EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

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Options Rules

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Options 2 Directed Orders

(a) Lead Market Makers, RSQTs and SQTs may receive Directed Orders (as defined in this Rule) in accordance with the provisions of this rule.

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(iii) When the Exchange's disseminated price is the NBBO, and the quotation disseminated by the Directed Lead Market Maker, RSQT, or SQT on the opposite side of the market from the Directed Order is inferior to the internal PBBO or the NBBO at the time of receipt of the Directed Order, the Directed Order shall be automatically executed and allocated to those quotations and orders at the NBBO in accordance with Options 3, Section 10(a)(1).

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Options 3 Options Trading Rules

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Section 7. Types of Orders and Order and Quote Protocols

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[(8) **Qualified Contingent Cross Order** or **QCC Order**. A QCC Order is as that term is defined in Options 3, Section 12.]

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(b) **Limit Orders**. A Limit Order is an order to buy or sell a stated number of options contracts at a specified price or better.

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(3) **Intermarket Sweep Orders**. An Intermarket Sweep Order (ISO) is a Limit Order that meets the requirements of Options 5, Section 1(h). Orders submitted to the Exchange as ISO are not routable and will ignore the ABBO and trade at allowable prices on the Exchange. ISOs must have a TIF designation of IOC. ISOs may not be submitted during the Opening Process pursuant to Options 3, Section 8. ISOs may be entered on the single leg order book or into the Facilitation Mechanism, Solicited Order Mechanism, or into

PIXL[the Price Improvement Mechanism], pursuant to Supplementary Material .06 and .07 to Options 3, Section 11, [pursuant to]and Supplementary Material .08 to Options 3, Section 13.

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(g) **Reserve Orders**. A Reserve Order is a limit order that contains both a displayed portion and a non-displayed portion. Market Makers may not enter Reserve Orders pursuant to Options 2, Section 6.

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(i) **Customer Cross Orders**. A Customer Cross Order is comprised of a Public Customer Order to buy and a Public Customer Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Options 3, Section 12(a).

(j) **Qualified Contingent Cross Order**. A Qualified Contingent Cross ("QCC") Order is comprised of an originating order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Supplementary Material .01 below, coupled with a contra-side order or orders totaling an equal number of contracts. QCC Orders will trade in accordance with Options 3, Section 12(c). QCC Orders may only be entered through FIX.

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(v) **Block Order**. A block order is an order entered into the Block Order Mechanism as described in Options 3, Section 11(a).

(w) [Reserved.]**Facilitation order**. A facilitation order is a paired order entered into the Facilitation Mechanism as described in Options 3, Section 11(b).

(x) [Reserved.]**SOM order**. A SOM order is a paired order entered into the Solicited Order Mechanism as described in Options 3, Section 11(d).

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Supplementary Material to Options 3, Section 7

.01 A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

(a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;

(b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(c) the execution of one component is contingent upon the execution of all other components at or near the same time;

(d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

.02 **Time in Force**. The term "Time in Force" or "TIF" shall mean the period of time that the System will hold an order for potential execution, and shall include:

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(c) **Good-Till-Date**. An order to buy or sell entered with a TIF of "GTD," which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the order, or the expiration of the series; provided, however, that GTD orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract. GTD orders may be entered through FIX.

(d) **Immediate-or-Cancel**. An order entered with a TIF of "IOC" that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled.

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(3) Block Orders, Facilitation Orders, Complex Facilitation Orders, SOM Orders, Complex SOM Orders, PIXL Orders, Complex PIXL Orders, QCC Orders, QCC Complex Orders, Customer Cross Orders, and Customer Cross Complex Orders are considered to have a TIF of IOC. By their terms, these orders will be: (1) executed either on entry or after an exposure period, or (2) cancelled.

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.03 The Exchange offers members the following protocols for entering orders and quotes respectively:

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(B) "**Specialized Quote Feed**" or "**SQF**" is an interface that allows Lead Market Makers, Streaming Quote Traders ("SQTs") and Remote Streaming Quote Traders ("RSQTs") to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, the Market Order Spread Protection, [or]and Size Limitation Protection in Options 3, Section 15(a)(1), (a)(2) and (b)(2), respectively, for single leg orders, or (ii) Complex Order Price Protection as defined in Options 3, Section 16(c)(1) for Complex Orders.

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Section 10. Electronic Execution Priority and Processing in the System

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(b) **Applicability**. This rule does not apply to the Block Order Mechanism described within Options 3, Section 11(a), the Facilitation Mechanism described within Options 3, Section 11(b), the Solicited Order Mechanism described within Options 3, Section 11(d), PIXL described within Options 3, Section 13, and orders described within Options 3, Section 12, unless Options 3, Section 10 is specifically referenced within Phlx Rules applicable to the aforementioned functionality.

([b]c) Zero-Bid Option Series. In the case where the bid price for any options series is $0.00, a Market Order accepted into the System to sell that series shall be considered a Limit Order to sell at a price equal to the minimum trading increment as defined in Options 3, Section 3. Orders will be placed on the Limit Order book in the order in which they were received by the System. With respect to Market Orders to sell which are submitted prior to the Opening Process and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as defined in Options 3, Section 3.

Section 11. [Reserved]Auction Mechanisms

For purposes of this Rule, a "broadcast message" means an electronic message that is sent by the Exchange to all members, and a "Response" means an electronic message that is sent by members in response to a broadcast message. Responses represent non-firm interest that can be canceled or modified at any time prior to execution. Responses are not displayed to any market participants. Also, for purposes of this Rule, the time given to members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via an Options Trader Alert, but no less than 100 milliseconds and no more than 1 second.

(a) **Block Order Mechanism**. The Block Order Mechanism is a process by which a member can obtain liquidity for the execution of block-size orders. The Block Order Mechanism is for single leg transactions only. Block-size orders are orders for fifty (50) contracts or more.

(1) Upon the entry of an order into the Block Order Mechanism, a broadcast message will be sent that includes the series, and may include price, size and/or side, as specified by the member entering the order, and members will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to trade with a block-size order.

(2) At the conclusion of the time given members to enter Responses, either an execution will occur automatically, or the order will be cancelled.

(A) Responses, orders, and quotes will be executed at a single block execution price that is the price for the block-size order at which the maximum number of contracts can be executed consistent with the member's instruction. Bids (offers) on the Exchange at the time the block order is executed that are priced higher (lower) than the block execution price, as well as Responses that are priced higher (lower) than the block execution price, will be executed in full at the block execution price up to the size of the block order.

(B) At the block execution price, Public Customer Orders and Public Customer Responses will be executed first in price time priority, and then quotes, non-Public Customer Orders, and non-Public Customer Responses will participate in the execution of the Block Order based upon the percentage of the total number of contracts available at the block execution price that is represented by the size of the quote, non-Public Customer Order, or non-Public Customer Response.

(3) If a trading halt is initiated after an order is entered into the Block Order Mechanism, such auction will be automatically terminated without execution.

(b) **Facilitation Mechanism**. The Facilitation Mechanism is a process by which a member can execute a transaction wherein the member seeks to facilitate a block-size order it represents as agent, and/or a transaction wherein the member solicited interest to execute against a block-size order it represents as agent. Member must be willing to execute the entire size of orders entered into the Facilitation Mechanism.

(1) Orders must be entered into the Facilitation Mechanism at a price that is (A) equal to or better than the NBBO and the internal PBBO on the same side of the market as the agency order unless there is a Public Customer order on the BBO or internal PBBO on the same side of the market as the agency order, in which case the order must be entered at an improved price over the Public Customer order; and (B) equal to or better than the ABBO on the opposite side. Orders that do not meet these requirements are not eligible for the Facilitation Mechanism and will be rejected.

(2) Upon the entry of an order into the Facilitation Mechanism, a broadcast message that includes the series, price and size of the agency Order, and whether it is to buy or sell, will be sent and members will be given an opportunity to enter Responses with the prices and sizes at which they want to participate in the facilitation of the order.

(3) Responses may be priced at the price of the order to be facilitated or at a better price and will only be considered up to the size of the order to be facilitated. Responses must be entered at a price that is equal to or better than the better of the internal PBBO or the NBBO: (1) on the same side of the market at the start of the auction; and (2) on the opposite side of the market at the time the Response is received.

(4) At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(A) Unless there is sufficient size to execute the entire facilitation order at a better price, Public Customer Orders and Public Customer Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Non-Public Customer Orders and non-Public Customer Responses to buy (sell), and Market Maker quotes at the time the facilitation order is executed that are priced higher (lower) than the facilitation price, will be executed at their stated price, thereby providing the order being facilitated a better price for the number of contracts associated with such higher bids (lower offers). The facilitation order will be cancelled at the end of the exposure period if an execution would take place at a price that is inferior to the Exchange best bid (offer), or if there is a Public Customer Order on the same side Exchange best bid (offer) at the same price as the facilitation price unless the Facilitation Order can execute at a price that is better than the same side Public Customer Order.

(B) The facilitating member will be allocated up to forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, orders and quotes, as well as Public Customer Orders and Public Customer Responses at the facilitation price, are executed in full at such price point. Thereafter, quotes, non-Public Customer Orders, and non-Public Customer Responses will execute pursuant to the priority allocations in Options 3, Section 10(a)(1)(E) and (F).

(C) Upon entry of an order into the Facilitation Mechanism, the facilitating member can elect to automatically match the price and size of orders, quotes and responses received during the exposure period up to a specified limit price or without specifying a limit price. If a member elects to auto-match, the facilitating member will be allocated the aggregate size of all competing quotes, orders, and Responses at each price point, or at each price point up to the specified limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating member shall be allocated up to forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after Public Customer Orders and Public Customer Responses at such price point. Thereafter, non-Public Customer Orders, non-Public Customer Responses, and quotes will execute pursuant to the priority allocations in Options 3, Section 10(a)(1)(E) and (F). An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(D) Under no circumstances will the facilitating member receive an allocation percentage, at the final price point, of more than 40% of the original size of the Facilitation Order with one or multiple competing quote(s), order(s), or Response(s), except for rounding, when competing quotes, orders, or Responses have contracts available for execution.

(5) If a trading halt is initiated after an order is entered into the Facilitation Mechanism, such auction will be automatically terminated without execution.

(c) **Complex Facilitation Mechanism**. Members may use the Facilitation Mechanism in sub-paragraph (b) above to execute block-size Complex Orders at a net price. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement. The Complex Facilitation Mechanism is a process by which a member can execute a transaction wherein the member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the member solicited interest to execute against a block-size Complex Order it represents as agent. Members must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.

(1) Complex Orders entered into the Complex Facilitation Mechanism must be priced within the parameters described below. Complex Orders that do not meet these requirements are not eligible for the Complex Facilitation Mechanism and will be rejected.

(2) Complex Options Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the agency Order; and (B) equal to or better than the best net price achievable from the best Phlx bids and offers for the individual legs on the same side of the market as the agency Order; provided that, if there is a Public Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Options 3, Section 14(c)(2).

(3) Stock-Option Orders and Stock-Complex Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the agency Order; and (B) equal to or better than the best net price achievable from the best Phlx bids and offers for the individual legs on both sides of the market; provided that, if there is a Public Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Options 3, Section 14(c)(2).

(4) A Complex Order entered into the Complex Facilitation Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, such auction will be automatically terminated without execution.

(5) Upon the entry of a Complex Order into the Complex Facilitation Mechanism, a broadcast message that includes the net price, side and size of the agency Complex Order will be sent and members will be given an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the agency Complex Order. The time given to members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second.

(6) Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated. Responses must be entered in the increments provided in Options 3, Section 14(c)(1) at the facilitation price or at a price that is at least one cent better for the agency Order.

(7) Responses submitted by members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(A) Unless there is sufficient size to execute the entire facilitation order at a better net price, Public Customer Complex Orders and Public Customer Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Non-Public Customer Complex Orders and non-Public Customer Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers).

(B) The facilitating member will be allocated up to forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders, as well as Public Customer Complex Orders and Public Customer Responses at the facilitation price, are executed in full. Thereafter, non-Public Customer Complex Orders and non-Public Customer Responses will execute pursuant to the priority allocations in Options 3, Section 10(a)(1)(E) and (F).

(C) Upon entry of a Complex Order into the Complex Facilitation Mechanism, the facilitating member can elect to automatically match the net price and size of Complex Orders and Responses received during the exposure period up to a specified limit price or without specifying a limit price. This election will also automatically match the net price available from the Phlx best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the facilitating member will be allocated the aggregate size of all competing Complex Orders and Responses at each price point, or at each price point up to the specified limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating member will be allocated up to forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after Public Customer Orders and Public Customer Responses at such price point. Thereafter, non-Public Customer Complex Orders and non-Public Customer Responses at the price point will execute pursuant to the priority allocations in Options 3, Section 10(a)(1)(E) and (F). An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(D) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Facilitation Mechanism, the priority rules applicable to the execution of Complex Orders contained in Options 3, Section 14(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses and, for Complex Options Orders, the Phlx best bids and offers on the individual legs, the facilitation order will be executed against such interest.

(E) Under no circumstances will the facilitating member receive an allocation percentage, at the final price point, of more than 40% of the original size of the Complex Facilitation Order with one or multiple competing Complex Order(s) or Response(s), except for rounding, when competing Complex Orders or Responses have contracts available for execution.

(d) **Solicited Order Mechanism**. The Solicited Order Mechanism is a process by which a member can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it solicited. Each order entered into the Solicited Order Mechanism shall be designated as all-or-none.

(1) Orders must be entered into the Solicited Order Mechanism at a price that is equal to or better than the NBBO and the internal PBBO on both sides of the market; provided that, if there is a Public Customer order on the BBO or internal PBBO, the order must be entered at an improved price over the Public Customer order. Orders that do not meet these requirements are not eligible for the Solicited Order Mechanism and will be rejected.

(2) Upon entry of both orders into the Solicited Order Mechanism at a proposed execution price, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent and members will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the execution of the Agency Order. Responses must be entered at a price that is equal to or better than the better of the internal PBBO or the NBBO: (1) on the same side of the market at the start of the auction; and (2) on the opposite side of the market at the time the Response is received.

(3) At the end of the period given to members to enter Responses, the Agency Order will be automatically executed in full or cancelled.

(A) If at the time of execution there is insufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed against the solicited order at the proposed execution price so long as, at the time of execution: (i) the execution price is equal to or better than the best bid or offer on Phlx, and (ii) there are no Public Customer Orders or Public Customer Responses on the Exchange that are priced equal to the proposed execution price. If there are Public Customer Orders or Public Customer Responses on Phlx on the opposite side of the Agency Order at the proposed execution price and there is sufficient size to execute the entire size of the Agency Order, the Agency Order will be executed against the bid or offer, and the solicited order will be cancelled. The aggregate size of all orders, quotes and Responses at the bid or offer will be used to determine whether the entire Agency Order can be executed. Both the solicited order and Agency Order will be cancelled if an execution would take place at a price: (1) that is inferior to the best bid or offer on the Exchange; (2) if there is a Public Customer Order or Public Customer Response on the Exchange at the proposed execution price but there is insufficient size on Phlx to execute the entire Agency Order; (3) if there is a Public Customer Order on the same side Exchange best bid (offer) at the same price as the solicitation price unless the Solicitation Order can execute at a price that is better than the same side Public Customer Order.

(B) If at the time of execution there is sufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed at the improved price(s), subject to the condition in (A)(i), and the solicited order will be cancelled. The aggregate size of all orders, quotes and Responses at each price will be used to determine whether the entire agency order can be executed at an improved price (or prices).

(C) When executing the Agency Order against the bid or offer in accordance with paragraph (A) above, or at an improved price in accordance with paragraph (B) above, Public Customer Orders and Public Customer Responses will be executed first. Thereafter, non-Public Customer Orders, non-Public Customer Responses, and quotes will execute pursuant to the priority allocations in Options 3, Section 10(a)(1)(E) and (F).

(4) If a trading halt is initiated after an order is entered into the Solicited Order Mechanism, such auction will be automatically terminated without execution.

(5) Prior to entering Agency Orders into the Solicited Order Mechanism on behalf of a customer, members must deliver to the customer a written notification informing the customer that its order may be executed using the Phlx's Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

(e) **Complex Solicited Order Mechanism**. The Complex Solicited Order Mechanism is a process by which an member can attempt to execute Complex Orders it represents as agent (the "Agency Complex Order") against contra orders that it solicited according to sub-paragraph (d) above. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in sub-paragraph (d) above.

(1) Complex Orders must be entered into the Complex Solicited Order Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on both sides of the market; and (B) equal to or better than the best net price achievable from the best Phlx bids and offers for the individual legs on both sides of the market; provided that, if there is a Public Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Options 3, Section 14(c)(2). Complex Orders that do not meet these requirements are not eligible for the Complex Solicited Order Mechanism and will be rejected.

(2) A Complex Order entered into the Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Solicited Order Mechanism, such auction will be automatically terminated without execution.

(3) Upon entry of both orders into the Complex Solicited Order Mechanism at a proposed execution net price, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and members will be given an opportunity to enter Responses with the net prices and sizes at which they would be willing to participate in the execution of the Agency Complex Order. The time given to members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Responses must be entered in the increments provided in Options 3, Section 14(c)(1) at the proposed execution net price or at a price that is at least one cent better for the Agency Order.

(4) Responses submitted by members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (A) through (D) below, or cancelled.

(A) If at the time of execution there is insufficient size to execute the entire Agency Complex Order at an improved net price(s) pursuant to paragraph (e)(4)(C) below, the Agency Complex Order will be executed against the solicited Complex Order at the proposed execution net price so long as, at the time of execution: (i) the execution net price is equal to or better than the best net price achievable from the best Phlx bids and offers for the individual legs, (ii) the Complex Order can be executed in accordance with Options 3, Section 14(c)(2) with respect to the individual legs, (iii) the execution net price is equal to or better than the best bid or offer on the Complex Order Book, and (iv) there are no Public Customer Complex Orders or Responses that are priced equal to or better than the proposed execution price.

(B) If there are Public Customer Complex Orders or Responses on the opposite side of the Agency Complex Order at the proposed execution net price and there is sufficient size to execute the entire size of the Agency Complex Order, the Agency Complex Order will be executed against such interest, and the solicited Complex Order will be cancelled, provided that: (i) the execution net price is equal to or better than the best net price achievable from the best Phlx bids and offers for the individual legs, and (ii) the Complex Order can be executed in accordance with Options 3, Section 14(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses and, for Complex Options Orders, the aggregate size available from the best bids and offers for the individual legs, will be used to determine whether the entire Agency Complex Order can be executed pursuant to this paragraph.

(C) If at the time of execution there is sufficient size to execute the entire Agency Complex Order at an improved net price(s), the Agency Complex Order will be executed at the improved net price(s), and the solicited Complex Order will be cancelled, provided that: (i) the execution net price is equal to or better than the best net price achievable from the best Phlx bids and offers for the individual legs, and (ii) the Complex Order can be executed in accordance with Options 3, Section 14(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses, and the aggregate size available from the best bids and offers for the individual legs for a Complex Options Order, will be used to determine whether the entire Agency Complex Order can be executed at an improved net price(s).

(D) When executing the Agency Complex Order against other interest in accordance with Options 3, Section 14(d)(2)(ii), Public Customer Complex

Orders and Public Customer Responses will be executed first. Thereafter, non-Public Customer Complex Orders and non-Public Customer Responses will execute pursuant to the priority allocations in Options 3, Section 10(a)(1)(E) and (F). Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Options 3, Section 14 and the Supplementary Material thereto.

(5) Prior to entering Agency Orders into the Complex Solicited Order Mechanism on behalf of a customer, members must deliver to the customer a written notification informing the customer that its order may be executed using Phlx's Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

(f) **Limitation on Concurrent Complex Strategy Auctions**. Only one Exposure Auction at Supplementary Material .01 to Options 3, Section 14, Complex PIXL auction at Options 3, Section 13, Complex Facilitation Mechanism auction at Options 3, Section 11(c), or Complex Solicited Order Mechanism auction at Options 3, Section 11(e), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. The Exchange will not initiate an Exposure Auction, Complex PIXL auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a Complex Strategy while another Exposure Auction, Complex PIXL auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex PIXL auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.

(g) **Concurrent Complex Order and single leg auctions**. An auction in the Block Order Mechanism at Options 3, Section 11(a), Facilitation Mechanism at Options 3, Section 11(b), Solicited Order Mechanism at Options 3, Section 11(d), or PIXL at Options 3, Section 13, respectively, for an option series may occur concurrently with a Complex Order Exposure Auction at Supplementary Material .01 to Options 3, Section 14, Complex Facilitation Auction at Options 3, Section 11(c), Complex Solicited Order Auction at Options 3, Section 11(e), or Complex PIXL auction at Options 3, Section 13, respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Options 3, Section 11(a), (b), (d), or Section 13, as applicable, for the single option, or pursuant to Supplementary Material .01 to Options 3, Section 14, Options 3, Section 11(c), 11(e), Options 3, Section 13, as applicable, for the Complex Order, except as provided for at Options 3, Section 13.

Supplementary Material to Options 3, Section 11

.01 It will be a violation of a member’s duty of best execution to its customer if it were to cancel a facilitation order to avoid execution of the order at a better price. The availability of the Facilitation Mechanism does not alter a member's best execution duty to get the best price for its customer. Accordingly, while facilitation orders can be canceled during the time period given for the entry of Responses, if a member were to cancel a facilitation order when there was a superior price available on the Exchange and subsequently re-enter the facilitation order at the same facilitation price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the member did so to avoid execution of its customer order in whole or in part by other brokers at the better price. Additionally, any solicited contra orders entered by members into the Facilitation Mechanism to trade against agency orders may not be for the account of a Phlx Market Maker that is assigned to the options class.

.02 Reserved.

.03 Under paragraph (d) above, members may enter contra orders that are solicited. The Solicited Order Mechanism provides a facility for members that locate liquidity for their customer orders. Members may not use the Solicited Order Mechanism to circumvent Exchange Options 3, Section 22(b) limiting principal transactions. This may include, but is not limited to, members entering contra orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the member has an arrangement that allows the member to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, any solicited contra orders entered by members to trade against Agency Orders may not be for the account of a Phlx Market Maker that is assigned to the options class.

.04 **Split Prices.** Orders and Responses may be entered into the Facilitation and Solicitation Mechanisms and receive executions at the mid-price between the standard minimum trading increments for the options series (“Split Prices”). This means that orders and Responses for options with a minimum increment of 5 cents may be entered into the Facilitation and Solicited Order Mechanisms and receive executions in 2.5 cent increments (e.g., \$1.025, \$1.05, \$1.075, etc.), and that orders and Responses for options with a minimum increment of 10 cents may be entered into the Facilitation and Solicited Order Mechanism and receive executions at 5 cent increments (e.g., \$4.05, \$4.10, \$4.15, etc.). Orders and Responses in the market that receive the benefit of the facilitation price under paragraph (b)(3)(i) may also receive executions at Split Prices.

.05 **Penny Prices**. Orders and Responses may be entered into the Block Order Mechanism and receive executions at penny increments. Orders and quotes in the market that receive the benefit of the block execution price under paragraph (a)(2)(A) may also receive executions at penny increments.

.06 **Facilitation ISO Order**. A Facilitation ISO order (“Facilitation ISO”) is the transmission of two orders for crossing pursuant to paragraph (b) above without regard for better priced Protected Bids or Protected Offers (as defined in Options 5, Section 1) because the member transmitting the Facilitation ISO to the Exchange has, simultaneously with the transmission of the Facilitation ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting Facilitation auction price. Any execution(s) resulting from such sweeps shall accrue to the agency order.

.07 **Solicitation ISO Order**. A Solicitation ISO order ("Solicitation ISO") is the transmission of two orders for crossing pursuant to paragraph (d) above without regard for better priced Protected Bids or Protected Offers (as defined in Options 5, Section 1) because the member transmitting the Solicitation ISO to the Exchange has, simultaneously with the transmission of the Solicitation ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting Solicitation auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the Agency Order.

.08 **Complex Facilitation and Complex SOM Orders with stock/ETF components**.

(a) Members may only submit Complex Facilitation Orders, Complex SOM Orders, and/or Responses with a stock/ETF component if such orders/Responses comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Members submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market ("Nasdaq") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Execution Services, LLC ("NES") in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative ("QSR") arrangement with NES in order to trade orders containing a stock/ETF component.

(b) Where one component of a Complex Facilitation Order, Complex SOM Order, and/or Response is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex Facilitation Order or Complex SOM Order to NES, its designated broker-dealer, for immediate execution. Such execution and reporting will not occur on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. The execution price must be within a certain price from the current market, as determined by the Exchange pursuant to Options 3, Section 16(a). If the stock price is not within these parameters, the Complex Facilitation Order, Complex SOM Order, and/or Response is not executable and would be cancelled.

(c) When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex Facilitation Order, Complex SOM Order and/or Response if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered security component of a Complex Facilitation Order, Complex SOM Order and/or Response if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national best bid. When a response or an unrelated limit complex order on the complex order book includes a short sale order in the underlying covered security, NES will execute such order at (1) its stated limit price if the facilitating member's contra order or the contra-side solicited Complex Order does not include a short sale order in the underlying security; or (2) its stated limit price or better if the facilitating member' contra order or the solicited contra-side Complex Order includes a short sale order in the underlying covered security. If NES cannot execute the underlying covered security component of a Complex Facilitation Order, Complex SOM Order and/or Response in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex Facilitation Order, Complex SOM Order and/or Response to the entering member. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.

.09 If an allocation would result in less than one contract, then one contract will be allocated.

Section 12. [Electronic Qualified Contingent Cross Order]Crossing Orders

(a) **Customer Cross Orders**. Customer Cross Orders are automatically executed upon entry provided that the execution is at or between the best bid and offer on the Exchange and (i) is not at the same price as a Public Customer Order on the Exchange's limit order book and (ii) will not trade through the NBBO.

(1) Customer Cross Orders will be automatically canceled if they cannot be executed.

(2) Customer Cross Orders may only be entered in the regular trading increments applicable to the options class under Options 3, Section 3.

(3) Options 3, Section 22(b)(1) applies to the entry and execution of Customer Cross Orders.

(b) Complex Customer Cross Orders. Complex Orders may be entered as Customer Cross Orders, as defined in Options 3, Section 7(i). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Public Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of Options 3, Section 14(c)(2). Complex Customer Cross Orders will be rejected if they cannot be executed. Options 3, Section 22(b)(1) applies to Complex Customer Cross Orders.

(1) Members may only submit Complex Customer Cross Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Members submitting such orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market ("Nasdaq") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Execution Services, LLC ("NES") in order to trade orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative ("QSR") arrangement with NES in order to trade orders containing a stock/ETF component.

(2) Where one component of a Complex Customer Cross Order is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex Customer Cross Order to NES, its designated broker-dealer, for immediate execution. Such execution and reporting will not occur on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. The execution price must be within a certain price from the current market, as determined by the Exchange. If the stock price is not within these parameters, the Complex Customer Cross Order is not executable.

(3) When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex Customer Cross Order if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered security component of a Complex Customer Cross Order if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national best bid. If NES cannot execute the underlying covered security component of a Complex Customer Cross Order in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex Customer Cross Order to the entering member. For purposes of this paragraph, the term “covered security” shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.

[(a) **Qualified Contingent Cross Orders**. A Qualified Contingent Cross Order is comprised of an originating electronic order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Public Customer orders are at the same price on the Exchange's Limit Order book and (ii) the price is at or between the better of the PBBO and the NBBO.

(A) Qualified Contingent Cross Orders will be automatically cancelled if they cannot be executed.

(B) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Options 3, Section 3.

(2) Qualified Contingent Cross Orders shall only be submitted electronically from off the Floor to the System. Order Entry Firms must maintain books and records demonstrating that each Qualified Contingent Cross Order was routed to the Exchange System from off of the Floor. Any Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered from on the Floor in violation of this Rule.

(3) A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

(A) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;

(B) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(C) the execution of one component is contingent upon the execution of all other components at or near the same time;

(D) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(E) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(F) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.]

(c) **Qualified Contingent Cross Orders**. Qualified Contingent Cross Orders are automatically executed upon entry provided that the execution (i) is not at the same price as a Public Customer Order on the Exchange's limit order book and (ii) is at or between the better of the internal PBBO or the NBBO.

(1) Qualified Contingent Cross Orders will be automatically canceled if they cannot be executed.

(2) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under in Options 3, Section 3.

(d) Complex Qualified Contingent Cross Orders. Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in Options 3, Section 7(j). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the Complex Order Book; (ii) there are no Public Customer Complex Options Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that (A) are at or between the better of the internal PBBO or the NBBO for the individual series, and (B) comply with the provisions of Options 3, Section 14(c)(2)(i), provided that no legs of the Complex Options Order can be executed at the same price as a Public Customer Order on the Exchange in the individual options series. Complex Qualified Contingent Cross Orders will be rejected if they cannot be executed. Complex Qualified Contingent Cross Orders may be entered in one cent increments. Each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders.

[Supplementary Material to Options 3, Section 12

.01 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of QCC Orders.]

Section 13. Price Improvement XL ("PIXL")

A member may electronically submit for execution an order it represents as agent on behalf of a Public Customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in sub-paragraph (a)([6]7 below) it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction") pursuant to this Rule. [The execution of a PIXL Order that is comprised of a Public Customer order to buy and a Public Customer to sell at the same price and for the same quantity will be governed by Options 3, Section 13(a) and (f) ("Public Customer-to-Public Customer Cross Order")].

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

(1) If the PIXL Order (except if it is a Complex Order) is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer ("NBBO") or the difference between the internal best bid and the internal best offer ("internal PBBO") is $0.01, the Initiating Member must stop the entire PIXL Order at a price that is:

(A) $0.01 better than the NBBO and the internal PBBO on the **opposite side** of the market from the PIXL Order, and

(B) on the **same side** of the market as the PIXL Order,

(i) equal to or better than the NBBO and

(ii) better than any Limit Order on the Limit Order book. If the PIXL Order is for a Non-Public Customer, the PIXL Order must also be better than any quote on the same side of the market as the PIXL Order.

(2) If the PIXL Order (except if it is a Complex Order) is for the account of a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO or the difference between the internal PBBO is greater than $0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is:

(A) equal to or better than the NBBO and the internal market PBBO [(the "Reference BBO")] on the **opposite side** of the market from the PIXL Order, and

* * * * *

(3) If the PIXL Order (except if it is a Complex Order) is for the account of a broker dealer or any other person or entity that is not a Public Customer and such order is for 50

option contracts or more, or if the difference between the NBBO or the difference between the internal PBBO is greater than $0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is:

(A) equal to or better than the NBBO and the internal market PBBO [(the "Reference BBO")] on the **opposite side** of the market from the PIXL Order, and

(B) on the **same side** of the market as the PIXL Order[, the better of]:

[(i) the Reference BBO price improved by at least $0.01,]

(i[i]) at least $0.01 better than any [the PIXL Order's] [l]Limit [price]Order or quote on the Phlx order book, [(if the order is a Limit Order), or] and

(ii[i]) equal to or better than the NBBO.

(4) If the PIXL Order is a Complex Order [and of a conforming ratio as defined in Options 3, Section 14(a)(i) and (a)(ix),] the Initiating member [organization] must stop the entire PIXL order at a price that is better than the best net price (debit or credit)

(A) available on the Complex Order book on both sides of the market regardless of the Complex Order book size, and

(B) achievable from the best Phlx bids and offers for the individual options on both sides of the market (an "improved net price"), [provided in either case that such price is equal to or better than the PIXL Order's limit price]. Complex Orders consisting of a ratio other than a conforming ratio will not be accepted. This subparagraph (4) shall apply to all Complex Orders submitted into PIXL.

* * * * *

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

([8]7) An Initiating Order may not be a solicited order for the account of any Exchange Lead Market Maker, SQT, RSQT or non-streaming Market Maker assigned in the affected series.

If any of the above criteria are not met, the PIXL Order will be rejected. [Pursuant to paragraph (f), the Exchange will allow a Public Customer-to-Public Customer PIXL Order to trade on either the bid or offer, if the NBBO is $0.01 wide, provided (1) the execution price is equal to or within the NBBO, (2) there is no resting Public Customer at the execution price, and (3) $0.01 is the Minimum Price Variation (MPV) of the option.] The Exchange will continue to reject a PIXL Order to buy (sell) if the NBBO is only $0.01 wide and the [A]agency order is stopped on the bid (offer) if there is a resting order on the bid (offer).

(b) Auction Process. Only one Auction may be conducted at a time in the same series or same strategy, otherwise the orders will be rejected. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(1) Auction Period and PIXL Auction Notification ("PAN").

(A) To initiate the Auction (except if it is a Complex Order), the Initiating member [organization] must mark the PIXL Order for Auction processing, and specify either:

(i) a single price at which it seeks to execute the PIXL Order (a "stop price"); <u>or</u>

(ii) that it is willing to <u>either:</u>

<u>(a) stop the entire order at a single stop price and </u>automatically match as principal or as agent on behalf of an Initiating Order the price and size of all PAN responses[,] and trading interest (“auto-match”); <u>or</u>

<u>(b)</u> [in which case the PIXL Order will be stopped at the better of the NBBO or the Reference BBO on the Initiating Order side; or (iii) that it is willing to either: a)]stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a “Not Worse Than” or “NWT” price).

[; b) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or c) stop the entire order at the better of the NBBO or Reference BBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price].

In all cases, if the PBBO on the same side of the market as the PIXL Order represents a Limit Order on the book, the stop price must be at least $0.01 better than the booked Limit Order’s limit price. Once the Initiating member [organization] has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in subparagraphs (i)-(ii[i]) above, the [stop price or]NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. Under no circumstances will the Initiating member [organization] receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, <u>except for rounding</u> when competing quotes, orders or PAN responses have contracts available for execution.

For purposes of this Rule, Surrender shall mean the target allocation percentage the contra-side requests to be allocated from 0% to 39%. If the Initiating member requests 40% for the contra-side, then the contra-side order would receive its full priority and trade allocation provisions that it would be entitled to pursuant to Section 13(b)(5)(B)(i) and (ii). When starting an Auction, the Initiating member [organization] may submit the Initiating Order with a percentage designation (a percentage from 0% up to 40% as noted above) of "Surrender", [with a designation of "surrender" to the other PIXL participants ("Surrender")] which will result in the Initiating member [organization] being allocated its designated percentage [forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per] pursuant to paragraph (b)(5)(B)(i) and (ii). If zero (0%) [Surrender]is specified, the Initiating Order will only trade if there is not enough interest available to fully execute the PIXL Order at prices which are equal to or improve upon the stop price. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating member [organization] than that which the Initiating member [organization] would have otherwise received in accordance with the allocation procedures set forth in this Rule. [Surrender will not be applied if both the Initiating Order and PIXL Order are Public Customer orders.] Surrender information will not be available to other market participants and may not be modified.

(B) To initiate the PIXL Complex Order Auction, the Initiating member [organization] must mark the PIXL Order for Auction processing, and specify either: (i) a single price at which it seeks to execute the PIXL Order (a "stop price"); or (ii) that it is willing to either: a) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); or (b) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price. Once the Initiating member [organization] has submitted a PIXL Complex Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (i)-(ii) above, the [stop price or] NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled.

For purposes of this Rule, Surrender shall mean the target allocation percentage the contra-side requests to be allocated from 0% to 39%. If the member requests 40%, then the member would receive its full priority and trade allocation provisions that it would be entitled to pursuant to Section 13(b)(5)(B)(i) and (ii). When starting a PIXL Complex Order Auction, the Initiating member [organization] may submit the Initiating Order with a percentage designation (a percentage from 0% up to 40% as noted above) of "Surrender"[with a designation of "surrender" to the other PIXL participants ("Surrender")], which will result in the Initiating member [organization] being allocated its designated percentage[forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per]pursuant to paragraph (b)(5)(B)(iv). If zero (0%)[Surrender] is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PIXL Order at prices which are equal to or improve upon the stop price. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating member [organization] than that which the Initiating member [organization] would have otherwise received in accordance with the allocation procedures set forth in this Rule. [Surrender will not be applied if both the Initiating Order and PIXL Complex Order are Public Customer orders.] Surrender information will not be available to other market participants and may not be modified.

(C) When the Exchange receives a PIXL Order for Auction processing, a PAN detailing the price, side and size and option series of the PIXL Order will be sent over the Exchange's [TOPO]Phlx Orders data feed pursuant to Options 3, Section 23(a)(1) and Specialized Quote Feed pursuant to Supplementary Material .03(C) to Options 3, Section 7[(a)(i)(B)].

* * * * *

(G) (i) The minimum price increment for PAN responses and for an Initiating member,' [organization's] stop price and/or NWT price (except if it is a Complex Order) shall be $0.01.

(ii) The minimum price increment for PAN responses and for an Initiating member's [organization's] stop price and/or NWT price in the case of a Complex Order shall be [$0.01]entered in the increments provided in Options 3, Section 14(c)(1). Responses that improve the stop price must improve the price by at least $0.01.

(H) A PAN response size will be considered for any size up to the size of the PIXL Order. [at any given price point may not exceed the size of the PIXL Order. A PAN response with a size greater than the size of the PIXL Order will be immediately cancelled.]

(I) A PAN response (except if it is a Complex Order) must be equal to or better than the better of the NBBO and the [Reference]internal PBBO: (1) on the same side of the market at the [time of]start of the Auction[receipt of the PAN response]; and (2) on the opposite side of the market at the time the PAN response is received. [A Complex Order PAN response must be equal to or better than the cPBBO, as defined in Options 3, Section 14(a) at the time of receipt of the PAN response.] PAN responses may be modified or cancelled during the Auction. [A PAN response (except if it is a Complex Order) submitted with a price that is outside the better of the NBBO or Reference BBO will be immediately cancelled. A Complex Order PAN response submitted with a price that is outside the cPBBO will be rejected.] A PAN or Complex Order PAN response which is inferior to the stop price of the PIXL order will be cancelled at the conclusion of the PIXL Auction.

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

(K) Multiple PAN responses from the same member may be submitted during the Auction. Multiple orders at a particular price point submitted by a member in response to a PAN may not exceed, in the aggregate, the size of the PIXL Order. However, a member using the same badge/mnemonic may only submit a single PAN response per auction ID for a given auction. If an additional PAN response is submitted for the same auction ID from the same badge/mnemonic, then that PAN response will automatically replace the previous PAN response.

(2) Conclusion of Auction. The PIXL Auction shall conclude at the earlier to occur of (A) through ([D]F) below, with the PIXL Order executing pursuant to paragraph (2)(A) through (D) below.

(A) The end of the Auction period;

(B) For a PIXL Auction (except if it is a Complex Order), any time the [Reference]internal PBBO crosses the PIXL Order stop price on the same side of the market as the PIXL Order;

[(C) For a Complex Order PIXL Auction, any time the cPBBO including Reference BBO or the Complex Order book crosses the PIXL Order stop price on the same side of the market as the PIXL Order (defined for these purposes as a "Complex PIXL Order" or, as the context requires, a "PIXL Order"); or]

(C) For a Complex Order PIXL Auction, upon the receipt of a Complex Order in the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs;

(i) When a marketable Complex Order on the opposite side of the Complex PIXL Order ends the exposure period, it will participate in the execution of the Complex PIXL Order at the price that is mid-way between the best counter-side interest and the same side best bid or offer on the Complex Order Book or net price from Exchange's best bid or offer on the individual legs, whichever is better, so that both the marketable Complex Order and the Complex PIXL Order receive price improvement. Transactions will be rounded, when necessary, to the $0.01 increment that favors the Complex PIXL Order.

(ii) When a marketable Complex Order on the same side of the PIXL Complex Order ends the exposure period, the Complex PIXL Order will trade pursuant to Options 3, Section 13(b)(8).

(D) For a Complex Order PIXL Auction, upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the PIXL Complex Order that would cause the execution of the Complex PIXL Order to be at or outside of the best bid or offer on the Complex Order Book;

(E) For a Complex Order PIXL Auction, when a resting Complex Order in the same complex strategy on either side of the market becomes marketable against the Complex Order Book or bids and offers for the individual legs; or

([D]F) Any time there is a trading halt on the Exchange in the affected series.

(3) [If the situations described in sub-paragraphs (2)(B), (C), or (D) above occur, the entire PIXL Order will be executed at: (A) in the case of the Reference BBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a Limit Order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least $0.01 better than the price of such Limit Order at the time of the conclusion of the Auction; (B) in the case of the cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the same side of the market as the Complex PIXL Order, the stop price against executable PAN responses and executable Complex Orders using the allocation algorithm in subparagraph (5)(B)(iv)(a) through d); or (C) i]In the case of a trading halt on the Exchange in the affected series, the entire PIXL Order would be executed at the stop price[, in which case the PIXL Order will be executed] solely against the Initiating Order. Any unexecuted PAN responses will be cancelled. If a trading halt is initiated after the order is entered into the Complex PIXL, such auction will be automatically terminated without an execution.

(4) Unrelated market or marketable interest (against the PBBO) on the opposite side of the market from the PIXL Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction. [In the case of a Complex PIXL Auction, an unrelated market or marketable limit Complex Order on the opposite side of the market from the Complex PIXL Order as well as interest for the individual components of the Complex Order received during the Auction will not cause the Auction to end early and will execute against interest outside of the Auction.] If contracts remain from such unrelated interest at the time the Auction ends, they will be considered for participation in the order allocation process described in sub-paragraph (5) below.

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

(A) Public Customer orders shall have priority at each price level.

(B) After Public Customer interest at a particular price level has been satisfied, remaining contracts will be allocated among all Exchange quotes, orders and PAN responses as [follows:]set forth below. Notwithstanding the below, generally, with respect to bids and offers for the individual legs of a Complex Order entered into the Complex PIXL, the priority rules applicable to the execution of Complex Orders contained in Options 3, Section 14(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Complex PIXL, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, PAN Responses and, for Complex Options Orders, the Phlx best bids and offers on the individual legs, the PIXL Complex Order will be executed against such interest.

(i) If the Initiating member [organization] selected the single stop price option of the PIXL Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% (or such lower percentage requested by the Initiating member) of the [remaining contracts]initial size of the PIXL Order after Public Customer interest is satisfied being allocated to the Initiating member [organization] at the stop price. However, if only one other participant matches the stop price, then the Initiating member [organization] may be allocated up to 50% of the contracts executed at such price, provided the Initiating member had not designated a percentage designation of "Surrender" when initiating the Auction. Remaining contracts shall be allocated pursuant to the algorithm set forth in Options 3, Section 10(a)(1)(E) and (F)[(G)] among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating member [organization]. The allocation will account for Surrender, if applicable.

(ii) If the Initiating member [organization] selected the auto-match option of the PIXL Auction (except if it is a Complex Order), the Initiating member [organization] shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating member [organization] shall be entitled to receive up to 40% [(]if there are multiple competing quotes, orders or PAN responses [)](or such lower percentage requested by the Initiating member) or 50% [(]if there is only one competing quote, order or PAN response[)](provided the Initiating member had not designated a percentage designation of "Surrender" when initiating the Auction) of the [contracts remaining]initial size of the PIXL Order at the final price point (including situations where the stop price is the final price) after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in [paragraph]Options 3, Section 10(a)(1)(E) and (F). Any remaining contracts shall be allocated to the Initiating member [organization].

(iii) In the case of a PIXL (except if it is a Complex Order), if the Initiating member [organization] selected the "stop and NWT" option of the PIXL Auction pursuant to Options 3, Section 13(b)(1)(B)(ii)(a), contracts shall be allocated as follows:

a. first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to the algorithm set forth in Options 3, Section 10(a)(1)(A) and (E) – (F)[(G)] at each price point;
b. next, to quotes, orders and PAN responses at prices at the Initiating member’s [organization's] NWT price and better than the Initiating member’s [organization's] stop price, beginning with the NWT price. The Initiating member [organization] shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating member [organization] shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the [contracts remaining]initial size of the PIXL Order at the final price point (including situations where the final price is the stop price) after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating member [organization] shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating member [organization] shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the [contracts remaining]initial size of the PIXL Order at the final price point (including situations where the final price is the stop price) after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in paragraph Options 3, Section 10(a)(1)(E) – (F[G]). Any remaining contracts shall be allocated to the Initiating member [organization].

(iv) In the case of a Complex Order PIXL, if the Initiating member [organization] selected the single stop price option of the PIXL Auction, PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% (or such lower percentage requested by the Initiating member) of the [remaining contracts]initial size of the PIXL Order after Public Customer complex interest is satisfied being allocated to the Initiating member [organization] at the stop price. If only one other participant matches the stop price, then the Initiating member [organization] may be allocated up to 50% of the contracts executed at such price, provided the Initiating member had not designated a percentage designation of “Surrender” when initiating the Auction. Complex Orders on the PHLX Complex Order Book, PAN responses, and quotes and orders which comprise the [cPBBO]best net price achievable from the best bids and offers for the individual legs at the end of the Auction will be considered for allocation against the Complex PIXL order. Such interest will be allocated at a given price in the following order: (a) to Public Customer Complex Orders and PAN responses in time priority; (b) to [SQT, RSQT, and Floor]Market Maker Complex Orders and PAN responses on a size pro-rata basis; c) to non-market maker off-floor broker-dealer Complex Orders and PAN responses on a size pro-rata basis, and d) to quotes and orders which comprise the [cPBBO]best net price achievable from the best bids and offers for the individual legs at the end of the Auction on a size pro-rata basis pursuant to Options 3, Section 10(a)(1)(E) and (F)[with Public Customer interest being satisfied first in time priority, then to SQT, RSQT, and Floor Market Maker interest satisfied on a size pro-rata basis, and lastly to non-market maker off-floor broker-dealers on a size pro-rata basis]. If the final price point is equal to the stop price, the Initiating member [organization]will be allocated 40% (or 50% if matching only one other participant) after Public Customer Complex Orders and PAN responses have been satisfied, thereafter the allocation will continue as stipulated in b) through d) of this sub-paragraph. Thereafter, remaining contracts, if any, shall be allocated to the Initiating member [organization]. The allocation will account for Surrender, if applicable.

(v) In the case of a Complex Order PIXL, if the Initiating member [organization] selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

a. First to Complex Orders and PAN responses at prices better than the NWT price, as well as to quotes and orders which comprise the [cPBBO]best net price achievable from the best bids and offers for the individual legs at the end of the Auction, if such [cPBBO]best net price achievable from the best bids and offers for the individual legs is better than the NWT price, pursuant to the algorithm set forth above in (b)(5)(B)(iv)(a) through d) of this rule;

b. Next, to Complex Orders and PAN responses, as well as to quotes and orders which comprise the [cPBBO]best net price achievable from the best bids and offers for the individual legs at the end of the Auction, at the Initiating member's [organization's] NWT price and at prices better than or equal to the Initiating member's [organization's] stop price, beginning with the NWT price. The Initiating member [organization] shall be allocated an equal number of contracts as the aggregate size of all other interest at each price point, except that the Initiating member [organization] shall be entitled to receive up to 40% (or 50% if matching only one other participant) of the [contracts remaining]initial size of the PIXL Order after Public Customer Complex Orders and PAN responses have been satisfied, at the final price point (including situations where the final price is the stop price). In the case of an Initiating Order with a NWT price at the market, the Initiating member [organization] shall be allocated an equal number of contracts as the aggregate size of all other interest at all price points, except that the Initiating member [organization] shall be entitled to receive up to 40% (or 50% if matching only one other participant) of the [contracts remaining]initial size of the PIXL Order, after Public Customer Complex Orders and PAN responses have been satisfied, at the final price point (including situations where the final price is the stop price). If there is other interest at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in (b)(5)(B)(iv)(a) through d) of this rule. Any remaining contracts shall be allocated to the Initiating member [organization].

(vi) A single quote, order or PAN response shall not be allocated a number of contracts that is greater than its size. Where the allocation of contracts results in remaining amounts, the number of contracts to be allocated shall be rounded [down]up to the nearest integer. [If rounding would result in an allocation of less than one contract, then one contract will be allocated to the Initiating member [organization] only if the Initiating member [organization] did not otherwise receive an allocation. If there are contracts remaining, such contracts shall be allocated for simple interest after rounding by randomly assigning all Market Makers an order of allocation each trading day, and allocating orders, quotes and sweeps in accordance with the trading day's order assignment, provided the Market Maker is at the best price at which the order, quote or sweep is being traded, except with respect to Complex Orders, which allocation is described in Options 3, Section 14. In the event that there are remaining contracts to be allocated for interest after rounding, such remaining contacts will be allocated in time priority, provided the off-floor broker-dealers are at the best price at which the order is being traded. Remaining shares will be allocated in time priority for Complex Orders.] After Public Customer interest on the Complex Order Book and PAN responses at a given net price, non-Public Customer interest on the Complex Order Book and PAN responses will participate in the execution of the Complex PIXL Order based upon the percentage of the total number of contracts available at the price that is represented by the size of such interest pursuant to Options 3, Section 10(a)(1)(E) and (F). The allocation will account for Surrender, if applicable.

(vii) A Complex PIXL Order consisting of a stock/ETF component will not execute against interest comprising the [cPBBO]best net price achievable from the best bids and offers for the individual legs at the end of the Auction.

(6) If there are PAN responses (except if it is a Complex Order) that cross the then existing better of the [Reference]internal PBBO and NBBO (provided such NBBO is not crossed) or Complex Order PAN responses that cross the [cPBBO]best net price achievable from the best bids and offers for the individual legs at the time of the conclusion of the Auction, such PAN responses will be executed, if possible, at their limit price(s).

(7) If the [execution]PIXL Auction execution price (except if it is a Complex Order) would be the same or better than an order on the Limit Order book represented in the

PBBO on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least $0.01 better than the resting order's limit price. If such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

(8) If the execution Complex Order PIXL Auction price would be the same or better than a Complex Order on the Complex Order Book on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least [$0.01]<u>one minimum price variation (as provided in Options 3, Section 14(c)(1))</u> better than the resting order's limit price. If such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

* * * * *

(10) Complex PIXL Orders with stock/ETF components.

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(ii) Where one component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex PIXL Order (together with the Initiating Order, Complex Order, or PAN response, as applicable) to NES, its designated broker-dealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. <u>The execution price must be within a certain price from the current market pursuant to Options 3, Section 16(a), as determined by the Exchange. If the stock price is not within these parameters, the Complex PIXL Order and/or PAN response is not executable and would be cancelled.</u>

(iii) When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response if such order is marked "short exempt," regardless of whether it is at a price that is equal to or below the current national best bid. [If NES cannot execute the underlying covered security component of a Complex PIXL Order, Initiating Order, Complex Order, or PAN response in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex PIXL Order, Initiating Order, Complex Order, and/or PAN response to the entering member [organization]. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.] <u>When a PAN response or an unrelated limit complex order on the complex order book includes</u>

a short sale order in the underlying covered security, NES will execute such order at (1) its stated limit price if the Initiating Order does not include a short sale order in the underlying security; or (2) its stated limit price or better if the Initiating Order includes a short sale order in the underlying covered security. If NES cannot execute the underlying covered security component of a Complex PIXL Order and/or PAN response in accordance with Rule 201 of Regulation SHO, the Exchange will cancel back the Complex PIXL Order and/or PAN response to the entering member. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO.

* * * * *

[(f) In lieu of the procedures in paragraphs (a) - (b) above, an Initiating member organization may enter a PIXL Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PIXL Auction, provided there is not currently an Auction in progress in the same series or same strategy, in which case the orders will be rejected. The execution price for such a PIXL Order (except if it is a Complex Order) must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the better of the NBBO or Reference BBO or at the same price as any resting Public Customer order. The execution price for such a Complex Order PIXL may be in .01 increments and may not trade at a price equal to or through the cPBBO including Reference BBO or at the same price as a resting Public Customer Complex Order.

Options 3, Section 22(b)(1) prevents an Order Entry Firm from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a firm to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Options 3, Section 22(b)(1) for a firm to circumvent Options 3, Section 22(b)(1) by providing an opportunity for (i) a customer affiliated with the firm, or (ii) a customer with whom the firm has an arrangement that allows the firm to realize similar economic benefits from the transaction as the firm would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as PIXL customer-to-customer immediate crosses.]

([g]f) There will be no minimum size requirement for orders to be eligible for the Auction.

Supplementary Material .01 to Options 3, Section 13

.01 If an allocation would result in less than one contract, then one contract will be allocated.

Section 14. Complex Orders

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(b) *Types of Complex Orders*. Unless otherwise specified, the definitions used below have the same meaning contained in Options 3, Section 7. The Exchange may determine to make certain order types and/or times-in-force available on a class or System basis. Complex Orders may be entered using the following orders or designations:

* * * * *

(16) [Reserved.]Complex Facilitation Order. A Complex Facilitation Order is an order entered into the Complex Facilitation Mechanism as described in Options 3, Section 11(c).

(17) [Reserved.] Complex SOM Order. A Complex SOM Order is an order entered into the Complex Solicited Order Mechanism as described in Options 3, Section 11(e).

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Section 15. Simple Order Risk Protections

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(b) The following are order and quote protections on Phlx:

(1) **Acceptable Trade Range.**

* * * * *

(B) If an order/quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected[, unless a Quote Exhaust has occurred, in which case the Quote Exhaust process in Options 3, Section 6(a)(ii)(B)(3) will ensue, triggering a new Reference Price]. Upon posting, either the current Threshold Price of the order or an updated NBB for buy orders or the NBO for sell orders (whichever is higher for a buy order/lower for a sell order) then becomes the Reference Price for calculating a new Acceptable Trade Range. If the order/quote remains unexecuted after the Posting Period, a New Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Acceptable Trade Range Threshold Price, unless a member organization has requested that their quotes or orders be returned if the quotes or orders would post[ed] at the outer limit of the Acceptable Trade Range (in which case, the quotes/orders will be returned). This process will repeat until either (i) the order/quote is executed, cancelled, or posted at its limit price or (ii) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

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Section 16. Complex Order Risk Protections

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(b) **Strategy Protections**. The following protections will apply throughout the trading day, including pre-market, during the Opening Process and during a trading halt. The protections will not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism within Options 3, Section 11, and [Price Improvement Mechanism]PIXL within Options 3, Section 13 and will not apply to Customer Cross Orders pursuant to Options 3, Section 12. Additionally, the following protections will not apply when a Complex Order includes at least one P.M.-settled leg and at least one A.M.-settled leg.

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Section 22. Limitations on Order Entry

(a) **Limit Orders**. Member organizations shall not enter Public Customer Limit Orders into the System in the same options series, for the account or accounts of the same or related beneficial owners, in such a manner that the beneficial owner(s) effectively is operating as a market maker by holding itself out as willing to buy and sell such options contract on a regular or continuous basis. In determining whether a beneficial owner effectively is operating as a [m]Market [m]Maker, the Exchange will consider, among other things: the simultaneous or near-simultaneous entry of Limit Orders to buy and sell the same options contract and the entry of multiple Limit Orders at different prices in the same options series.

(b) **Limitations on Principal Transactions**. Member organizations may not execute as principal against orders on the Limit Order book they represent as agent unless: (i) agency orders are first exposed on the Limit Order book for at least 1 second; (ii) the member organization has been bidding or offering on the Exchange for at least 1 second prior to receiving an agency order that is executable against such [order]bid or offer or; [(iii) the orders are entered into Price Improvement XL or "PIXL" pursuant to Options 3, Section 13; (iv) the orders are entered into the Complex Order Live Auction or "COLA" pursuant to Options 3, Section 14(e); (v) the orders are entered into the Qualified Contingent Cross or "QCC" mechanism pursuant to Options 3, Section 12 or Options 8, Section 30(e)](iii) the member organization utilizes the Facilitation Mechanism pursuant to Options 3, Section 11(b) and (c); (iv) the member organization utilizes PIXL pursuant to Options 3, Section 13; (v) the member organization utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c) and (d); (vi) the member organization utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or (b); or (vii) the member organization utilizes a Complex Order Exposure pursuant to Supplementary Material .01 to Options 3, Section 14. Member organizations may not execute as principal orders they represent as agent within the Solicitation Mechanism pursuant to Options 3, Section 11(d) and (e).

(1) This Rule prevents a member organization from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the [M]member organization was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a[n] member organization to establish a relationship with a customer or other person (including affiliates) to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of this Rule for a member organization to be a party to any arrangement designed to circumvent this Rule by providing an opportunity for a customer or other person (including affiliates) to regularly execute against agency orders handled by the member organization immediately upon their entry into the System. Further, it would be a violation of this Rule for an Options Participant to circumvent this Rule by providing an opportunity for (A) a Public Customer affiliated with the Participant, or (B) a Public Customer with whom the Participant has an arrangement that allows the Participant to realize similar economic benefits from the transaction as the Participant would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as Public Customer-to-Public Customer immediate crosses.

(c) **Limitations on Solicitation Orders**. Member organizations may not execute orders they represent as agent on the Exchange against orders solicited from member organizations and non-member organization broker-dealers to transact with such orders unless (i) the unsolicited order is first exposed on the Exchange for at least one (1) second; [(ii) the member has been bidding or offering on the Exchange for at least 1 second prior to receiving an agency order that is executable against such order; (iii) the orders are entered into Price Improvement XL or "PIXL" pursuant to Options 3, Section 13; (iv) the orders are entered into the Complex Order Live Auction or "COLA" pursuant to Options 3, Section 14(e); (v) the orders are entered into the Qualified Contingent Cross or "QCC" mechanism pursuant to Options 2, Section 12 or Options 8, Section 30(e)](ii) the member organization utilizes the Solicited Order Mechanism pursuant to Options 3, Section 11(e), (iii) the member organization utilizes the Facilitation Mechanism pursuant to Options 3, Section 11(d); (iv) the member organization utilizes PIXL pursuant to Options 3, Section 13; (v) the member organization utilizes Qualified Contingent Cross Orders pursuant to Options 3, Section 12(c) and (d); (vi) the member organization utilizes a Customer Cross Order pursuant to Options 3, Sections 12(a) or (b); or (vii) the member organization utilizes a Complex Order Exposure pursuant to Supplementary Material .01 to Options 3, Section 14.

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Supplementary Material to Options 3, Section 22

.01 Options 3, Section 22(b) prevents member organizations from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the member was already bidding or offering on the book. However, the

Exchange recognizes that it may be possible for a member organization to establish a relationship with a customer or other person (including affiliates) to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of Options 3, Section 22(b) for a member organization to be a party to any arrangement designed to circumvent Options 3, Section 22(d) by providing an opportunity for a customer or other person (including affiliates) to regularly execute against agency orders handled by the member organization immediately upon their entry into the System.

.02 With respect to the non-displayed reserve portion of a Reserve Order, the exposure requirement of paragraphs (b) and (c) are satisfied if the displayable portion of the Reserve Order is displayed at its displayable price for one second.

.03 The exposure requirement of paragraph (b) applies to the entry of orders with knowledge that there is a pre-existing unexecuted agency, proprietary, or solicited order on the Exchange. Member organizations may demonstrate that orders were entered without knowledge by providing evidence that effective information barriers between the persons, business units and/or systems entering the orders onto the Exchange were in existence at the time the orders were entered. Such information barriers must be fully documented and provided to the Exchange upon request.

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Options 5 Order Protection and Locked Cross Markets

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Section 4. Order Routing

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(iii) The following order types are available:

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(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.

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(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 markets move such that the FIND Order is no longer marketable against the ABBO, it may: (i) trade at the next PBBO price (or prices) if the FIND Order price is locking or crossing that price (or prices), and/or (ii) be entered into the Order Book at its limit price if not locking or crossing the PBBO.

* * * * *

(C) ***SRCH Order.*** A SRCH Order 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 or GTD 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.

* * * * *

(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 SRCH 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: (i) the away markets' size, or (ii) 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].

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Options 8 Floor Trading

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Section 30. Crossing, Facilitation and Solicited Orders

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(e) *Floor Qualified Contingent Cross*. A Floor Qualified Contingent Cross Order <u>shall be transacted as specified in Options 3, Section 12(c) and (d).</u>[is comprised of an originating order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Floor Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Options Floor Broker provided that (i) no Public Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the better of the PBBO and the NBBO.]

([a]1) Floor Qualified Contingent Cross Orders shall be submitted into the System by Floor Brokers on the Floor or remotely via the Options Floor Based Management System. A Floor Broker does not have to be present on the Exchange's Trading Floor to submit a Floor Qualified Contingent Cross Order to the System. A Floor Broker may remotely submit a Floor Qualified Contingent Cross Order to the System through the Options Floor Based Management System.

[(b) Floor Qualified Contingent Cross Orders will be automatically cancelled if they cannot be executed.

(c) Floor Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Options 3, Section 3].

(2) Options Floor Brokers shall not enter Floor Qualified Contingent Cross Orders for their own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion. Options Floor Brokers must maintain books and records demonstrating that each Floor Qualified Contingent Cross Order was not entered for a prohibited account. Any Floor Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered for a prohibited account in violation of this Rule.

(3) The term "qualified contingent trade" shall have the same meaning set forth in Supplementary Material .01 to Options 3, Section 7[12(a)(3)].

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[*Supplementary Material to Options 8, Section 30:*

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.03 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of Floor QCC Orders.]

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