SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75256; File No. SR-Phlx-2015-51)

June 22, 2015

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Order Price Protection

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and Rule 19b-4[2] thereunder, notice is hereby given that, on June 12, 2015, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Section (p)(3), Order Price Protection, of Exchange Rule1080, Obligations and Restrictions Applicable to Specialists and Registered Options Traders.

The text of the proposed rule change is below; proposed new language is italicized; proposed deletions are in brackets.

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Rule 1080 Obligations and Restrictions Applicable to Specialists and Registered Options Traders

(a) – (o) No change.

(p)

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

2 17 CFR 240.19b-4.

(1) – (2) No change.

(3) Order Price Protection ("OPP"). OPP is a feature of Phlx XL that prevents certain day limit, good til cancelled, immediate or cancel, and all-or-none orders at prices outside of pre-set standard limits from being accepted by the system. OPP applies to all options but does not apply to market orders, stop limit orders, Intermarket Sweep Orders or complex orders.

(A) OPP is operational each trading day after the opening until the close of trading, except during trading halts. [The Exchange may also temporarily deactivate OPP from time to time on an intraday basis at its discretion if it determines that volatility warrants deactivation. Members will be notified of intraday OPP deactivation due to volatility and any subsequent intraday reactivation by the Exchange through the issuance of system status messages.]

(B) OPP will reject incoming orders that exceed certain parameters according to the following algorithm.

(i) If the <u>better of the</u> NBBO <u>or the internal market BBO (the "Reference BBO")</u> on the contra-side of an incoming order is greater than $1.00, orders with a limit more than 50% through such contraside [NBBO] <u>Reference BBO</u> will be rejected by Phlx XL upon receipt. For example, if the [NBBO] <u>Reference BBO</u> on the offer side is $1.10, an order to buy options for more than $1.65 would be rejected. Similarly, if the [NBBO] <u>Reference BBO</u> on the bid side is $1.10, an order to sell options for less than $0.55 will be rejected.

(ii) If the [NBBO] Reference BBO on the contra-side of an incoming order is less than or equal to $1.00, orders with a limit more than 100% through such contra-side [NBBO] Reference BBO will be rejected by Phlx XL upon receipt. For example, if the [NBBO] Reference BBO on the offer side is $1.00, an order to buy options for more than $2.00 would be rejected. However, if the [NBBO] Reference BBO of the bid side of an incoming order to sell is less than or equal to $1.00, the OPP limits set forth above will result in all incoming sell orders being accepted regardless of their limit. To illustrate, if the [NBBO]Reference BBO on the bid side is equal to $1.00, the OPP limits provide protection such that all orders to sell with a limit less than $0.00 would be rejected.

(iii) No change.

* * * Commentary

No change.

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The text of the proposed rule change is available on the Exchange's web site at http://nasdaqomxphlx.cchwallstreet.com/, at the principal office of the Exchange, and at the Commission's Public Reference Room

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend and correct Exchange Rule 1080(p)(3) which describes Order Price Protection ("OPP"), a feature of the Phlx XL trading system that prevents certain day limit, good till cancelled, immediate or cancel and all-or-none orders at prices outside of pre-set standard limits from being accepted by the system. The amendments also remove language providing for the temporary deactivation of OPP from time to time on an intraday basis at the Exchange's discretion if the Exchange determines that volatility warrants deactivation.

OPP applies to all options but does not apply to market orders, stop limit orders, Intermarket Sweep Orders or complex orders. OPP is operational each trading day after the opening until the close of trading, except during trading halts. Rule 1080(p)(3)(A) also currently provides that the Exchange may also temporarily deactivate OPP from time to time on an intraday basis at its discretion if it determines that volatility warrants deactivation. Participants are notified of intraday OPP deactivation due to volatility and any subsequent intraday reactivation by the Exchange through the issuance of system status messages.[3]

OPP rejects incoming orders that exceed certain parameters. Currently, Rule 1080(p)(3)(B) establishes those parameters with reference to the NBBO. It states that if the NBBO on the contra-side of an incoming order is greater than $1.00, orders with a limit more than 50% through such contraside NBBO will be rejected by Phlx XL upon receipt. For example,

3 See Rule 1080(p)(3)(A).

the rule provides that if the NBBO on the offer side is $1.10, an order to buy options for more than $1.65 would be rejected. Similarly, the rule states that if the NBBO on the bid side is $1.10, an order to sell options for less than $0.55 will be rejected. The rule provides that if the NBBO on the contra-side of an incoming order is less than or equal to $1.00, orders with a limit more than 100% through such contra-side NBBO will be rejected by Phlx XL upon receipt. For example, under the rule if the NBBO on the offer side is $1.00, an order to buy options for more than $2.00 would be rejected. However, the rule provides that if the NBBO of the bid side of an incoming order to sell is less than or equal to $1.00, the OPP limits set forth above will result in all incoming sell orders being accepted regardless of their limit.

The Exchange has determined that a discrepancy exists between this rule description of how the OPP process works and how the system actually functions in cases where certain legging orders have been generated by the system pursuant to Rule 1080.07(f)(iii)(C).[4] The trading system may generate Legging Orders in $0.01 increments on the Exchange regardless of the minimum price variation ("MPV") of the option. These legging orders are considered part of the Exchange's internal market BBO at their non-MPV limit and are displayed at the allowable MPV price as part of the NBBO. While Rule 1080(p)(3)(B) states that the NBBO is used for OPP determinations as described above, the system is actually basing OPP determinations on the better of (a) the NBBO, or (b) the Exchange's internal market BBO, which may differ from the NBBO due to the presence of legging orders. The Exchange is proposing to correct this

[4] Generally, a legging order is a limit order on the regular order book in an individual series that represents one leg of a two-legged complex order to buy or sell an equal quantity of two option series resting on the Exchange's Complex Order Book . Legging orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging orders are designed to increase the opportunity for complex orders to execute by "legging" into the market, whereby all of the legs of the complex order execute against the best bids or offers on the Exchange for the individual options series. See Exchange Rule 1080.07(f)(iii)(C).

discrepancy by deleting the term "NBBO" in each instance where it appears in Rule 1080(p)(3)(B) and replacing it with the term "Reference BBO" which will be defined in Rule 1080(p)(3)(B)(i) as the better of the NBBO or the internal market BBO.

Finally, the Exchange is removing from Rule 1080(p)(3)(A) the statements that the Exchange may temporarily deactivate OPP from time to time on an intraday basis at its discretion if it determines that volatility warrants deactivation, and that members will be notified of intraday OPP deactivation due to volatility and any subsequent intraday reactivation by the Exchange through the issuance of system status messages. The Exchange currently lacks the technology to implement intraday OPP deactivation and is deleting the language which suggests that it has such capability.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[5] in general, and furthers the objectives of Section 6(b)(5) of the Act[6] 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 amending and correcting the rule text to that it accurately reflects the functioning of the trading system. The amendments concerning the Reference BBO and the elimination of references to intraday deactivation of the OPP are both intended to improve the accuracy of the rule. The Exchange believes that the amendments should promote just and equitable principles of trade as well as protect investors and the public interest by making clear how OPP determinations are actually made on the Exchange, and by eliminating

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5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

the potential for confusion inherent in the statement that the Exchange may temporarily deactivate OPP on an intraday basis when in fact it lacks the technical capacity to do so. Calculating OPP on the basis of the better of the NBBO or the internal market BBO rather than solely on the basis of the NBBO protects investors and the public interest by extending the benefits of OPP to orders received in instances where the internal market BBO is better than the NBBO.

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, as the amendments to Rule 1080(p)(3)(B) will apply uniformly to all market participants availing themselves of the OPP feature. Nor will the proposal impose a burden on competition among the options exchanges, because of the vigorous competition for order flow among the options exchanges. To the extent that market participants disagree with the particular approach taken by the Exchange herein, market participants can easily and readily direct order flow to competing venues.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[7] and Rule 19b-4(f)(6) thereunder.[8]

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[9] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)[10] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it would allow the Exchange to immediately correct the inaccuracy with respect to the NBBO described above, as well as eliminate language suggesting the Exchange possesses the capability to temporarily deactivate OPP on an intraday basis when in fact this is not the case. The Exchange believes that the public interest would not be served by preserving these inaccuracies in its rules during a notice and comment period for this proposed rule change. The Commission believes that waiving the 30-day operative delay[11] is consistent with the protection of investors and the public interest and designates the proposal operative on filing.

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

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7 15 U.S.C. 78s(b)(3)(A).

8 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 Commission has determined to waive the five-day pre-filing period in this case.

9 17 CFR 240.19b-4(f)(6).

10 17 CFR 240.19b-4(f)(6).

11 For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change 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-2015-51 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-Phlx-2015-51. 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-2015-51 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.[12]

Robert W. Errett
Deputy Secretary

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