

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX Rules

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Rule 607. Covered Sale Fee

(a) No change.

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

(c) No change.

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Rule 1047. Trading Halts

(a) – (e) No change.

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

(g) No change.

••• **Commentary** :-----

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

(a)– (g) No change.

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

••• *Commentary:* -----

.01 and .02 No change.

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Rule 1080. Phlx

(a) No change.

(b) Eligible Orders

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

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

(B) No change.

(1) No change.

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

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

on an exchange or trading floor other than the Exchange's trading floor delivered via AUTOM for the proprietary account(s) of such market maker.

(ii) and (iii) No change.

(c) - (l) No change.

(m) Reserved. [**Away Markets and Order Routing**]

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

- (i) Priority of Routed Orders. Orders sent to other markets do not retain time priority with respect to other orders in the Phlx XL II system and the Phlx XL II system shall continue to execute other orders while routed orders are away at another market center. Once routed by the Phlx XL II system, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. As described above, a routed order can be for less than the original incoming order's size. If a routed order is subsequently returned, in whole or in part, that routed order, or its remainder, shall receive a new time stamp reflecting the time of its return to the Phlx XL II system, unless any portion of the original order remains on the Phlx XL II system, in which case the routed order shall retain its timestamp and its priority.
- (ii) Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.
- (iii) (A) The Exchange shall route orders in options via Nasdaq Execution Services, LLC ("NES"), a broker-dealer that is a member of an unaffiliated SRO which is

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

- (B) Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing (a Do Not Route Order, as described in sub-paragraph (iv)(A) below).
- (C) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility; or, where there is a routing broker, the Exchange, the Routing Facility and any routing broker, and any other entity, including any affiliate of the routing broker (and if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services).
- (D) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.
- (E) *Market Access*. In addition to the Exchange Rules regarding routing to away trading centers, NES as defined above, has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate risks associated with providing the Exchange's Members with access to such away trading centers. Pursuant to the policies and procedures developed by NES to comply with Rule 15c3-5, if an order or series of orders are deemed to be violative of applicable pre-trade requirements of Rule 15c3-5, the order will be rejected prior to routing and/or NES will seek to cancel any orders that have been routed.

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

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

(iv) The following order types are available:

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

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

A FIND order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XL II book at its limit price.

The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

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

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

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

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

In the circumstances described in the preceding paragraph, what happens to a FIND order after the Route Timer expires depends on the ABBO price at that

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

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

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

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

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

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

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

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

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

book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

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

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

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

(v) Cancellation of Orders and Error Account

- (1) The Exchange or NES may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, NES, or a routing destination. The Exchange or NES shall provide notice of the cancellation to affected member organizations as soon as practicable.
- (2) NES shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at NES, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").
 - (A) For purposes of this paragraph (v), an error position shall not include any position that results from an order submitted by a member organization to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.
 - (B) Except as provided in this paragraph (v)(2)(C), NES shall not (i) accept any positions in its error account from an account of a member organization, or (ii) permit any member organization to transfer any positions from the member organization's account to NES' error account.

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

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

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

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

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

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

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

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

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

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

(n) - (p) No change.

••• *Commentary:* -----

.01 - .05 No change.

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Rule 1082. Firm Quotations

(a) Definitions

(i) No change.

(ii) No change.

(A) No change.

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

(4)(a) No change.

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

(c) No change.

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

(C) No change.

(b) – (d) No change.

••• *Commentary:* -----

.01 -.03 No change.

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Rule 1091. Cancellation of Orders and Error Account

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

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

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

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

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

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

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

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

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

(C) has not determined to cancel all orders affected by that technical or systems issue in accordance with paragraph (a) above.

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

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

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

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

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Rule 1093. Away Markets and Order Routing

(a) Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or “DNR”. The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. When checking the Order Book, the System will seek to execute at the price at which it would send the order to an away market. For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or stop orders which have not been triggered and the “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding All-or-None Orders. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, “exposure” or “exposing” an order shall mean a notification sent

to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Rule 1093(a)(iii) below except if an incoming order is joining an already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx's opening process is governed by Rule 1017 and includes an opening after a trading halt ("Opening Process"). For purposes of this rule, the term "Public Customer" means a person or entity that is not a broker or dealer in securities and is not a professional as defined within Rule 1000(b)(14).

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

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

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

(B) Use of NES to route orders to other market centers is optional. Parties that do not desire to use NES must designate orders as not available for routing (a DNR Order, as described in subparagraph (iii)(A) below).

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

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

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

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

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

(iii) The following order types are available:

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

the Phlx Order Book and be displayed at a price one minimum price variation (“MPV”) inferior to that away best bid/offer. If the DNR Order is locking or crossing the ABBO, the DNR Order shall be entered into the Order Book at the ABBO price and displayed one MPV away from the ABBO. The Exchange shall immediately expose the order at the ABBO to participants, provided the option series has opened for trading. Any incoming order interacting with such a resting DNR order will execute at the ABBO price, unless the ABBO is improved to a price which crosses the DNR’s displayed price, in which case the incoming order will execute at the previous ABBO price. Should the best away market change its price to an inferior price level, the DNR Order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price, and expose such orders at the ABBO to participants only if the re-priced order locks or crosses the ABBO. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should the best away market improve its price such that it locks or crosses the DNR Order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR Order limit price.

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

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

(2) With respect to an Opening Process, if during a route timer at the conclusion of an Opening Process pursuant to Rule 1017(k) markets move such that the FIND Order is executable against Exchange interest, the FIND Order will immediately execute. If during a route timer, ABBO markets move such that the FIND Order is no longer marketable against the ABBO nor marketable against the PBBO, the FIND Order will post at its limit price. If the FIND Order is locked or crossed by away quotes, it will route at the completion of the route timer. If the ABBO worsens but

remains better than the PBBO, the FIND Order will reprice and be re-exposed at the new price(s) without interrupting the route timer.

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

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

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

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

size of a non-Public Customer and non-professional FIND Order will be cancelled upon an intra-day trading halt.

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

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

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

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

(1) At the end of an Opening Process, any SRCH Order that is priced through the Opening Price will be cancelled, and any SRCH Order that is at or inferior to the Opening Price will be executed pursuant to Rule 1017(k). If during a Route Timer, ABBO markets move such that the SRCH Order is no longer marketable against the ABBO nor marketable against the PBBO, the SRCH Order will book at its limit price. If the SRCH Order is locked or crossed by

away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer.

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

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

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

(5) If, at the end of the Route Timer pursuant to subparagraph (4) above, the SRCH Order is still marketable with the ABBO, the SRCH Order will route up to a size equal to the lesser of either: (1) the away markets' size, or (2) the remaining size of the SRCH Order. If the SRCH Order is locked or crossed by away quotes, it will route at the completion of the Route Timer. If the ABBO worsens but remains better than the PBBO, the SRCH Order will reprice and be re-exposed at the new price(s) without interrupting the Route Timer. If the SRCH Order still has remaining size after such routing, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to the ABBO price, and/or (2) be entered into the book at its limit price if not locking or crossing the PBBO, including All-

or-None Orders which can be satisfied, or the ABBO. The System will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH Order is eligible for routing if it is locked or crossed by an away market.

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

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

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

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

(10) A SRCH Order that is routed to an away market(s) will be marked as an ISO and designated as an IOC order.

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