from the ABBO if locking or crossing the ABBO. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the FIND order has size remaining after exhausting the PBBO, it will initiate a Route Timer, not to exceed one second, and expose the FIND order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still at the same or a better price, the FIND order will route to the away market up to a size equal to the lesser of either (a) the away market's size or (b) the remaining size of the FIND order. If the FIND order still has remaining size after routing, it will be entered into the Phlx XL II book and posted at the same price at which it was routed. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the FIND order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a FIND order after the Route Timer expires depends on the ABBO price at that
time. If, at the end of the Route Timer, the ABBO is still the best price, the
FIND order will route to the away market(s) whose disseminated price is better
than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the FIND order. If the FIND order still has remaining size after such routing, it will (i) trade at the next PBBO price, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Phlx XL II book and posted at its limit price. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND Order that is routed to an away market will be marked as an ISO.

(C) SRCH Order. A SRCH order is a customer order that is routable at any time.
A SRCH order on the Phlx XL II book during the Opening Process (including a re-opening following a trading halt), whether it is received prior to the opening or it is a GTC SRCH order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to better priced markets for their full size; or (2) be routed to better priced markets if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market (see below).

A SRCH order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XLII book. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the SRCH order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.
A SRCH order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the SRCH order has size remaining after exhausting the PBBO, it will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the SRCH order. During the timer, the SRCH order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second, and expose the SRCH order at the NBBO to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the PBBO at a price one MPV inferior to the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (a) the away markets' size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the
book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order on the Phlx XL II book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the PBBO which includes a SRCH order, the Phlx XL II system will initiate a Route Timer not to exceed one second in order to allow Phlx users an opportunity to interact with the SRCH order. During the Route Timer, the SRCH order remains in the PBBO at its posted price. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market(s) up to a size equal to the lesser of either: (a) the away markets’ size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size, that size will remain on the book.

A SRCH Order that is routed to an away market will be marked as an ISO.

(v) Cancellation of Orders and Error Account

(1) The Exchange or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, NES, or a routing destination. The Exchange or NES shall provide notice of the cancellation to affected member organizations as soon as practicable.

(2) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").

(A) For purposes of this paragraph (v), an error position shall not include any position that results from an order submitted by a member organization to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

(B) Except as provided in this paragraph (v)(2)(C), NES shall not (i) accept any positions in its error account from an account of a member organization, or (ii) permit any member organization to transfer any positions from the member organization's account to NES' error account.
(C) If a technical or systems issue results in the Exchange not having valid clearing instructions for a member organization to a trade, NES may assume that member organization's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

(3) In connection with a particular technical or systems issue, NES or the Exchange shall either (i) assign all resulting error positions to member organizations in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(A) NES or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the member organizations affected by that technical or systems issue if NES or the Exchange:

(i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the member organizations affected by that technical or systems issue;

(ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the member organizations affected by that technical or systems issue; and

(iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (v)(1) above.

(B) If NES or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected member organizations in accordance with subparagraph (A) above, or if NES or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (v)(1) above, then NES shall liquidate the error positions as soon as practicable. NES shall:

(i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and

(ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and NES/the Exchange associated with the liquidation of the error positions.
(4) NES and the Exchange shall make and keep records to document all
determinations to treat positions as error positions and all determinations for
the assignment of error positions to member organizations or the liquidation of
error positions, as well as records associated with the liquidation of error
positions through the third-party broker-dealer.]

(n) - (p) No change.

••• Commentary: ---------------

.01 - .05 No change.

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Rule 1082. Firm Quotations

(a) Definitions

(i) No change.

(ii) No change.

(A) No change.

(ii)(B)(1)- (3) No change.

(4)(a) No change.

(b) If there are no offers on the Exchange and there are offers on away
markets in the affected series, market orders to buy will be handled pursuant to Exchange
Rule [1080(m)]1093.

(c) No change.

(d) If there are no bids or a zero priced bid on the Exchange and there are
bids on away markets in the affected series, market orders to sell will be handled pursuant
to Exchange Rule [1080(m)]1093.

(C) No change.

(b) – (d) No change.

••• Commentary: ---------------

.01 -.03 No change.

* * * * *
Rule 1091. Cancellation of Orders and Error Account

(a) The Exchange or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, NES, or a routing destination. The Exchange or NES shall provide notice of the cancellation to affected member organizations as soon as practicable.

(b) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders (“error positions”).

(i) For purposes of this rule, an error position shall not include any position that results from an order submitted by a member organization to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

(ii) Except as provided in subparagraph (iii) below, NES shall not (i) accept any positions in its error account from an account of a member organization, or (ii) permit any member organization to transfer any positions from the member organization's account to NES' error account.

(iii) If a technical or systems issue results in the Exchange not having valid clearing instructions for a member organization to a trade, NES may assume that member organization's side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

(c) In connection with a particular technical or systems issue, NES or the Exchange shall either (i) assign all resulting error positions to member organizations in accordance with subparagraph (1) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (ii) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(i) NES or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the member organizations affected by that technical or systems issue if NES or the Exchange:

(A) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the member organizations affected by that technical or systems issue;

(B) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the member organizations affected by that technical or systems issue; and
(C) has not determined to cancel all orders affected by that technical or systems issue in accordance with paragraph (a) above.

(ii) If NES or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected member organizations in accordance with subparagraph (c)(i) above, or if NES or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with paragraph (a) above, then NES shall liquidate the error positions as soon as practicable. NES shall:

(A) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and

(B) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and NES/the Exchange associated with the liquidation of the error positions.

(d) NES and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to member organizations or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

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Rule 1093. Away Markets and Order Routing

(a) Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or “DNR”. The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or stop orders which have not been triggered and the “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding All-or-None Orders. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, “exposure” or “exposing” an order shall mean a notification sent
to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx’s opening process is governed by Rule 1017 and includes an opening after a trading halt (“Opening Process”). For purposes of this rule, the term “Public Customer” means a person or entity that is not a broker or dealer in securities and is not a professional as defined within Rule 1000(b)(14).

(i) **Priority of Routed Orders.** Orders sent to other markets do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. A routed order can be for less than the original incoming order’s size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System, unless any portion of the original order remains on the System, in which case the routed order shall retain its timestamp and its priority.

(ii) Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.

(A) The Exchange shall route orders in options via Nasdaq Execution Services, LLC (“NES”), a broker-dealer that is a member of an unaffiliated SRO which is the designated examining authority for the broker-dealer. NES serves as the Routing Facility of the Exchange (the “Routing Facility”). The sole use of the Routing Facility by the System will be to route orders in options listed and open for trading on the System to away markets either directly or through one or more third-party unaffiliated routing broker-dealers pursuant to Exchange rules on behalf of the Exchange and, in addition, where one component of a Complex Order is the underlying security, to execute and report such component otherwise than on the Exchange, pursuant to Rule 1098(h). The Routing Facility is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Securities Exchange Act of 1934, as amended.

(B) Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing (a DNR Order, as described in subparagraph (iii)(A) below).
(C) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).

(D) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(E) Market Access. In addition to the Exchange Rules regarding routing to away trading centers, NES as defined above, has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel any orders that have been routed.

(F) The Exchange and NES may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.

(G) The Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges. Except as provided in subparagraph (E) above, the routing broker(s) cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

(iii) The following order types are available:

(A) DNR Order. A DNR Order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR Order will remain in
the Phlx Order Book and be displayed at a price one minimum price variation (“MPV”) inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.

(B) FIND Order. A FIND Order is an order that is: (i) routable at the conclusion of an Opening Process; and (ii) routable upon receipt during regular trading, after an option series is open. FIND Orders submitted after an Opening Process initiate their own Route Timers and are routed in the order in which their Route Timers end. FIND Orders that are not marketable with the ABBO upon receipt will be treated as DNR for the remainder of the trading day.

(1) With respect to an Opening Process, only a Public Customer and professional FIND Order on the Order Book, whether it is received prior to the opening or it is a GTC FIND Order from a prior day, may be routed at the conclusion of an Opening Process. Non-Public Customer and non-professional FIND Orders are not eligible for routing at the conclusion of an Opening Process. At the end of an Opening Process, any FIND Order that is priced through the Opening Price, pursuant to Phlx Rule 1017(a)(iii), will be cancelled, and any FIND Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). Such FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

(2) With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but
remains better than the PBBO, the FIND Order will reprice and be reexposed at the new price(s) without interrupting the route timer.

(3) A FIND Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book at its limit price. The FIND Order will be treated as DNR for the remainder of the trading day.

(4) A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is inferior to the internal PBBO will be traded at the Exchange at or better than the PBBO price. If the FIND Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, (2) be entered into the Order Book at its limit price, or (3) if locking or crossing the ABBO, be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The FIND Order will be treated as DNR for the remainder of the trading day.

(5) A FIND Order received after an Opening Process that is marketable against the internal PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO. If the FIND Order has size remaining after exhausting the PBBO, it will initiate a Route Timer, and expose the FIND Order at the ABBO to allow market participants an opportunity to interact with the remainder of the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.

(6) If, at the end of the Route Timer pursuant to subparagraph (5) above, the FIND Order is still marketable with the ABBO, the FIND Order will route to an away market up to a size equal to the lesser of either (1) an away market’s size or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after routing, it will (i) trade at the next PBBO price or better, subject to the order’s limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size still remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining
size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.

(7) A FIND Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the internal PBBO will initiate a Route Timer, and expose the FIND Order at the ABBO to allow participants and other market participants an opportunity to interact with the FIND Order. During the Route Timer, the FIND Order will be included in the PBBO at a price that is the better of one MPV away from the ABBO or the PBBO. If, during the Route Timer, any new interest arrives opposite the FIND Order that is equal to or better than the ABBO price, the FIND Order will trade against such new interest at the ABBO price.

(8) If, at the end of the Route Timer pursuant to subparagraph (7) above, the ABBO is still the best price and is marketable with the FIND Order, the order will route to the away market(s) whose disseminated price(s) is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the FIND Order. If the FIND Order still has remaining size after such routing, it will (i) trade at the PBBO price or better, subject to the order's limit price, and, if contracts still remain unexecuted, the remaining size will be routed to away markets disseminating the same price as the PBBO, or (ii) be entered into the Order Book and posted either at its limit price or re-priced one MPV away if the order would otherwise lock or cross the ABBO. If size remains, the FIND Order will not be eligible for routing until the next time the option series is subject to a new Opening Process. The remaining size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.

(9) A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order “ISO” and designed as an IOC order.

(C) **SRCH Order.** A SRCH Order is a Public Customer order that is routable at any time. A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.

(1) At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by
away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.

(2) A SRCH Order received after an Opening Process that is not marketable against the PBBO or the ABBO will be entered into the Order Book. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(3) A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at or better than the PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer, to away markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(4) A SRCH Order received after an Opening Process that is marketable against the PBBO when the ABBO is equal to the internal PBBO will be traded at the Exchange at the internal PBBO price. If the SRCH Order has size remaining after exhausting the PBBO, it will initiate a Route Timer and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the timer, the SRCH Order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price. If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.

(5) If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets’ size, or (2) the remaining size of the SRCH Order. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the book at its limit price if not locking or crossing the PBBO, including All-
or-None Orders which can be satisfied, or the ABBO. The System will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(6) A SRCH Order received after an Opening Process that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer, and expose the SRCH Order at the ABBO to allow participants and other market participants an opportunity to interact with the SRCH Order. During the Route Timer, the SRCH Order will be included in the PBBO at a price that is the better of one MPV inferior to the ABBO or at the PBBO. If, during the Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at the ABBO price.

(7) If, at the end of the Route Timer pursuant to subparagraph (6) above, the ABBO is still the best price and is marketable with the SRCH Order, the order will route to the away market(s) whose disseminated price is better than the PBBO, up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the Order Book at its limit price if not locking or crossing the PBBO including All-or-None Orders which can be satisfied or the ABBO. Once on the Order Book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

(8) A SRCH Order on the Order Book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the SRCH Order during a new Route Timer, which would subsequently initiate at the conclusion of any Route Timer if interest remains, the SRCH Order may route to the away market at the ABBO at the conclusion of such Route Timer. If, during such Route Timer, any new interest arrives opposite the SRCH Order that is equal to or better than the ABBO price, the SRCH Order will trade against such new interest at its SRCH Order price.

(9) If, at the end of the Route Timer pursuant to subparagraph (8) above, the ABBO is still the best price, the SRCH Order will route to the away market(s) up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order still has remaining size after such routing, it may: (i) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO, including All-or-None Orders which can be satisfied, or the ABBO.
(10) A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC order.

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