SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70863; File No. SR-Phlx-2013-112)

November 13, 2013

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change to Amend the PIXL Auction Notification Requirements
under Rule 1080

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and

Rule 19b-4 thereunder,[3] notice is hereby given that on October 31, 2013, NASDAQ OMX

PHLX LLC (the "Exchange" or "PHLX") filed with the Securities and Exchange Commission

(the "Commission") the proposed rule change as described in Items I, II, and III below, which

Items have been prepared by the self-regulatory organization. The Commission is publishing this

notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the PIXL[4] Auction Notification ("PAN") requirements

under Rule 1080(n) by no longer including the stop price in the PAN.

The text of the proposed rule change is below; proposed new language is underlined;

proposed deletions are in brackets.

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Rule 1080 Phlx XL and Phlx XL II

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1   15 U.S.C.78s(b)(1).

2   15 U.S.C. 78a.

3   17 CFR 240.19b-4.

4   The Exchange adopted PIXL in October 2010 as a price improvement mechanism that is
       a component of the Exchange's fully automated options trading system. See Securities
       Exchange Act Release No. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010)
       (SR-Phlx-2010-108)(order granting approval of price improvement system, PIXL).

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(n) **Price Improvement XL ("PIXL")**

(i)-(ii)(A)(1)-(2)   No change.

(3) When the Exchange receives a PIXL Order for Auction processing, a PAN

detailing the side[,] and size [and the stop price] of the PIXL Order will be sent

over the Exchange's TOPO Plus Orders data feed and Specialized Quote Feed.

[An updated PAN will also be sent over the Exchange's TOPO Plus Orders data

feed if the Initiating Member improves the stop price of the PIXL Order. The

updated PAN will include the side, size and improved stop price of the PIXL

Order.]

(ii)(A)(4)-(vii)   No change.

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

In its filing with the Commission, the Exchange included statements concerning the

purpose of and basis for the proposed rule change and discussed any comments it received on the

proposed rule change. The text of these statements may be examined at the places specified in

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below,

of the most significant aspects of such statements.

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

1.   Purpose

The purpose of the proposed rule change is to encourage better PAN responses and

thereby attain more price improvement for PIXL orders. The PAN is a broadcast message sent

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over TOPO Plus Orders,[5] the Exchange's market data feed for subscribers interested in the detailed information it offers, as well as over the Specialized Quote Feed ("SQF") 6.0.[6]

Background - Current PIXL and PAN

The PIXL mechanism is a process whereby members electronically submit orders they represent as agent against principal interest or other interest that they represent as agent. The submitted orders are stopped at a price and are subsequently entered into an auction seeking price improvement. An Exchange member may initiate a PIXL Auction ("Initiating Member") by submitting a PIXL Order ("Initiating Order") specifying one of the following:

1) a single price at which it seeks to execute the PIXL Order (a "stop price");

2) that it is willing to automatically match as principal or as agent on behalf of an Initiating Order, the price and size of all trading interest, and responses to the PAN (known as "auto-match"), in which case the PIXL Order will be stopped at the National Best Bid/Offer ("NBBO") on the Initiating Order side of the market; or

3) that it is willing to either: (i) stop the entire order at a single stop price and auto-match PAN responses, together with trading interest, at a price or prices that improve the stop price to a specified price above or below which the Initiating Member will not trade (a "Not Worse Than" or "NWT" price); (ii) 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 (iii) stop the entire order at the NBBO on the

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5   Securities Exchange Act Release No. 60877 (October 26, 2009), 74 FR 56255 (October 30, 2009) (SR-Phlx-2009-92).

6   Securities Exchange Act Release No. 63034 (October 4, 2010), 75 FR 62441 (October 8, 2010) (SR-Phlx-2010-124).

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 one minimum price improvement

increment better than the booked limit order's limit price.

After the PIXL Order is entered, a PAN is broadcast[7] and a one-second blind Auction

ensues. Any participant interested in the PIXL Order may respond to the PAN. At the

conclusion of the Auction, the PIXL Order will be executed and allocated at the best price(s)

among quotes, orders, and PAN responses.

Once the Initiating Member has submitted a PIXL Order for processing, such PIXL Order

may not be modified or cancelled, and a member submitting the order has no ability to control

the timing of the execution. The execution is carried out by the Exchange's Phlx XL automated

options trading system and execution pricing is determined solely by the other orders and quotes

that are present in the Phlx XL system at the time the Auction ends.

Proposal - Changes to Rule 1080(n) - PAN

The Exchange proposes to modify the PAN under Rule 1080(n)(ii)(A)(3) to no longer

include the stop price. Currently, the PAN includes the stop price as well as side and size of the

PIXL Order. If the Initiating Member improves the stop price, today, an updated PAN will be

sent, identifying the side, size and improved stop price. The exchange proposes to change the

PAN such that neither a stop price is shown nor is an updated PAN sent with an improved price.

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[7]   The PAN is broadcast over the TOPO Plus Orders data feed as well as the Specialized
        Quote Feed. The Exchange is proposing to add reference to the Specialized Quote Feed
        in the rule, consistent with the effectiveness of sending the PAN over the Specialized
        Quote Feed. See supra note 5 at text accompanying note 11.

The Exchange believes that this should encourage PAN responses at the best possible price that the participant is willing to participate. This, in turn, should result in better execution prices, which is the "price improvement" that the PIXL functionality offers.

In other contexts, the Exchange has determined that showing the price of an order in an auction notification message is appropriate and useful. For instance, the Exchange recently determined to begin showing the price of a Complex Order in its auction message,[8] citing the need with respect to Complex Orders to attract additional responsive interest. Complex Orders are, by definition, more complex to trade, are a relatively new product, and are generally traded by a small cross-section of options customers, thereby necessitating the need to attract responsive interest.

The Exchange believes that the rationale for showing price differs respecting PIXL Orders, because PIXL Orders can be very different from Complex Orders. Specifically, PIXL orders can vary in size and type. A simple (non-complex) PIXL order for just a few contracts is more appropriate for exposure to aggressive price competition. PIXL orders are entered into PIXL precisely because the Initiating Member is interested in participating with the order, if needed, and rather than permitting the execution to occur automatically, the PIXL process offers an opportunity for an improved price. It is the sort of system feature that would benefit from a more blind auction.

When Phlx first adopted the PIXL process, Phlx determined to show the stop price, which many options exchanges do in their price improvement systems. At this time, the Exchange believes that, as discussed above, the process would benefit from not showing the stop price.

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[8]   Securities Exchange Act Release No. 70271 (August 27, 2013), 78 FR 54340 (September 3, 2013)(SR-Phlx-2013-88).

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[9] in general, and furthers the objectives of Section 6(b)(5) of the Act[10] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by providing more opportunity for price improvement for PIXL orders. Generally, in auctions, transparency of details accomplishes two main objectives. The first objective is to obtain a quality execution for the customer. The second goal is to ensure robust price competition. Because PIXL orders are entered with a stop price and a guarantee (in the form of a stop) of a reasonable execution price, the first objective is met when the order is entered. With respect to the second objective, the Exchange believes that excluding the stop price from the PAN should foster price competition from other participants in PIXL. Accordingly, Phlx participants will be motivated to be more aggressive and respond with their best price in order to participate in the PIXL execution. Not knowing the stop price creates an incentive for the responder to compete based on price and to make an independent decision, rather than merely join other participants' prices or improve the stop price minimally. Even though, without the stop price, less information is available to potential responding Phlx participants, the Exchange believes that, rather than harming the market or customers in some way, the proposal should lead to more price competition. As a result of more price competition and an improved price improvement process, the Exchange believes that participants will use PIXL to increase the number of customer orders that are provided with the opportunity to receive

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[9]   15 U.S.C. 78f(b).

[10]   15 U.S.C. 78f(b)(5).

price improvement over the NBBO. As a result, customers will benefit as will the market as a whole. Further, the Exchange believes that the proposed changes promote and foster competition among the options exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposal is pro-competitive because it will enable the Exchange to better compete with another options exchange that provides price improvement functionality without revealing the price.[11] With respect to intra-market competition, the proposal will apply to all participants receiving PANs equally and to all PANs. Moreover, as explained above, the proposal should encourage Phlx participants to compete amongst each other by responding with their best price for a particular option.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time

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[11]   See CBOE Rule 6.74A(b)(1)(B).

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[12] and subparagraph (f)(6) of Rule 19b-4 thereunder.[13]

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

IV.   Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2013-112 on the subject line.

Paper comments:

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

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[12]   15 U.S.C. 78s(b)(3)(a)(ii).

[13]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

All submissions should refer to File Number SR-Phlx-2013-112. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-Phlx-2013-112, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Kevin M. O'Neill
Deputy Secretary

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[14]   17 CFR 200.30-3(a)(12).