

EXHIBIT 5

Proposed new language is underlined. Proposed deletions are enclosed in brackets.

Rules of the Exchange

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OPTIONS RULES**Rules Applicable to Trading of Options on Stocks, Exchange-Traded Fund Shares and Foreign Currencies (Rules 1000—1095)**

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Rule 1047. Trading Halts

(a) – (c) No change.

(d) No change.

(i) No change.

(ii) After the opening, the Exchange shall reject Market Orders, as defined in Rule 1066(a) (including Complex Orders, as defined in Rule [1080.07]1098), and shall notify Participants of the reason for such rejection. The Exchange shall cancel Complex Orders that are Market Orders residing in the System if they are about to be executed by the System.

(iii) - (v) No change.

(e) - (g) No change.

••• *Commentary* :-----

No change.

.01 - .03 No change.

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

These order types are eligible for entry by a Floor Broker for execution through the Options Floor Broker Management System ("FBMS") and, respecting transactions where there is no Floor Broker involved, for execution by members in the trading crowd.

(a) - (e) No change.

(f) *Multi-leg Orders*. A multi-leg order is any spread type order (including a spread, straddle and combination order) for the same account or tied hedge order as defined below:

(1) – (6) No change.

(7) Complex Order. A Complex Order is a multi-leg order that meets the definition of Complex Order in Rule [1080.07]1098(a)(i).

(8) DNA Order. A DNA Order is an order submitted through FBMS that meets the definition of DNA Order in Rule [1080.07]1098(a)(viii).

(g) – (h) No change.

••• *Commentary:* -----

.01 - .02 No change.

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Rule 1080. Phlx [XL and Phlx XL II] System

(a) – (l) No change.

(m) Away Markets and Order Routing

No change.

(i) – (ii) No change.

(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 [1080.07]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) - (G) No change.

(iv) – (v) No change.

(n) Price Improvement XL ("PIXL")

A member may electronically submit for execution an order it represents as agent on behalf of a public customer, broker-dealer, or any other entity ("PIXL Order") against principal interest or against any other order (except as provided in sub-paragraph (n)(i)(F) below) it represents as agent (an "Initiating Order") provided it submits the PIXL Order for electronic execution into the PIXL Auction ("Auction") pursuant to this Rule. The contract size specified in Rule 1080(n) as applicable to PIXL Orders shall apply to Mini Options.

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

(A) - (B) No change.

(C) If the PIXL Order is a Complex Order and of a conforming ratio, as defined in [Commentary .07] Rule 1098(a)(i) and (a)(ix) [to Rule 1080], the Initiating Member must stop the entire PIXL order at a price that is better than the best net price (debit or credit) (i) available on the Complex Order book regardless of the Complex Order book size; and (ii) achievable from the best Phlx bids and offers for the individual options (an "improved net price"), provided in either case that such price is equal to or better than the PIXL Order's limit price. Complex Orders consisting of a ratio other than a conforming ratio will not be accepted. This sub-paragraph (C) shall apply to all Complex Orders submitted into PIXL. This sub-paragraph (C), where applied to Complex Orders where the smallest leg is less than 50 contracts in size, shall be effective for a pilot period scheduled to expire July 18, 2016.

(D) - (G) No change.

(ii) Auction Process. Only one Auction may be conducted at a time in any given series or strategy. Once commenced, an Auction may not be cancelled and shall proceed as follows:

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

(1) – (8) No change.

(9) A PAN response (except if it is a Complex Order) must be equal to or better than the NBBO at the time of receipt of the PAN response. A Complex Order PAN response must be equal to or better than the cPBBO, as defined in [Commentary .07] Rule 1098(a) [of this Rule 1080] at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response (except if it is a Complex Order) submitted with a price that is outside the NBBO will be rejected. A Complex Order PAN response submitted with a price that is outside the cPBBO will be rejected. A PAN or Complex Order PAN response which is inferior to the stop price of the PIXL order will be rejected.

(10) – (11) No change.

(B) – (J) No change.

(iii) - (vii) No change.

(o) - (p) No change.

••• *Commentary:* -----

.01 - .06 No change.

.07 [Complex Orders on Phlx XL.

(a) Definitions

- (i) Complex Order. For purposes of the electronic trading of Complex Orders pursuant to this Rule 1080.07 only, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. With respect to Mini Options, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different Mini Options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Mini Options may only be part of a Complex Order that includes other Mini Options.

Except respecting Mini Options, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share ("ETF")) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per

option for regular way delivery. Stock-option orders can only be executed against other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market ("NASDAQ") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Options Services LLC in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative ("QSR") arrangement with NOS in order to trade Complex Orders containing a stock/ETF component.

The maximum number of components of a Complex Order is six. A stock-option order may include up to five options components (legs).

- (ii) Complex Order Strategy. The term "Complex Order Strategy" means a particular combination of components of a Complex Order and their ratios to one another. The Exchange will calculate both a bid price and an offer price for each Complex Order Strategy based on the current PBBO (as defined below) for each component of the Complex Order. Each Complex Order Strategy will be assigned a strategy identifier by the System.
- (iii) PBBO. The term "PBBO" means the Phlx Best Bid and/or Offer for individual option series.
- (iv) cPBBO. The term "cPBBO" means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security.
- (v) NBBO. The term "NBBO" means the National Best Bid and/or Offer for an individual option series.
- (vi) cNBBO. The term "cNBBO" means the best net debit or credit price for a Complex Order Strategy based on the NBBO for the individual options components of a Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security.
- (vii) Phlx XL participant, Phlx market maker and Phlx XL market maker. The term "Phlx XL participant" means SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange; non-broker-dealer customers, Firms

and non-market-maker off-floor broker-dealers; and Floor Brokers using the Options Floor Broker Management System. The term "Phlx market maker" means SQTs, RSQTs, specialists and non-SQT ROTs. The term "Phlx XL market maker" means SQTs, RSQTs and specialists.

(viii) Do Not Auction. The term "Do Not Auction" means that this Complex Order is not "COLA-eligible," as defined in (d)(ii)(B) below and thus prevents it from triggering a Complex Order Live Auction, pursuant to paragraph (e) below, or joining one that is in progress.

(A) DNA Orders received prior to the opening or when the Complex Order Strategy is not available for trading will be cancelled.

(B) DNA Orders are cancelled if not immediately executed.

(C) DNA Orders will initially only be available for Complex Orders consisting of more than two options components or where the underlying security is a component; once the Exchange has fully rolled out its enhanced Complex Order system, which will be announced in an Options Trader Alert, DNA Orders will also become available for Complex Orders consisting of two options components.

(ix) Conforming ratio. The term "conforming ratio" is where the ratio between the sizes of the options components of a Complex Order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is a conforming ratio, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not; where one component of the Complex Order is the underlying security, the ratio between any options component and the underlying security component must be less than or equal to eight contracts to 100 shares of the underlying security.

(x) Firm. The term "Firm" means a broker-dealer trading for its own (proprietary) account that is: a member of The Options Clearing Corporation ("OCC") or maintains a Joint Back Office ("JBO") arrangement with an OCC member. Unless otherwise specified, Firms are included in the category of non-market-maker off-floor broker-dealer.

(b) Complex orders may be entered in increments of \$0.01 with certain "time in force" designations and as certain order types with certain contingencies as follows:

(i) Non-broker-dealer customers and non-market-maker off-floor broker-dealers may enter the Complex Orders listed in paragraph (a) above as Day, Good Til Cancelled ("GTC") or Immediate or Cancel ("IOC").

- (ii) SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange may enter the Complex Orders listed in paragraph (a) above as IOC only. In addition, for Complex Orders consisting of more than two options components or where the underlying security is a component, SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange may enter the Complex Orders listed in paragraph (a) above as Day orders; once the Exchange has fully rolled out its enhanced Complex Order system, which will be announced in an Options Trader Alert, Day orders will also become available for Complex Orders consisting of two options components.
- (iii) Floor Brokers using the Options Floor Broker Management System may enter the Complex Orders listed in paragraph (a) above as Day, GTC or IOC on behalf of nonbroker- dealer customers and non-market-maker off-floor broker-dealers, and as IOC only on behalf of SQTs, RSQTs, non-SQT ROTs, specialists, non-Phlx market makers on another exchange and Firms.
- (iv) Member organizations must mark the stock/ETF component of a Complex Order "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act.

(v) Complex Orders may be submitted as:

All-or-none orders - to be executed in its entirety or not at all. These orders can only be submitted for non-broker-dealer customers.

Cancel-replacement orders - require the immediate cancellation of a previously received order prior to the replacement of a new order with new terms and conditions. If the previously placed order is already filled partially or in its entirety the replacement order is automatically canceled or reduced by such number.

Limit orders - to be executed at a specified price or better.

Market orders - to be executed at the best price available at the time of execution.

- (c) (i) A Complex Order is eligible to trade on Phlx XL only when each options component of the Complex Order is open for trading on the Exchange, and where the underlying security is a component of the Complex Order, such underlying security is open for trading on its primary market. Complex Orders may be executed against the Complex Order Book (as defined below) or placed on the Complex Order Book. Certain Complex Orders will be entered into a Complex Order Live Auction (as defined below) either following a Complex Order Opening Process (as defined below) or when a Complex Order improves the cPBBO.
- (ii) Complex Orders will not trade on Phlx XL under the following conditions:

- (A) the Complex Order is received prior to the opening on the Exchange of any options component of the Complex Order;
- (B) during an opening rotation for any options component of the Complex Order;
- (C) during a trading halt for any options component of the Complex Order;
- (D) Reserved.
- (E) when the Exchange's Risk Monitor Mechanism is engaged for any options component of the Complex Order that represents all or a portion of the PBBO pursuant to Rule 1093; or
- (F) when the Exchange's market for any options component of the Complex Order is disseminated pursuant to Rule 1082(a)(ii)(B).

Once the condition(s) set forth in sub-paragraphs (A) - (F) above have terminated, the Phlx XL system will begin a Complex Order Opening Process.

- (iii) Spread Priority. (A) Complex Orders consisting of a conforming ratio may be executed at a total credit or debit price without giving priority to individual bids or offers established in the marketplace that are not better than the bids or offers comprising such total credit or debit, provided that if any of the bids or offers established in the marketplace consist of a nonbroker-dealer customer order, at least one option leg is executed at a better price than the established bid or offer for that option contract by the minimum trading increment and no option leg is executed at a price outside of the established bid or offer for that option contract.
- (B) Where a Complex Order in a conforming ratio consists of the underlying security (stock or ETF) and one options leg, such options leg has priority over bids or offers established in the marketplace, except over bids or offers established by non-broker-dealer customer orders. However, where a Complex Order in a conforming ratio consists of the underlying stock or ETF and more than one options leg, the options legs have priority over bids and offers established in the marketplace, including non-broker-dealer customer orders, if at least one options leg improves the existing market for that option.
- (C) Rule 1084 shall apply to all Complex Order executions. Accordingly, Complex Orders with conforming ratios are eligible for the exception contained in Rule 1084(b)(viii) and therefore may trade through the NBBO for that option.
- (D) This paragraph (c) shall apply to all Complex Order executions, whether executed in a Complex Order Live Auction or otherwise.

(d) Complex Order Opening Process ("COOP").

- (i) The Phlx XL system will accept pre-opening Complex Orders, and will accept Complex Orders prior to re-opening following a halt in trading on the Exchange. Complex Orders received prior to the opening or during a trading halt will reside on the CBOOK (as defined below). There will be one such COOP per Complex Order Strategy.
- (ii) Once trading in each option component of a Complex Order Strategy has opened or reopened following a trading halt for a certain configurable time not to exceed 60 seconds (and none of the conditions described in paragraph (c)(ii) above exist), the Phlx XL system will initiate the COOP for that Complex Order Strategy, provided that a COOP will only be conducted for any Complex Order Strategy that has a Complex Order received before the opening of that Complex Order Strategy, unless that Complex Order Strategy is already open as a result of another electronic auction process or another electronic auction involving the same Complex Order Strategy is in progress. Following a trading halt, a COOP will be conducted for any Complex Order Strategy that has a Complex Order present or had previously opened prior to the trading halt. The COOP will be conducted in two phases, the "COOP Timer" (as defined below) and the "COOP Evaluation" (as defined below).

(A) COOP Timer.

- (1) The Exchange will send a broadcast message indicating that a COOP has been initiated for that Complex Order Strategy. The broadcast message will identify the Complex Order Strategy, the opening price (based on the maximum number of contracts that can be executed at one particular price, except if there is no price at which any orders can be executed), and the imbalance side and volume, if any ("Complex Order Opening Auction Notification").

The Complex Order Opening Auction Notification starts a COOP Timer ("COOP Timer"), which will begin counting a number of seconds during which the Complex Order, if any, may not be traded. The COOP Timer is configurable to a period ranging from 0 to 600 seconds as determined by the Exchange and communicated to Exchange membership on the Exchange's website. The COOP Timer will be configured for the same number of seconds for all options trading on the Exchange. Phlx XL Participants can submit responses to the Complex Order Opening Auction Notification pursuant to subparagraph (B) below.

(2) Reserved.

- (3) Complex Orders in such a Complex Order Strategy that are received during the COOP Timer and COOP Evaluation (as described below) will reside on the CBOOK (as defined below).

- (4) Complex Orders received prior to the COOP Timer and Complex Orders received during the COOP Timer (other than COOP Sweeps and Complex Order Responses marked as a response) will be visible to Phlx XL participants upon receipt.
- (5) Complex Orders in a Complex Order Strategy marked as IOC received during a COOP will join the COOP and be treated like any other Complex Order, except such orders will be cancelled at the end of the COOP Timer if not executed. DNA Orders received during a COOP will be cancelled and will not participate in the COOP. Complex Orders marked as IOC and DNA Orders received before the initiation of the COOP in that Complex Order Strategy will be cancelled and will not participate in the COOP; however, a COOP will occur in that Complex Order Strategy.

(B) Responses. In response to a Complex Order Opening Auction Notification, Phlx XL participants may bid and/or offer on either or both side(s) of the market during the COOP Timer by submitting one or more Complex Orders in increments of \$0.01 ("Complex Order Response").

Phlx XL market makers may also bid and/or offer on either or both side(s) of the market during the COOP Timer by submitting one or more bids and/or offers known as COOP Sweeps. A COOP Sweep is a one-sided electronic quotation at a particular price submitted for execution against opening trading interest in a particular Complex Order Strategy.

- (1) A Phlx XL market maker may submit multiple COOP Sweeps at different prices (but not multiple COOP Sweeps at the same price, except as provided in sub-paragraph (2) below) in increments of \$0.01 in response to a Complex Order Opening Auction Notification, regardless of the minimum trading increment applicable to the specific series.
- (2) Phlx XL market makers may change the size of a previously submitted COOP Sweep during the COOP Timer. The system will use the Phlx XL market maker's most recently submitted COOP Sweep at each price level as that market maker's response at that price level, unless the COOP Sweep has a size of zero. A COOP Sweep with a size of zero will remove a Phlx XL market maker's COOP Sweep from that COOP at that price level.
- (3) COOP Sweeps and Complex Order Responses marked as a response will not be visible to any participant and will not be disseminated by the Exchange. Any COOP Sweeps which remain unexecuted at the end of the COOP Timer once all executions are complete will expire. A Complex Order Response will expire if unexecuted at the end of the COOP Timer once all executions are complete, but a Complex Order submitted during the COOP Timer which is not marked as a response will be available to be traded after the opening of a Complex Order Strategy unless it is marked IOC. Such

Complex Order will be placed on the CBOOK if not executed during the opening.

(C) COOP Evaluation. Upon expiration of the COOP Timer, the system will conduct a COOP Evaluation to determine, for a Complex Order Strategy, the price at which the maximum number of contracts can trade, taking into account Complex Orders marked all-or-none (which will be executed if possible) unless the maximum number of contracts can only trade without including all-or-none orders. The Exchange will open the Complex Order Strategy at that price, executing marketable trading interest, in the following order: first, to non-broker-dealer customers in time priority; next to Phlx XL market makers on a pro rata basis; and then to all other participants on a pro rata basis. The imbalance of Complex Orders that are unexecutable at that price are placed on the CBOOK.

(1) No trade possible. If at the end of the COOP Timer the Phlx XL system determines that no market or marketable limit Complex Orders or COOP Sweeps, Complex Orders or COOP Sweeps that are equal to or improve the cPBBO, and/or Complex Orders or COOP Sweeps that cross within the cPBBO exist in the system, all Complex Orders received during the COOP Timer will be placed on the CBOOK, as described in paragraph (f) below.

(2) Trade is possible. If at the end of the COOP Timer the Phlx XL system determines that there are market or marketable limit Complex Orders or COOP Sweeps, Complex Orders or COOP Sweeps that are equal to or improve the cPBBO, and/or Complex Orders or COOP Sweeps that cross within the cPBBO in the Phlx XL system, the Phlx XL system will do the following: if such interest crosses and does not match in size, the execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed at the net price without trading through residual interest or the cPBBO or without trading at the cPBBO where there is non-broker-dealer customer interest at the best bid or offer for any leg, consistent with Rule 1080.07(c)(iii).

If there is any remaining interest and there is no component that consists of the underlying security and provided that the order is not marked all-or-none, such interest may "leg" whereby each options component may trade at the

PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK (as defined below).

(3) The Complex Order Strategy will be open after the COOP even if no executions occur.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) For purposes of paragraph (e):

(A) COLA is the automated Complex Order Live Auction process. A COLA may take place upon identification of the existence of a COLA-eligible order during normal trading if the Phlx XL system receives a Complex Order that improves the cPBBO.

(B) (1) A "COLA-eligible order" means a Complex Order that is not for a market maker, as specified in Rule 1080.08(b)(ii) or for a Firm, as defined in Rule 1080.07(a)(x). If the Phlx XL system identifies the existence of a COLA-eligible order, such COLA-eligible order will initiate a COLA, during which Phlx XL participants may bid and offer against the COLA-eligible order pursuant to this rule. COLA-eligible orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.

(2) Notwithstanding the foregoing, a Complex Order that would otherwise be a COLA-eligible order that is received in a strategy where there is currently a Complex Order PIXL auction in progress or by the Phlx XL system during the final seconds of any trading session shall not be COLA-eligible. The Exchange shall establish the number of seconds, not to exceed 10 seconds, in an Options Trader Alert.

(ii) Initiation of a COLA. Upon the identification of the COLA-eligible order by the Phlx XL system, the Exchange will send a broadcast message to Phlx XL participants indicating that a COLA has been initiated. The broadcast message will identify the Complex Order Strategy, and the size, side and price of the COLA-eligible order.

(iii) COLA Timer. The COLA will begin with a timing mechanism (a "COLA Timer"), which is a counting period not to exceed five (5) seconds during which Phlx XL participants may submit bids or offers that improve the cPBBO. The

COLA Timer will be set for the same number of seconds for all options trading on the Exchange as determined by the Exchange and communicated to membership on the Exchange's website. Complex Orders may be cancelled at any time prior to the commencement of a COLA.

- (iv) Bidding and Offering in Response to a COLA. Phlx XL participants may bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more Complex Orders in increments of \$0.01. Phlx XL market makers may also bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more bids or offers, known as a "COLA Sweep." A COLA Sweep is a one-sided electronic quotation submitted for execution against other trading interest in a particular Complex Order Strategy. Any COLA Sweeps which remain unexecuted at the end of the COLA Timer once all executions are complete will expire.
 - (A) COLA Sweep Price. A single Phlx XL participant may submit multiple COLA Sweeps at different prices (but not multiple COLA Sweeps at the same price, except as provided in sub-paragraph (B) below) in increments of \$0.01 in response to a COLA broadcast, regardless of the minimum trading increment applicable to the specific series.
 - (B) Phlx XL participants may change the size of a previously submitted COLA Sweep at the previously submitted COLA price during the COLA Timer. The system will use the Phlx XL participant's most recently submitted COLA Sweep at each price level as that participant's response at that price level, unless the COLA Sweep has a size of zero. A COLA Sweep with a size of zero will remove a Phlx XL participant's COLA Sweep from the COLA at that price level.
 - (C) COLA Sweeps and Complex Orders marked as a response will not be visible to any participant and will not be disseminated by the Exchange. A Complex Order marked as a response will expire if unexecuted at the end of the COLA Timer once all executions are complete, but a Complex Order submitted during the COLA Timer which is not marked as a response will be available to be traded unless it is marked IOC. Such Complex Order will be placed on the CBOOK if not executed in the COLA.
 - (D) The provisions of Rule 1080(c)(ii)(C) shall apply to Complex Orders and COLA Sweeps submitted under this rule.
- (v) Execution of COLA-Eligible Orders. Upon the expiration of the COLA Timer, COLA Sweeps and/or any Complex Orders received during the COLA Timer that improve the cPBBO may be executed against the COLA-eligible order. The COLA-eligible order will receive the best price or prices available for the Complex Order Strategy represented by the COLA-eligible order. The components of a COLA-eligible order may be executed in one cent increments,

regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. Executions in the COLA will comply with the requirements of Exchange Rule 1033(d).

(vi) Allocation and Priority. As stated above, COLA-eligible orders, COLA Sweeps, and responsive Complex Orders will trade first based on the best price or prices available at the end of the COLA Timer.

(A) (1) "Legging." If no COLA Sweeps or responsive Complex Orders for the same Complex Order Strategy as the COLA-eligible order were received during the COLA Timer and there is no component that consists of the underlying security, each options component of the COLA-eligible order may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order, provided that each component is executed such that the components comprise the Complex Order Strategy with the correct ratio for the desired net debit or credit and provided that the Complex Order is not marked all-or-none; all-or-none orders that are not executed during the COLA are placed on the CBOOK. Trades pursuant to this paragraph will be allocated in accordance with Exchange Rule 1014(g)(vii).

(2) If the markets for the individual components of a Complex Order Strategy independently improve during the COLA Timer and match the best price of COLA Sweep(s) and/or responsive Complex Order(s), the Phlx XL system will execute such COLA Sweep(s) and/or responsive Complex Orders before executing the individual components of the Complex Order Strategy.

(3) A non-broker-dealer customer Complex Order will have priority over specialists, SQTs and RSQTs and off-floor broker-dealers bidding for and/or offering any options component(s) of the Complex Order Strategy at the same price, but not over non-broker-dealer customer orders representing any options component(s) of the Complex Order Strategy at the same price.

(B) If multiple Complex Orders and COLA Sweeps are eligible for execution against the COLA-eligible order at the same price, the trade will be allocated among participants submitting electronic Complex Orders and COLA Sweeps as set forth below. Executions in the COLA will comply with the requirements of Exchange Rule 1080.08(c)(iii) above.

(1) First, to customer marketable Complex Orders on the CBOOK (as defined below) in the order in which they were received;

(2) Second, to COLA Sweeps and SQTs, RSQTs, and non-SQT ROTs who have submitted Complex Orders that are marketable against the COLA-eligible order, on a size pro-rata basis; and

- (3) Third, to non-market maker off-floor broker-dealers on a size pro-rata basis.
- (C) Notwithstanding the foregoing, if the specialist submits a COLA Sweep during the COLA Timer and such COLA Sweep is for the same price as other COLA Sweeps that are eligible for execution against the COLA-eligible order, after customer marketable Complex Orders have been executed against the COLA-eligible order, the specialist shall be entitled to receive the greater of:
- (1) the proportion of the aggregate size associated with such specialist's COLA Sweep, SQT and RSQT COLA Sweeps, and non-SQT ROT Complex Orders on the CBOOK; or
 - (2) the Enhanced Specialist Participation as described in Rule 1014(g)(ii).
 - (3) The specialist is not entitled to receive an allocation that would exceed the size of the specialist's COLA Sweep.
- (D) If a COLA-eligible order cannot be filled in its entirety, any remaining balance will be placed on the CBOOK, subject to other instructions (i.e., cancel balance).
- (vii) Firm Quote Requirement for COLA-Eligible Orders. COLA Sweeps in response to a COLA broadcast represent non-firm interest that can be modified at any time prior to the end of the COLA Timer. At the end of the COLA Timer, COLA Sweeps shall be firm only with respect to the COLA-eligible order for which it is submitted, provided that COLA Sweeps that exceed the size of a COLA-eligible order are also eligible to trade with other incoming COLA-eligible orders, COLA Sweeps and any other interest received during the COLA Timer after the initial COLA-eligible order has been executed to the fullest extent possible. Remaining interest trades as described in subparagraph (viii)(C)(3). Any COLA Sweeps not accepted in whole or in a permissible ratio will expire at the end of the COLA Timer once all executions are complete.
- (viii) Complex Orders resting on the CBOOK, and incoming electronic Complex Orders and COLA Sweeps that are received prior to the expiration of the COLA Timer, (collectively, for purposes of this rule, "incoming Complex Orders") representing the same Complex Order Strategy as a COLA-eligible order will impact the original COLA as follows:
- (A) At the end of the COLA Timer, the Phlx XL system will determine the price and size of COLA Sweeps and any orders that were received during the COLA Timer that are unrelated to the COLA but nonetheless are eligible to participate in the COLA in the priority determined in Rule 1080.07(e)(vi) above and based on the price determined as set forth below.

- (B) Incoming Complex Orders on the same side of the market as the COLA-eligible order. Incoming Complex Orders that were received during the COLA Timer for the same Complex Order Strategy as the COLA-eligible order that are on the same side of the market will join the COLA. The original COLA-eligible order has priority at all price points (i.e., multiple COLA Sweep Prices) over the incoming Complex Order(s), regardless of the price of the incoming Complex Order. The incoming Complex Order shall not be eligible for execution against interest on the opposite side of the market from the COLA-eligible order until the COLA-eligible order is executed to the fullest extent possible. If the incoming Complex Order is not executed in its entirety, the system will not initiate a new COLA. Any remaining contracts, other than COLA Sweeps, will be placed on the CBOOK, subject to other instructions.
- (C) Incoming Complex Orders on the opposite side of the market from the COLA-eligible order.
- (1) Incoming customer (non-broker-dealer customer and non-market-maker off-floor broker-dealer (other than Firms)) Complex Orders that are received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price equal to or better than the best priced Complex Order or COLA Sweep will be executed against the COLA eligible order (which will be executed to the fullest extent possible first as described in sub-paragraph (B) above) or other Complex Orders or COLA Sweeps as follows:
- (a) If such incoming customer Complex Order is a limit order at the same price as the best priced Complex Order or COLA Sweep, the incoming Complex Order will be executed at such price.
- (b) If such incoming Complex Order is a limit order that improved the best priced Complex Order or COLA Sweep, the incoming customer Complex Order will be executed at the mid-point of the best priced Complex Order or COLA Sweep and the limit order price, rounded, if necessary, to the closest minimum trading increment to the benefit of the COLA-eligible order.
- (c) If such incoming customer Complex Order is a market order or a limit order that crosses the cPBBO, the incoming Complex Order will be executed at the mid-point of the cPBBO on the same side of the market as the COLA-eligible order and the best priced Complex Order or COLA Sweep, rounded, if necessary, to the closest minimum trading increment to the benefit of the COLA-eligible order.
- (d) If multiple customer Complex Orders are received on the opposite side of the market from the COLA-eligible order, non-broker-dealer customer orders at the same price will be executed in the order in which they were

received, whereas non-market-maker off-floor broker-dealer orders will be executed on a pro-rata basis at each price level.

- (e) If the COLA-eligible order is executed to the fullest extent possible and there are remaining bids or offers from the incoming Complex Order(s), the Phlx XL system will execute such interest against other Complex Orders or COLA Sweeps in the COLA and subsequently place residual bids or offers, other than COLA Sweeps, onto the CBOOK, subject to other instructions.
- (2) Incoming non-customer (Phlx market makers, Firms and non-Phlx market makers) Complex Orders that are received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price equal to or better than the best priced Complex Order or COLA Sweep will be executed against the COLA eligible order (which will be executed to the fullest extent possible first as described in subparagraph (B) above) or other Complex Orders or COLA Sweeps as follows:
- (a) If such incoming non-customer Complex Order is a limit order at the same price as the best priced Complex Order or COLA Sweep, the incoming non-customer Complex Order will be executed at such price, subject to the provisions set forth sub-paragraph (e) above.
 - (b) If such incoming non-customer Complex Order is a limit order that improved the best priced Complex Order or COLA Sweep, the incoming non-customer Complex Order will be executed at the limit order price.
 - (c) If such incoming non-customer Complex Order is a market order or a limit order that crosses the cPBBO, the incoming non-customer Complex Order will be executed at a price of \$0.01 better than the cPBBO on the same side of the market as the COLA-eligible order.
 - (d) If multiple non-customer Complex Orders are received on the opposite side of the market from the COLA-eligible order, Phlx market maker orders will be executed on a pro-rata basis and Firm and non-Phlx market maker orders will be executed on a pro-rata basis, at each price level.
 - (e) If the COLA-eligible order is executed to the fullest extent possible and there are remaining bids or offers from the incoming non-customer Complex Order(s), the Phlx XL system will execute such interest against other Complex Orders or COLA Sweeps in the COLA and subsequently place residual bids or offers, other than COLA Sweeps, onto the CBOOK, subject to other instructions.
- (3) Incoming Complex Orders that were received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price

inferior to any other COLA Sweep or Complex Order will be executed against the COLA-eligible order after all interest at the better price(s) has/have been executed. After the initial COLA-eligible order has been executed to the fullest extent possible, incoming Complex Orders remaining unexecuted shall be eligible to trade with other Complex Orders and COLA Sweeps at their entered price. If, after the COLA-eligible order has been executed, there exist Complex Orders and/or COLA Sweeps on the opposite side of the market from the COLA-eligible order which cross the price of other Complex Orders or COLA Sweeps on the same side of the market from the COLA-eligible order, and if such interest crosses and does not match in size, the execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed without trading through residual Complex interest or the cPBBO, or without trading at the cPBBO where there is non-broker-dealer customer interest.

If there is any remaining interest and there is no component that consists of the underlying security and provided that the order is not marked all-or-none, such interest may "leg" whereby each options component may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK.

The system will treat any unexecuted remaining contracts in the incoming Complex Order as a new Complex Order, and will not initiate a new COLA. Such unexecuted remaining contracts, other than COLA Sweeps, will be placed on the CBOOK, subject to other instructions.

(ix) Exchange members and Phlx XL participants quoting and trading in open outcry shall not be eligible to participate in the electronic Complex Order system. In order to participate, such members and Phlx XL participants must submit COLA Sweeps and/or responsive Complex Orders electronically.

(f) Complex Limit Order Book ("CBOOK")

- (i) Complex Orders must be entered onto the CBOOK in increments of \$0.01. The individual components of a Complex Order may be executed in minimum increments of \$0.01, regardless of the minimum increments applicable to such components. Such orders will be placed on the CBOOK by the system when the following conditions exist:
 - (A) When the Complex Order does not price-improve upon the cPBBO upon receipt;
 - (B) When the order is received before the expiration of the Complex Order Opening Process;
 - (C) When the Complex Order is received during a trading halt on the Exchange for any component of the Complex Order;
 - (D) When the Complex Order is received while the Exchange's automated execution system is disengaged for any options component of such Complex Order;
 - (E) When any options component of the Complex Order is a pre-opening order; or
 - (F) When the Complex Order is received during the final configurable number of seconds of the trading session after any marketable portion of the Complex Order is executed.
- (ii) Phlx XL market makers may submit one or more bids and/or offers known as Sweeps. A Sweep is a one-sided electronic quotation at a particular price submitted for execution against existing interest in a particular Complex Order Strategy, including against interest on the CBOOK ("CBOOK Sweep"). Any CBOOK Sweeps which do not execute immediately will expire.
- (iii) Execution of Complex Orders in the CBOOK. Complex orders in the CBOOK will be executed without consideration of any prices that might be available on other exchanges trading the same contracts.
 - (A) A Complex Order resting on the CBOOK will execute automatically against:
 - (1) quotes, orders on the limit order book for the individual options components of the order, or sweeps, except if any of the components is the underlying security or if the Complex Order is marked all-or-none, and provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders (allocated in accordance with Exchange Rule 1014(g)(vii)); or (2) an incoming marketable Complex Order(s) that do(es) not trigger a COLA Timer, whichever arrives first.
 - (B) An incoming marketable Complex Order that does not trigger a COLA Timer will execute in the following order:

- (1) First, against quotes or orders on the limit order book for the individual components of the order (provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders), except if any of the components is the underlying security. Trades pursuant to this subparagraph (B)(1) will be allocated in accordance with Exchange Rule 1014(g)(vii); and
 - (2) Second, against non-broker-dealer customer Complex Orders and non-market maker broker-dealer Complex Orders resting in the CBOOK in price priority and, at the same price, against (i) non-broker-dealer customer Complex Orders in the order in which they were received; (ii) SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange on a size pro rata basis; and (iii) non-market-maker broker-dealer Complex Orders on a size pro rata basis, provided that any execution pursuant to this paragraph (f)(iii)(B)(2) complies with the requirements of subparagraph (c)(iii) above.
 - (3) A non-broker-dealer customer Complex Order will have priority over specialists, SQTs and RSQTs and off-floor broker-dealers bidding for and/or offering any options component(s) of the Complex Order Strategy at the same price, but not over non-broker-dealer customer orders representing any options component(s) of the Complex Order Strategy at the same price.
- (C) Legging Orders. Legging Orders may be automatically generated on behalf of Complex Orders resting on the top of the CBOOK at a price that improves the cPBBO so that they are represented at the best bid and/or offer on the Exchange for the individual legs. The System will evaluate the CBOOK when a Complex Order enters the CBOOK and at a regular time interval, to be determined by the Exchange (which interval shall not exceed 1 second), following a change in the national best bid and/or offer ("NBBO") or Phlx best bid and/or offer ("PBBO") in any component of a Complex Order eligible to generate Legging Orders, to determine whether Legging Orders may be generated. The Exchange may determine to limit the number of Legging Orders generated on an objective basis and may determine to remove existing Legging Orders in order to maintain a fair and orderly market in times of extreme volatility or uncertainty.
- 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 (which improves the cPBBO) that is to buy or sell an equal quantity of two options series resting on the CBOOK. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and are limit orders with a time-in-force of DAY, as they represent an individual component of a Complex Order.
- (1) A Legging Order may be automatically generated for one leg of a Complex Order at a price: (i) that matches or improves upon the best Phlx displayed

bid or offer; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer (other than Legging Orders). Legging Orders will not be generated if the Exchange or a particular option has not opened, is halted or is otherwise not available for trading. Similarly, the particular Complex Order Strategy must be available for trading.

- (2) A Legging Order will not be created: (i) at a price that locks or crosses the best bid or offer of another exchange, (ii) if there is an auction on either side or a Posting Period under Rule 1080(p) regarding Acceptable Trade Range on the same side in progress in the series, (iii) the price of the Complex Order is outside of the ACE Parameter of Rule 1080.07(i), (iv) if there is already a Legging Order in that series on the same side of the market at the same price (unless it has priority based on the participant type, under existing Exchange rules), (v) the Complex Order is an Allor-None Order, or (vi) for a Complex Order if the generated Legging Order would immediately cause resting Legging Orders to be removed pursuant to section .07(f)(iii)(C)(4)(ix) below. Legging Orders may be generated and executed in an increment other than the minimum increment for that series and will be ranked on the order book at its generated price and displayed at a price that is rounded to the nearest minimum increment for that series. Two Legging Orders relating to the same Complex Order can be generated, but only one of those can execute as part of the execution of a particular Complex Order.
- (3) A Legging Order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a Legging Order is executed, the other leg of the Complex Order will be automatically executed against the displayed best bid or offer on the Exchange and any other Legging Order based on that Complex Order will be removed.
- (4) A Legging Order is automatically removed from the regular order book : (i) if the price of the Legging Order is no longer at the Exchange's displayed best bid or offer on the regular limit order book, (ii) if execution of the Legging Order would no longer achieve the net price of the Complex Order when the other leg is executed against the Exchange's best displayed bid or offer on the regular limit order book (other than another Legging Order), (iii) if the Complex Order is executed in full or in part, (iv) if the Complex Order is cancelled or modified, (v) if the price of the Complex Order is outside the ACE Parameter of Rule 1080.07(i), (vi) upon receipt of a Qualified Contingent Cross Order which includes a component in which there is a Legging Order, an order that will trigger an auction under Exchange rules in a component in which there is a Legging Order (whether a buy order or a sell order), or pursuant to Rule 1080(n)(vi) a PIXL Order for the account of a public customer paired with an order for the account of a public customer, (vii) if a Legging Order is generated by a different Complex Order in the

same leg at a better price or the same price for a participant with a higher priority, (viii) if a Complex Order is marketable against the cPBBO where a Legging Order is present and has more than one leg in common with the existing Complex Order that generated the Legging Order, (ix) if a Complex Order becomes marketable against multiple Legging Orders, (x) if a Complex Order consisting of an unequal quantity of components is marketable against the cPBBO where a Legging Order is present but cannot be executed due to insufficient size in at least one of the components in the cPBBO, (xi) if an incoming all-or-none order is entered onto the order book at a price which is equal to or crosses the price of a Legging Order, or (xii) when the Legging Order is on the book at a price which is not at the minimum price increment and which is more aggressive than the same side PBBO, and an away market moves to lock the PBBO (which is also the NBBO).

- (g) Phlx XL Strategy Price Protection ("SPP"). SPP is a feature of Phlx XL that prevents certain Complex Order Strategies from trading at prices outside of pre-set standard limits. SPP will apply only to Vertical Spreads (defined below) and Time Spreads (defined below).
- (i) Vertical Spread. A Vertical Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.
- (A) The SPP will calculate the maximum possible value of a Vertical Spread by subtracting the value of the lower strike price from the value of the higher strike price as between the two components. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum value of \$5.00. The minimum possible value of a Vertical Spread is always zero.
- (B) The SPP will ensure that a Vertical Spread will not trade at a net price of less than the minimum possible value (minus a pre-set value setting an acceptable range) or greater than the maximum possible value (plus a pre-set value setting an acceptable range).
- (C) The pre-set value and acceptable range will be uniform for all options traded on the Exchange as determined by the Exchange and communicated to membership on the Exchange's website.
- (ii) Time Spread. A Time Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.

- (A) The maximum possible value of a Time Spread is unlimited. The minimum possible value of a Time Spread is zero.
- (B) The SPP will ensure that a Time Spread will not trade at a price of less than zero (minus a pre-set value setting an acceptable range).
- (iii) Protection. If the limits (on either side of the market) set forth in sub-paragraphs (i)(B) and (ii)(B) above would be violated by an execution, the system will cancel the order.
- (h) Where one component of a Complex Order is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex Order to Nasdaq Execution Services, LLC ("NES"), its designated broker-dealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. The execution price must be within the high-low range for the day in that stock at the time the Complex Order is processed and within a certain price from the current market, which the Exchange will establish in an Options Trader Alert. If the stock price is not within these parameters, the Complex Order is not executable.

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

- (i) Acceptable Complex Execution ("ACE") Parameter. The ACE Parameter defines a price range outside of which a Complex Order will not be executed. The ACE Parameter is either a percentage or number defined by the Exchange and may be set at a different percentage or number for Complex Orders where one of the components is the underlying security. The ACE Parameter price range is based on the cNBBO at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to this rule will be placed on the CBOOK. The Exchange will issue an Options Trader Alert ("OTA") to membership indicating the issue-by-issue ACE

Parameters. The Exchange will also maintain a list of ACE Parameters on its website.] Reserved.

.08 No change.

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Rule 1098 Complex Orders on the System

(a) Definitions

(i) Complex Order. For purposes of the electronic trading of Complex Orders, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. With respect to Mini Options, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different Mini Options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Mini Options may only be part of a Complex Order that includes other Mini Options.

Except respecting Mini Options, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share ("ETF")) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery. Stock-option orders can only be executed against other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or the NASDAQ Stock Market ("NASDAQ") are required to have a Uniform Service Bureau/Executing Broker Agreement ("AGU") with Nasdaq Execution Services, LLC ("NES") in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or NASDAQ are required to have a Qualified Special Representative ("QSR") arrangement with NES in order to trade Complex Orders containing a stock/ETF component.

The maximum number of components of a Complex Order is six. A stock-option order may include up to five options components (legs).

- (ii) Complex Order Strategy. The term "Complex Order Strategy" means a particular combination of components of a Complex Order and their ratios to one another. The Exchange will calculate both a bid price and an offer price for each Complex Order Strategy based on the current PBBO (as defined below) for each component of the Complex Order. Each Complex Order Strategy will be assigned a strategy identifier by the System.
- (iii) PBBO. The term "PBBO" means the Phlx Best Bid and/or Offer for individual option series.
- (iv) cPBBO. The term "cPBBO" means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security.
- (v) NBBO. The term "NBBO" means the National Best Bid and/or Offer for an individual option series.
- (vi) cNBBO. The term "cNBBO" means the best net debit or credit price for a Complex Order Strategy based on the NBBO for the individual options components of a Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security.
- (vii) Participant, Phlx market maker and Phlx electronic market maker. The term "participant" means SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange; non-broker-dealer customers, Firms and non-market-maker off-floor broker-dealers; and Floor Brokers using the Options Floor Broker Management System. The term "Phlx market maker" means SQTs, RSQTs, specialists and non-SQT ROTs. The term "Phlx electronic market maker" means SQTs, RSQTs and specialists.
- (viii) Do Not Auction. The term "Do Not Auction" means that this Complex Order is not "COLA-eligible," as defined in (d)(ii)(B) below and thus prevents it from triggering a Complex Order Live Auction, pursuant to paragraph (e) below, or joining one that is in progress.
- (A) DNA Orders received prior to the opening or when the Complex Order Strategy is not available for trading will be cancelled.
- (B) DNA Orders are cancelled if not immediately executed.
- (C) DNA Orders will initially only be available for Complex Orders consisting of more than two options components or where the underlying security is a component; once the Exchange has fully rolled out its enhanced Complex

Order System, which will be announced in an Options Trader Alert, DNA Orders will also become available for Complex Orders consisting of two options components.

- (ix) Conforming ratio. The term "conforming ratio" is where the ratio between the sizes of the options components of a Complex Order is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is a conforming ratio, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not; where one component of the Complex Order is the underlying security, the ratio between any options component and the underlying security component must be less than or equal to eight contracts to 100 shares of the underlying security.
- (x) Firm. The term "Firm" means a broker-dealer trading for its own (proprietary) account that is: a member of The Options Clearing Corporation ("OCC") or maintains a Joint Back Office ("JBO") arrangement with an OCC member. Unless otherwise specified, Firms are included in the category of non-market-maker off-floor broker-dealer.
- (b) Complex orders may be entered in increments of \$0.01 with certain "time in force" designations and as certain order types with certain contingencies as follows:
- (i) Non-broker-dealer customers and non-market-maker off-floor broker-dealers may enter the Complex Orders listed in paragraph (a) above as Day, Good Til Cancelled ("GTC") or Immediate or Cancel ("IOC").
- (ii) SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange may enter the Complex Orders listed in paragraph (a) above as IOC only. In addition, for Complex Orders consisting of more than two options components or where the underlying security is a component, SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange may enter the Complex Orders listed in paragraph (a) above as Day orders; once the Exchange has fully rolled out its enhanced Complex Order System, which will be announced in an Options Trader Alert, Day orders will also become available for Complex Orders consisting of two options components.
- (iii) Floor Brokers using the Options Floor Broker Management System may enter the Complex Orders listed in paragraph (a) above as Day, GTC or IOC on behalf of non-broker-dealer customers and non-market-maker off-floor broker-dealers, and as IOC only on behalf of SQTs, RSQTs, non-SQT ROTs, specialists, non-Phlx market makers on another exchange and Firms.
- (iv) Member organizations must mark the stock/ETF component of a Complex Order "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act.

(v) Complex Orders may be submitted as:

All-or-none orders - to be executed in its entirety or not at all. These orders can only be submitted for non-broker-dealer customers.

Cancel-replacement orders - require the immediate cancellation of a previously received order prior to the replacement of a new order with new terms and conditions. If the previously placed order is already filled partially or in its entirety the replacement order is automatically canceled or reduced by such number.

Limit orders - to be executed at a specified price or better.

Market orders - to be executed at the best price available at the time of execution.

(c) (i) A Complex Order is eligible to trade on the System only when each options component of the Complex Order is open for trading on the Exchange, and where the underlying security is a component of the Complex Order, such underlying security is open for trading on its primary market. Complex Orders may be executed against the Complex Order Book (as defined below) or placed on the Complex Order Book. Certain Complex Orders will be entered into a Complex Order Live Auction (as defined below) either following a Complex Order Opening Process (as defined below) or when a Complex Order improves the cPBBO.

(ii) Complex Orders will not trade on the System under the following conditions:

(A) the Complex Order is received prior to the opening on the Exchange of any options component of the Complex Order;

(B) during an opening rotation for any options component of the Complex Order;

(C) during a trading halt for any options component of the Complex Order;

(D) Reserved.

(E) when an automatic removal of quotes occurs in any options component of the Complex Order that represents all or a portion of the PBBO; or

(F) when the Exchange's market for any options component of the Complex Order is disseminated pursuant to Rule 1082(a)(ii)(B).

Once the condition(s) set forth in sub-paragraphs (A) - (F) above have terminated, the System will begin a Complex Order Opening Process.

(iii) Spread Priority. (A) Complex Orders consisting of a conforming ratio may be executed at a total credit or debit price without giving priority to individual bids

or offers established in the marketplace that are not better than the bids or offers comprising such total credit or debit, provided that if any of the bids or offers established in the marketplace consist of a non-broker-dealer customer order, at least one option leg is executed at a better price than the established bid or offer for that option contract by the minimum trading increment and no option leg is executed at a price outside of the established bid or offer for that option contract.

(B) Where a Complex Order in a conforming ratio consists of the underlying security (stock or ETF) and one options leg, such options leg has priority over bids or offers established in the marketplace, except over bids or offers established by non-broker-dealer customer orders. However, where a Complex Order in a conforming ratio consists of the underlying stock or ETF and more than one options leg, the options legs have priority over bids and offers established in the marketplace, including non-broker-dealer customer orders, if at least one options leg improves the existing market for that option.

(C) Rule 1084 shall apply to all Complex Order executions. Accordingly, Complex Orders with conforming ratios are eligible for the exception contained in Rule 1084(b)(viii) and therefore may trade through the NBBO for that option.

(D) This paragraph (c) shall apply to all Complex Order executions, whether executed in a Complex Order Live Auction or otherwise.

(d) Complex Order Opening Process ("COOP").

- (i) The System will accept pre-opening Complex Orders, and will accept Complex Orders prior to re-opening following a halt in trading on the Exchange. Complex Orders received prior to the opening or during a trading halt will reside on the CBOOK (as defined below). There will be one such COOP per Complex Order Strategy.
- (ii) Once trading in each option component of a Complex Order Strategy has opened or reopened following a trading halt for a certain configurable time not to exceed 60 seconds (and none of the conditions described in paragraph (c)(ii) above exist), the System will initiate the COOP for that Complex Order Strategy, provided that a COOP will only be conducted for any Complex Order Strategy that has a Complex Order received before the opening of that Complex Order Strategy, unless that Complex Order Strategy is already open as a result of another electronic auction process or another electronic auction involving the same Complex Order Strategy is in progress. Following a trading halt, a COOP will be conducted for any Complex Order Strategy that has a Complex Order present or had previously opened prior to the trading halt. The COOP will be conducted in two phases, the "COOP Timer" (as defined below) and the "COOP Evaluation" (as defined below).

(A) COOP Timer.

(1) The Exchange will send a broadcast message indicating that a COOP has been initiated for that Complex Order Strategy. The broadcast message will identify the Complex Order Strategy, the opening price (based on the maximum number of contracts that can be executed at one particular price, except if there is no price at which any orders can be executed), and the imbalance side and volume, if any ("Complex Order Opening Auction Notification").

The Complex Order Opening Auction Notification starts a COOP Timer ("COOP Timer"), which will begin counting a number of seconds during which the Complex Order, if any, may not be traded. The COOP Timer is configurable to a period ranging from 0 to 600 seconds as determined by the Exchange and communicated to Exchange membership on the Exchange's website. The COOP Timer will be configured for the same number of seconds for all options trading on the Exchange. Participants can submit responses to the Complex Order Opening Auction Notification pursuant to subparagraph (B) below.

(2) Reserved.

(3) Complex Orders in such a Complex Order Strategy that are received during the COOP Timer and COOP Evaluation (as described below) will reside on the CBOOK (as defined below).

(4) Complex Orders received prior to the COOP Timer and Complex Orders received during the COOP Timer (other than COOP Sweeps and Complex Order Responses marked as a response) will be visible to participants upon receipt.

(5) Complex Orders in a Complex Order Strategy marked as IOC received during a COOP will join the COOP and be treated like any other Complex Order, except such orders will be cancelled at the end of the COOP Timer if not executed. DNA Orders received during a COOP will be cancelled and will not participate in the COOP. Complex Orders marked as IOC and DNA Orders received before the initiation of the COOP in that Complex Order Strategy will be cancelled and will not participate in the COOP; however, a COOP will occur in that Complex Order Strategy.

(B) Responses. In response to a Complex Order Opening Auction Notification, participants may bid and/or offer on either or both side(s) of the market during the COOP Timer by submitting one or more Complex Orders in increments of \$0.01 ("Complex Order Response").

Phlx electronic market makers may also bid and/or offer on either or both side(s) of the market during the COOP Timer by submitting one or more bids and/or offers known as COOP Sweeps. A COOP Sweep is a one-sided electronic quotation at a particular price submitted for execution against opening trading interest in a particular Complex Order Strategy.

(1) A Phlx electronic market maker may submit multiple COOP Sweeps at different prices (but not multiple COOP Sweeps at the same price, except as provided in sub-paragraph (2) below) in increments of \$0.01 in response to a Complex Order Opening Auction Notification, regardless of the minimum trading increment applicable to the specific series.

(2) Phlx electronic market makers may change the size of a previously submitted COOP Sweep during the COOP Timer. The System will use the Phlx electronic market maker's most recently submitted COOP Sweep at each price level as that market maker's response at that price level, unless the COOP Sweep has a size of zero. A COOP Sweep with a size of zero will remove a Phlx electronic market maker's COOP Sweep from that COOP at that price level.

(3) COOP Sweeps and Complex Order Responses marked as a response will not be visible to any participant and will not be disseminated by the Exchange. Any COOP Sweeps which remain unexecuted at the end of the COOP Timer once all executions are complete will expire. A Complex Order Response will expire if unexecuted at the end of the COOP Timer once all executions are complete, but a Complex Order submitted during the COOP Timer which is not marked as a response will be available to be traded after the opening of a Complex Order Strategy unless it is marked IOC. Such Complex Order will be placed on the CBOOK if not executed during the opening.

(C) COOP Evaluation. Upon expiration of the COOP Timer, the System will conduct a COOP Evaluation to determine, for a Complex Order Strategy, the price at which the maximum number of contracts can trade, taking into account Complex Orders marked all-or-none (which will be executed if possible) unless the maximum number of contracts can only trade without including all-or-none orders. The Exchange will open the Complex Order Strategy at that price, executing marketable trading interest, in the following order: first, to non-broker-dealer customers in time priority; next to Phlx electronic market makers on a pro rata basis; and then to all other participants on a pro rata basis. The imbalance of Complex Orders that are unexecutable at that price are placed on the CBOOK.

(1) No trade possible. If at the end of the COOP Timer the System determines that no market or marketable limit Complex Orders or COOP Sweeps, Complex Orders or COOP Sweeps that are equal to or improve the cPBBO,

and/or Complex Orders or COOP Sweeps that cross within the cPBBO exist in the System, all Complex Orders received during the COOP Timer will be placed on the CBOOK, as described in paragraph (f) below.

(2) Trade is possible. If at the end of the COOP Timer the System determines that there are market or marketable limit Complex Orders or COOP Sweeps, Complex Orders or COOP Sweeps that are equal to or improve the cPBBO, and/or Complex Orders or COOP Sweeps that cross within the cPBBO in the System, the System will do the following: if such interest crosses and does not match in size, the execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed at the net price without trading through residual interest or the cPBBO or without trading at the cPBBO where there is non-broker-dealer customer interest at the best bid or offer for any leg, consistent with Rule 1098(c)(iii).

If there is any remaining interest and there is no component that consists of the underlying security and provided that the order is not marked all-or-none, such interest may "leg" whereby each options component may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK (as defined below).

(3) The Complex Order Strategy will be open after the COOP even if no executions occur.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) For purposes of paragraph (e):

(A) COLA is the automated Complex Order Live Auction process. A COLA may take place upon identification of the existence of a COLA-eligible order during

normal trading if the System receives a Complex Order that improves the cPBBO.

(B) (1) A "COLA-eligible order" means a Complex Order that is not for a market maker, as specified in Rule 1098(b)(ii) or for a Firm, as defined in Rule 1098(a)(x). If the System identifies the existence of a COLA-eligible order, such COLA-eligible order will initiate a COLA, during which participants may bid and offer against the COLA-eligible order pursuant to this rule. COLA-eligible orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.

(2) Notwithstanding the foregoing, a Complex Order that would otherwise be a COLA-eligible order that is received in a strategy where there is currently a Complex Order PIXL auction in progress or by the System during the final seconds of any trading session shall not be COLA-eligible. The Exchange shall establish the number of seconds, not to exceed 10 seconds, in an Options Trader Alert.

(ii) Initiation of a COLA. Upon the identification of the COLA-eligible order by the System, the Exchange will send a broadcast message to participants indicating that a COLA has been initiated. The broadcast message will identify the Complex Order Strategy, and the size, side and price of the COLA-eligible order.

(iii) COLA Timer. The COLA will begin with a timing mechanism (a "COLA Timer"), which is a counting period not to exceed five (5) seconds during which participants may submit bids or offers that improve the cPBBO. The COLA Timer will be set for the same number of seconds for all options trading on the Exchange as determined by the Exchange and communicated to membership on the Exchange's website. Complex Orders may be cancelled at any time prior to the commencement of a COLA.

(iv) Bidding and Offering in Response to a COLA. Participants may bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more Complex Orders in increments of \$0.01. Electronic market makers may also bid and/or offer on either or both side(s) of the market during the COLA Timer by submitting one or more bids or offers, known as a "COLA Sweep." A COLA Sweep is a one-sided electronic quotation submitted for execution against other trading interest in a particular Complex Order Strategy. Any COLA Sweeps which remain unexecuted at the end of the COLA Timer once all executions are complete will expire.

(A) COLA Sweep Price. A single participant may submit multiple COLA Sweeps at different prices (but not multiple COLA Sweeps at the same price, except as provided in sub-paragraph (B) below) in increments of \$0.01 in response to a COLA broadcast, regardless of the minimum trading increment applicable to the specific series.

- (B) Participants may change the size of a previously submitted COLA Sweep at the previously submitted COLA price during the COLA Timer. The System will use the participant's most recently submitted COLA Sweep at each price level as that participant's response at that price level, unless the COLA Sweep has a size of zero. A COLA Sweep with a size of zero will remove a participant's COLA Sweep from the COLA at that price level.
- (C) COLA Sweeps and Complex Orders marked as a response will not be visible to any participant and will not be disseminated by the Exchange. A Complex Order marked as a response will expire if unexecuted at the end of the COLA Timer once all executions are complete, but a Complex Order submitted during the COLA Timer which is not marked as a response will be available to be traded unless it is marked IOC. Such Complex Order will be placed on the CBOOK if not executed in the COLA.
- (D) The provisions of Rule 1080(c)(ii)(C) shall apply to Complex Orders and COLA Sweeps submitted under this rule.
- (v) Execution of COLA-Eligible Orders. Upon the expiration of the COLA Timer, COLA Sweeps and/or any Complex Orders received during the COLA Timer that improve the cPBBO may be executed against the COLA-eligible order. The COLA-eligible order will receive the best price or prices available for the Complex Order Strategy represented by the COLA-eligible order. The components of a COLA-eligible order may be executed in one cent increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. Executions in the COLA will comply with the requirements of Exchange Rule 1033(d).
- (vi) Allocation and Priority. As stated above, COLA-eligible orders, COLA Sweeps, and responsive Complex Orders will trade first based on the best price or prices available at the end of the COLA Timer.
- (A) (1) "Legging." If no COLA Sweeps or responsive Complex Orders for the same Complex Order Strategy as the COLA-eligible order were received during the COLA Timer and there is no component that consists of the underlying security, each options component of the COLA-eligible order may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order, provided that each component is executed such that the components comprise the Complex Order Strategy with the correct ratio for the desired net debit or credit and provided that the Complex Order is not marked all-or-none; all-or-none orders that are not executed during the COLA are placed on the CBOOK. Trades pursuant to this paragraph will be allocated in accordance with Exchange Rule 1014(g)(vii).

- (2) If the markets for the individual components of a Complex Order Strategy independently improve during the COLA Timer and match the best price of COLA Sweep(s) and/or responsive Complex Order(s), the System will execute such COLA Sweep(s) and/or responsive Complex Orders before executing the individual components of the Complex Order Strategy.
- (3) A non-broker-dealer customer Complex Order will have priority over specialists, SQTs and RSQTs and off-floor broker-dealers bidding for and/or offering any options component(s) of the Complex Order Strategy at the same price, but not over non-broker-dealer customer orders representing any options component(s) of the Complex Order Strategy at the same price.
- (B) If multiple Complex Orders and COLA Sweeps are eligible for execution against the COLA-eligible order at the same price, the trade will be allocated among participants submitting electronic Complex Orders and COLA Sweeps as set forth below. Executions in the COLA will comply with the requirements of Exchange Rule 1098(c)(iii) above.
- (1) First, to customer marketable Complex Orders on the CBOOK (as defined below) in the order in which they were received;
- (2) Second, to COLA Sweeps and SQTs, RSQTs, and non-SQT ROTs who have submitted Complex Orders that are marketable against the COLA-eligible order, on a size pro-rata basis; and
- (3) Third, to non-market maker off-floor broker-dealers on a size pro-rata basis.
- (C) Notwithstanding the foregoing, if the specialist submits a COLA Sweep during the COLA Timer and such COLA Sweep is for the same price as other COLA Sweeps that are eligible for execution against the COLA-eligible order, after customer marketable Complex Orders have been executed against the COLA-eligible order, the specialist shall be entitled to receive the greater of:
- (1) the proportion of the aggregate size associated with such specialist's COLA Sweep, SQT and RSQT COLA Sweeps, and non-SQT ROT Complex Orders on the CBOOK; or
- (2) the Enhanced Specialist Participation as described in Rule 1014(g)(ii).
- (3) The specialist is not entitled to receive an allocation that would exceed the size of the specialist's COLA Sweep.
- (D) If a COLA-eligible order cannot be filled in its entirety, any remaining balance will be placed on the CBOOK, subject to other instructions (i.e., cancel balance).

(vii) Firm Quote Requirement for COLA-Eligible Orders. COLA Sweeps in response to a COLA broadcast represent non-firm interest that can be modified at any time prior to the end of the COLA Timer. At the end of the COLA Timer, COLA Sweeps shall be firm only with respect to the COLA-eligible order for which it is submitted, provided that COLA Sweeps that exceed the size of a COLA-eligible order are also eligible to trade with other incoming COLA-eligible orders, COLA Sweeps and any other interest received during the COLA Timer after the initial COLA-eligible order has been executed to the fullest extent possible. Remaining interest trades as described in subparagraph (viii)(C)(3). Any COLA Sweeps not accepted in whole or in a permissible ratio will expire at the end of the COLA Timer once all executions are complete.

(viii) Complex Orders resting on the CBOOK, and incoming electronic Complex Orders and COLA Sweeps that are received prior to the expiration of the COLA Timer, (collectively, for purposes of this rule, "incoming Complex Orders") representing the same Complex Order Strategy as a COLA-eligible order will impact the original COLA as follows:

(A) At the end of the COLA Timer, the System will determine the price and size of COLA Sweeps and any orders that were received during the COLA Timer that are unrelated to the COLA but nonetheless are eligible to participate in the COLA in the priority determined in Rule 1098(e)(vi) above and based on the price determined as set forth below.

(B) Incoming Complex Orders on the same side of the market as the COLA-eligible order. Incoming Complex Orders that were received during the COLA Timer for the same Complex Order Strategy as the COLA-eligible order that are on the same side of the market will join the COLA. The original COLA-eligible order has priority at all price points (i.e., multiple COLA Sweep Prices) over the incoming Complex Order(s), regardless of the price of the incoming Complex Order. The incoming Complex Order shall not be eligible for execution against interest on the opposite side of the market from the COLA-eligible order until the COLA-eligible order is executed to the fullest extent possible. If the incoming Complex Order is not executed in its entirety, the System will not initiate a new COLA. Any remaining contracts, other than COLA Sweeps, will be placed on the CBOOK, subject to other instructions.

(C) Incoming Complex Orders on the opposite side of the market from the COLA-eligible order.

(1) Incoming customer (non-broker-dealer customer and non-market-maker off-floor broker-dealer (other than Firms)) Complex Orders that are received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price equal to or better than the best priced Complex Order or COLA Sweep will be executed against the COLA eligible order (which will be executed to the fullest extent possible first as described in

sub-paragraph (B) above) or other Complex Orders or COLA Sweeps as follows:

- (a) If such incoming customer Complex Order is a limit order at the same price as the best priced Complex Order or COLA Sweep, the incoming Complex Order will be executed at such price.
 - (b) If such incoming Complex Order is a limit order that improved the best priced Complex Order or COLA Sweep, the incoming customer Complex Order will be executed at the mid-point of the best priced Complex Order or COLA Sweep and the limit order price, rounded, if necessary, to the closest minimum trading increment to the benefit of the COLA-eligible order.
 - (c) If such incoming customer Complex Order is a market order or a limit order that crosses the cPBBO, the incoming Complex Order will be executed at the mid-point of the cPBBO on the same side of the market as the COLA-eligible order and the best priced Complex Order or COLA Sweep, rounded, if necessary, to the closest minimum trading increment to the benefit of the COLA-eligible order.
 - (d) If multiple customer Complex Orders are received on the opposite side of the market from the COLA-eligible order, non-broker-dealer customer orders at the same price will be executed in the order in which they were received, whereas non-market-maker off-floor broker-dealer orders will be executed on a pro-rata basis at each price level.
 - (e) If the COLA-eligible order is executed to the fullest extent possible and there are remaining bids or offers from the incoming Complex Order(s), the System will execute such interest against other Complex Orders or COLA Sweeps in the COLA and subsequently place residual bids or offers, other than COLA Sweeps, onto the CBOOK, subject to other instructions.
- (2) Incoming non-customer (Phlx market makers, Firms and non-Phlx market makers) Complex Orders that are received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price equal to or better than the best priced Complex Order or COLA Sweep will be executed against the COLA eligible order (which will be executed to the fullest extent possible first as described in subparagraph (B) above) or other Complex Orders or COLA Sweeps as follows:
- (a) If such incoming non-customer Complex Order is a limit order at the same price as the best priced Complex Order or COLA Sweep, the incoming non-customer Complex Order will be executed at such price, subject to the provisions set forth sub-paragraph (e) above.

- (b) If such incoming non-customer Complex Order is a limit order that improved the best priced Complex Order or COLA Sweep, the incoming non-customer Complex Order will be executed at the limit order price.
- (c) If such incoming non-customer Complex Order is a market order or a limit order that crosses the cPBBO, the incoming non-customer Complex Order will be executed at a price of \$0.01 better than the cPBBO on the same side of the market as the COLA-eligible order.
- (d) If multiple non-customer Complex Orders are received on the opposite side of the market from the COLA-eligible order, Phlx market maker orders will be executed on a pro-rata basis and Firm and non-Phlx market maker orders will be executed on a pro-rata basis, at each price level.
- (e) If the COLA-eligible order is executed to the fullest extent possible and there are remaining bids or offers from the incoming non-customer Complex Order(s), the System will execute such interest against other Complex Orders or COLA Sweeps in the COLA and subsequently place residual bids or offers, other than COLA Sweeps, onto the CBOOK, subject to other instructions.
- (3) Incoming Complex Orders that were received during the COLA Timer on the opposite side of the market from the COLA-eligible order with a price inferior to any other COLA Sweep or Complex Order will be executed against the COLA-eligible order after all interest at the better price(s) has/have been executed. After the initial COLA-eligible order has been executed to the fullest extent possible, incoming Complex Orders remaining unexecuted shall be eligible to trade with other Complex Orders and COLA Sweeps at their entered price. If, after the COLA-eligible order has been executed, there exist Complex Orders and/or COLA Sweeps on the opposite side of the market from the COLA-eligible order which cross the price of other Complex Orders or COLA Sweeps on the same side of the market from the COLA-eligible order, and if such interest crosses and does not match in size, the execution price is based on the highest (lowest) executable offer (bid) price when the larger sized interest is offering (bidding), provided, however, that if there is more than one price at which the interest may execute, the execution price when the larger sized interest is offering (bidding) is the midpoint of the highest (lowest) executable offer (bid) price and the next available executable offer (bid) price rounded, if necessary, down (up) to the closest minimum trading increment. If the crossing interest is equal in size, the execution price is the midpoint of lowest executable bid price and the highest executable offer price, rounded, if necessary, up to the closest minimum trading increment. Executable bids/offers include any interest which could be executed without trading through residual Complex interest or the cPBBO, or without trading at the cPBBO where there is non-broker-dealer customer interest.

If there is any remaining interest and there is no component that consists of the underlying security and provided that the order is not marked all-or-none, such interest may "leg" whereby each options component may trade at the PBBO with existing quotes and/or limit orders on the limit order book for the individual components of the Complex Order; provided that remaining interest may execute against any eligible Complex Orders received before legging occurs. If the remaining interest has a component that consists of the underlying security, such Complex Order will be placed on the CBOOK.

The System will treat any unexecuted remaining contracts in the incoming Complex Order as a new Complex Order, and will not initiate a new COLA. Such unexecuted remaining contracts, other than COLA Sweeps, will be placed on the CBOOK, subject to other instructions.

(ix) Exchange members and participants quoting and trading in open outcry shall not be eligible to participate in the electronic Complex Order System. In order to participate, such members and participants must submit COLA Sweeps and/or responsive Complex Orders electronically.

(f) Complex Limit Order Book ("CBOOK")

(i) Complex Orders must be entered onto the CBOOK in increments of \$0.01. The individual components of a Complex Order may be executed in minimum increments of \$0.01, regardless of the minimum increments applicable to such components. Such orders will be placed on the CBOOK by the System when the following conditions exist:

(A) When the Complex Order does not price-improve upon the cPBBO upon receipt;

(B) When the order is received before the expiration of the Complex Order Opening Process;

(C) When the Complex Order is received during a trading halt on the Exchange for any component of the Complex Order;

(D) When the Complex Order is received while the Exchange's automated execution System is disengaged for any options component of such Complex Order;

(E) When any options component of the Complex Order is a pre-opening order; or

(F) When the Complex Order is received during the final configurable number of seconds of the trading session after any marketable portion of the Complex Order is executed.

(ii) Phlx electronic market makers may submit one or more bids and/or offers known as Sweeps. A Sweep is a one-sided electronic quotation at a particular price submitted for execution against existing interest in a particular Complex Order Strategy, including against interest on the CBOOK ("CBOOK Sweep"). Any CBOOK Sweeps which do not execute immediately will expire.

(iii) Execution of Complex Orders in the CBOOK. Complex orders in the CBOOK will be executed without consideration of any prices that might be available on other exchanges trading the same contracts.

(A) A Complex Order resting on the CBOOK will execute automatically against:
(1) quotes, orders on the limit order book for the individual options components of the order, or sweeps, except if any of the components is the underlying security or if the Complex Order is marked all-or-none, and provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders (allocated in accordance with Exchange Rule 1014(g)(vii)); or (2) an incoming marketable Complex Order(s) that do(es) not trigger a COLA Timer, whichever arrives first.

(B) An incoming marketable Complex Order that does not trigger a COLA Timer will execute in the following order:

(1) First, against quotes or orders on the limit order book for the individual components of the order (provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders), except if any of the components is the underlying security. Trades pursuant to this subparagraph (B)(1) will be allocated in accordance with Exchange Rule 1014(g)(vii); and

(2) Second, against non-broker-dealer customer Complex Orders and non-market maker broker-dealer Complex Orders resting in the CBOOK in price priority and, at the same price, against (i) non-broker-dealer customer Complex Orders in the order in which they were received; (ii) SQTs, RSQTs, non-SQT ROTs, specialists and non-Phlx market makers on another exchange on a size pro rata basis; and (iii) non-market-maker broker-dealer Complex Orders on a size pro rata basis, provided that any execution pursuant to this paragraph (f)(iii)(B)(2) complies with the requirements of subparagraph (c)(iii) above.

(3) A non-broker-dealer customer Complex Order will have priority over specialists, SQTs and RSQTs and off-floor broker-dealers bidding for and/or offering any options component(s) of the Complex Order Strategy at the same price, but not over non-broker-dealer customer orders representing any options component(s) of the Complex Order Strategy at the same price.

(C) Legging Orders. Legging Orders may be automatically generated on behalf of Complex Orders resting on the top of the CBOOK at a price that improves the

cPBBO so that they are represented at the best bid and/or offer on the Exchange for the individual legs. The System will evaluate the CBOOK when a Complex Order enters the CBOOK and at a regular time interval, to be determined by the Exchange (which interval shall not exceed 1 second), following a change in the national best bid and/or offer ("NBBO") or Phlx best bid and/or offer ("PBBO") in any component of a Complex Order eligible to generate Legging Orders, to determine whether Legging Orders may be generated. The Exchange may determine to limit the number of Legging Orders generated on an objective basis and may determine to remove existing Legging Orders in order to maintain a fair and orderly market in times of extreme volatility or uncertainty.

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 (which improves the cPBBO) that is to buy or sell an equal quantity of two options series resting on the CBOOK. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and are limit orders with a time-in-force of DAY, as they represent an individual component of a Complex Order.

(1) A Legging Order may be automatically generated for one leg of a Complex Order at a price: (i) that matches or improves upon the best Phlx displayed bid or offer; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer (other than Legging Orders). Legging Orders will not be generated if the Exchange or a particular option has not opened, is halted or is otherwise not available for trading. Similarly, the particular Complex Order Strategy must be available for trading.

(2) A Legging Order will not be created: (i) at a price that locks or crosses the best bid or offer of another exchange, (ii) if there is an auction on either side or a Posting Period under Rule 1080(p) regarding Acceptable Trade Range on the same side in progress in the series, (iii) the price of the Complex Order is outside of the ACE Parameter of Rule 1098(i), (iv) if there is already a Legging Order in that series on the same side of the market at the same price (unless it has priority based on the participant type, under existing Exchange rules), (v) the Complex Order is an All-or-None Order, or (vi) for a Complex Order if the generated Legging Order would immediately cause resting Legging Orders to be removed pursuant to section (f)(iii)(C)(4)(ix) below. Legging Orders may be generated and executed in an increment other than the minimum increment for that series and will be ranked on the order book at its generated price and displayed at a price that is rounded to the nearest minimum increment for that series. Two Legging Orders relating to the same Complex Order can be generated, but only one of those can execute as part of the execution of a particular Complex Order.

(3) A Legging Order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a Legging Order is executed, the other leg of the Complex Order will be automatically executed against the displayed best bid or offer on the Exchange and any other Legging Order based on that Complex Order will be removed.

(4) A Legging Order is automatically removed from the regular order book : (i) if the price of the Legging Order is no longer at the Exchange's displayed best bid or offer on the regular limit order book, (ii) if execution of the Legging Order would no longer achieve the net price of the Complex Order when the other leg is executed against the Exchange's best displayed bid or offer on the regular limit order book (other than another Legging Order), (iii) if the Complex Order is executed in full or in part, (iv) if the Complex Order is cancelled or modified, (v) if the price of the Complex Order is outside the ACE Parameter of Rule 1098(i), (vi) upon receipt of a Qualified Contingent Cross Order which includes a component in which there is a Legging Order, an order that will trigger an auction under Exchange rules in a component in which there is a Legging Order (whether a buy order or a sell order), or pursuant to Rule 1080(n)(vi) a PIXL Order for the account of a public customer paired with an order for the account of a public customer, (vii) if a Legging Order is generated by a different Complex Order in the same leg at a better price or the same price for a participant with a higher priority, (viii) if a Complex Order is marketable against the cPBBO where a Legging Order is present and has more than one leg in common with the existing Complex Order that generated the Legging Order, (ix) if a Complex Order becomes marketable against multiple Legging Orders, (x) if a Complex Order consisting of an unequal quantity of components is marketable against the cPBBO where a Legging Order is present but cannot be executed due to insufficient size in at least one of the components in the cPBBO, (xi) if an incoming all-or-none order is entered onto the order book at a price which is equal to or crosses the price of a Legging Order, or (xii) when the Legging Order is on the book at a price which is not at the minimum price increment and which is more aggressive than the same side PBBO, and an away market moves to lock the PBBO (which is also the NBBO).

(g) Strategy Price Protection ("SPP"). SPP is a feature of the System that prevents certain Complex Order Strategies from trading at prices outside of pre-set standard limits. SPP will apply only to Vertical Spreads (defined below) and Time Spreads (defined below).

(i) Vertical Spread. A Vertical Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.

- (A) The SPP will calculate the maximum possible value of a Vertical Spread by subtracting the value of the lower strike price from the value of the higher strike price as between the two components. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum value of \$5.00. The minimum possible value of a Vertical Spread is always zero.
- (B) The SPP will ensure that a Vertical Spread will not trade at a net price of less than the minimum possible value (minus a pre-set value setting an acceptable range) or greater than the maximum possible value (plus a pre-set value setting an acceptable range).
- (C) The pre-set value and acceptable range will be uniform for all options traded on the Exchange as determined by the Exchange and communicated to membership on the Exchange's website.
- (ii) Time Spread. A Time Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.
- (A) The maximum possible value of a Time Spread is unlimited. The minimum possible value of a Time Spread is zero.
- (B) The SPP will ensure that a Time Spread will not trade at a price of less than zero (minus a pre-set value setting an acceptable range).
- (iii) Protection. If the limits (on either side of the market) set forth in sub-paragraphs (i)(B) and (ii)(B) above would be violated by an execution, the System will cancel the order.
- (h) Where one component of a Complex Order is the underlying security, the Exchange shall electronically communicate the underlying security component of a Complex Order to Nasdaq Execution Services, LLC ("NES"), its designated broker-dealer, for immediate execution. Such execution and reporting will occur otherwise than on the Exchange and will be handled by NES pursuant to applicable rules regarding equity trading. The execution price must be within the high-low range for the day in that stock at the time the Complex Order is processed and within a certain price from the current market, which the Exchange will establish in an Options Trader Alert. If the stock price is not within these parameters, the Complex Order is not executable.
- When the short sale price test in Rule 201 of Regulation SHO is triggered for a covered security, NES will not execute a short sale order in the underlying covered security component of a Complex Order if the price is equal to or below the current national best bid. However, NES will execute a short sale order in the underlying covered

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

(i) Acceptable Complex Execution ("ACE") Parameter. The ACE Parameter defines a price range outside of which a Complex Order will not be executed. The ACE Parameter is either a percentage or number defined by the Exchange and may be set at a different percentage or number for Complex Orders where one of the components is the underlying security. The ACE Parameter price range is based on the cNBBO at the time an order would be executed. A Complex Order to sell will not be executed at a price that is lower than the cNBBO bid by more than the ACE Parameter. A Complex Order to buy will not be executed at a price that is higher than the cNBBO offer by more than the ACE Parameter. A Complex Order or a portion of a Complex Order that cannot be executed within the ACE Parameter pursuant to this rule will be placed on the CBOOK. The Exchange will issue an Options Trader Alert ("OTA") to membership indicating the issue-by-issue ACE Parameters. The Exchange will also maintain a list of ACE Parameters on its website.

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