The text of the proposed rule change is set forth below. Brackets indicate deletions; underlining indicates new text.

Openings In Options

Rule 1017. (a) – (k) No change.

(l) Opening Process

(i) – (iv) No change.

(v) Imbalance Process. If all opening marketable size cannot be completely executed at or within the OQR without trading through the ABBO, the Phlx XL II system will automatically institute the following imbalance process:

(A) – (B) No change.

(C) *****

(1) – (6) No change.

(7) If after that number of times, the Phlx XL II system still cannot route and/or trade the entire imbalance amount, the Phlx XL II system will open as many contracts as possible by routing to other markets at prices better than the Exchange opening price for their disseminated size, trading available contracts on the Exchange at the Exchange opening price, and routing contracts to other markets at prices equal to the Phlx opening price at their disseminated size. In this situation, the Phlx XL II system will price any contracts routed to other markets at the Exchange opening price. Any unexecuted contracts from the imbalance not traded or routed will be displayed in the Exchange quote at the opening price for the remaining size for a period not to exceed ten seconds and subsequently cancelled back to the entering participant if they remain unexecuted and priced through the opening price, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during this display time period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the imbalance is a sell imbalance, or (ii) an offer price of $0.00, with a size of zero contracts if the imbalance is a buy imbalance.

(8) No change.

(D) No change.

(vi) – (ix) No change.

Firm Quotations

Rule 1082. (a) Definitions.

(i) No change.

(ii) The term "disseminated size" shall mean with respect to the disseminated price for any quoted options series:

(A) No change.

(B) (1) – (2) No change.

(3) *****

(a) No change.

(b) During the Quote Exhaust Timer, the Exchange will disseminate the reference price for the remaining size, provided that such price does not lock an away market, in which case, the Exchange will disseminate a bid and offer that is one Minimum Price Variation ("MPV") from the away market price. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, the Exchange will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

If the remaining contracts in the initiating quote or order are either traded or cancelled during the Quote Exhaust Timer, the Quote Exhaust Timer will be terminated and normal trading will resume.

(c) – (f) No change.

(g) *****

(i) - (iii) No change.

(iv) Initiating quote or order crosses Best Price. If the initiating quote or order crosses the Best Price, the Phlx XL II system will execute, route order volume, and/or post the initiating quote or order as set forth below:

(A) If the Best Price is the Exchange's next available price

(1) – (2) No change.

(3) and is equal to the Acceptable Range price, the Phlx XL II system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size, and any remaining volume from the execution on the Exchange will be posted at the Acceptable Range price for the remaining size, for a period of time not to exceed ten seconds and then cancelled after such period of time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during this up to ten second period, the Phlx XL II system will disseminate on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

(4) and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during this up to ten second period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

(B) If the Best Price is the ABBO:

(1) No change.

(2) and is equal to the Acceptable Range price, the initiating order will be routed away and if after routing there remain unexecuted contracts, the remainder of the order will be posted on the Phlx at the ABBO price for a period not to exceed ten seconds, and cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during this period, the Phlx XL II system will disseminate, on the opposite

side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

(C) If the Best Price is the Acceptable Range Price standing alone, the initiating quote or order will be posted on the Exchange at the Acceptable Range Price for a period of time not to exceed ten seconds, and cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during this up to ten second period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

(v) – No change.

(vi) If, after trading at the Phlx and/or routing, there is a remainder of the initiating order, and such remainder is still marketable, the entire process of evaluating the Best Phlx price and the ABBO will be repeated until: (A) the order size is exhausted, or (B) the order reaches its limit price. If there still remain unexecuted contracts after routing but the order has reached its limit price, the remainder will be posted at the order's limit price, except that, when the limit price crosses the Acceptable Range Price, the remainder will be posted at the Acceptable Range Price for a period of time not to exceed ten seconds and then cancelled after such period of time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during this up to ten second period, the Phlx XL II system will disseminate on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

(4) *****

(a) If the Exchange's disseminated size in a particular series is exhausted at a particular price level, and no specialist, SQT or RSQT has revised their quotation immediately following the exhaustion of the Exchange's disseminated size at such price level, for a pilot period scheduled to expire [November 30, 2011] February 29, 2012, the Exchange will disseminate on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero

contract**s** if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contract**s** if the remaining size is a buyer.

(b) Market Exhaust Auction. When an initiating order is received when there are no quotations in the Exchange market, the Phlx XL II system will determine if the PBBO on the opposite side of the market from the initiating order is represented by an order on the Phlx limit order book (a "PBBO order") that is priced equal to or better than the ABBO on that same side of the market. If the PBBO order is priced equal to or better than the ABBO, the Phlx XL II system will immediately execute the initiating order against the PBBO order at the PBBO price. If there are still unexecuted contracts remaining in the initiating order, the Phlx XL II system will initiate a Market Exhaust Timer. The PBBO price at which the initiating order was partially executed becomes the Reference Price. During the Market Exhaust Timer, the Exchange will disseminate the Reference Price for the remaining size of the initiating order, provided that the Reference Price does not lock an away market. If it does, the Exchange will disseminate a bid or offer that is one MPV from the away market price. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, the Exchange will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

If the PBBO order is not priced equal to or better than the ABBO, the Phlx XL II system will immediately broadcast a notification (an "Auction Notification") to Phlx XL II participants. The Auction Notification will include the series, size and side of the market of the initiating order. The Auction Notification will not include the price. The Auction will be for a period of time not to exceed three seconds (the "Auction Period"). The Auction is used to determine the best price at which the contracts in the initiating order may be executed (the "Auction Price").

(c) No change.

(d) *****

(i) – (iii) No change.

(iv) In such a circumstance, the Phlx XL II system will determine if the total number of contracts displayed at the ABBO price on away markets would satisfy the number of marketable contracts available on the Exchange.

(A) - (D) No change.

(E) Provisional Auction. If the total number of better priced away contracts plus the number of contracts available on the Exchange at the Exchange Auction price would not satisfy the number of marketable contracts the Exchange has, the system may repeat the auction process.

The Phlx XL II system may repeat this process up to three times. If after that number of times, the Phlx XL II system still cannot either route and/or trade the entire initiating order, the Phlx XL II system will conduct a Provisional Auction by establishing the Exchange Auction Price at the AQR Price, routing to away markets disseminating prices better than or equal to the Exchange Auction Price for their disseminated size, and trading as many contracts as possible on the Exchange at the AQR price. In this situation, the Phlx XL II system will price any contracts routed to other markets at the AQR price. The Auction is now complete. Accordingly, unexecuted Auction Sweeps will be cancelled by the Phlx XL II system. Any unexecuted contracts from the initiating order will be displayed in the Exchange quote at the Auction Price for the remaining size for a brief period not to exceed ten seconds and subsequently cancelled back to the entering participant if they remain unexecuted and priced through the Auction Price, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. For a pilot period scheduled to expire [November 30, 2011] February 29, 2012, during the brief period, the Phlx XL II system will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a bid price of $0.00, with a size of zero contracts if the remaining size is a seller, or (ii) an offer price of $0.00, with a size of zero contracts if the remaining size is a buyer.

   (F) – (G) No change.

      (v) No change.

   (C) No change.

      (iii) – (iv) No change.

   (b) – (d) No change.

Commentary:

No change.