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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74453; File No. SR-Phlx-2015-10)

March 6, 2015

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 1082.02 and .03

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 23, 2015, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) a proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Rule 1082.02 and .03, as described below.

The text of the proposed rule change is below. Proposed new language is italicized.

Proposed deletions are in brackets.

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Rule 1082. Firm Quotations

(a) - (d) No change.

.01 No change.

.02 *Locked Markets.* In the event that an SQT, RSQT, and/or specialist’s electronically submitted quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

specialist, resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer), the following shall occur:

(a) The Exchange will disseminate the locked market and both quotations will be deemed “firm” disseminated market quotations;

(b) A “counting period” not to exceed .25 of one second will begin during which SQTs, RSQTs and/or specialists whose quotations are locked may eliminate the locked market. Provided, however, that in accordance with subparagraph (a) above, such SQT, RSQT and/or specialist shall be obligated to execute orders at their disseminated quotation. The duration of the counting period will be established by the Exchange, will be the same for all options traded on the Exchange, and will not exceed .25 of one second. The duration of the counting period will be published in an Options Trader Alert, which will be available on the Exchange’s web site.

During the counting period SQTs and specialists located in the Crowd Area in which the option that is the subject of the locked market is traded will continue to be obligated to respond to Floor Brokers as set forth in Rule 1014, Commentary .05(c), and will continue to be obligated for one contract in open outcry to other SQTs, non-SQT ROTs, and specialists. If at the end of the counting period the quotations remain locked, the locked quotations will automatically execute against each other in accordance with the allocation algorithm set forth in Rule 1014(g)(vii).

[The quotation that is locked may be executed by an order during the counting period.]

.03 Crossed Markets. The Exchange will not disseminate an internally crossed market (e.g., \$1.10 bid, 1.00 offer). If an SQT, RSQT or specialist electronically submits a quotation [in a Streaming Quote Option] (“incoming quotation”) that would cross an existing quotation

(“existing quotation”), the Exchange will[: (i)] change the incoming quotation such that it locks the existing quotation and automatically execute the locked quotations against each other in accordance with the allocation algorithm set forth in Rule 1014(g)(vii).

[; (ii) send a notice to the SQT, RSQT or specialist that submitted the existing quotation indicating that its quotation was crossed; and (iii) send a notice to the specialist, SQT or RSQT that submitted the incoming quotation, indicating that its quotation crossed the existing quotation and was changed. Such a locked market shall be handled in accordance with Commentary .01 above. During the counting period, if the existing quotation is cancelled subsequent to the time the incoming quotation is changed, the incoming quotation will automatically be restored to its original terms.]

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposal is to amend two commentaries to Rule 1082 because the timers no longer operate. Rule 1082.02 currently addresses what occurs when a Streaming Quote Trader’s (“SQT”), Remote SQT’s (“RSQT”), and/or specialist’s electronically submitted

quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the specialist. Under this provision, the Exchange disseminates the resulting locked market and both quotations are deemed “firm” disseminated market quotations. Furthermore, a counting period not to exceed .25 of one second may begin during which SQTs, RSQTs and/or specialists whose quotations are locked may eliminate the locked market, provided, however, that such SQT, RSQT and/or specialist shall nevertheless be obligated to execute orders at that price. The rule provides that the duration of the counting period is established by the Exchange, will be the same for all options traded on the Exchange and will not exceed .25 of one second.³ In March 2010, the Exchange reduced this counting period to zero, which is within the range contemplated by the rule (does not exceed .25 of one second).⁴ The result is that any such locking quotations trade immediately with no delay. Accordingly, the Exchange is proposing to amend Rule 1080.02 to reflect this.

Similarly, Rule 1082.03 currently addresses what occurs when an SQT’s, RSQT’s, and/or specialist’s electronically submitted quotations cross the electronically submitted quotations of other SQTs, RSQTs and/or the specialist. Under the rule, the resulting crossed market is not disseminated, but rather the incoming crossing quotation is changed such that it locks the existing quotation and the crossing SQT, RSQT or specialist is notified thereof. The specialist, SQT or RSQT that submitted the existing quotation is notified that the quotation was crossed. The locked market is disseminated for the time of the counting period. In March 2010, the Exchange reduced this counting period to zero as well. The result is that any such crossing

³ The duration of the counting period is the same for all options traded on the Exchange and is published in an Options Trader Alert, which is available on the Exchange’s web site.

⁴ See <http://www.nasdaqtrader.com/MicroNews.aspx?id=OTA2010-16>

quotations trade immediately with no delay at the locked price.⁵ Accordingly, the Exchange is proposing to amend Rule 1080.02 [sic] to reflect this. As part of deleting the counting period respecting crossed quotations, the Exchange is also eliminating the notice to the SQT, RSQT or specialist that submitted the existing quotation indicating that its quotation was crossed as well as the notice to the specialist, SQT or RSQT that submitted the incoming quotation indicating that its quotation crossed the existing quotation, because such notice is no longer necessary. The purpose of the notice was to inform the SQT, RSQT or specialist of the counting period in case the SQT, RSQT or specialist sought to update the quotation; now that an automatic execution occurs, the quotation cannot be updated because a trade will already have occurred.

The Exchange believes that eliminating the counting period in both situations is appropriate because it results in an immediate execution; it also eliminates potential firm quote concerns respecting those quotations during the counting period.

Noting that the counting periods have been set to zero, the Exchange eliminated the counting period from its system altogether and is now updating its rule to reflect that. The Exchange believes that its electronic quoting participants (SQTs, RSQTs and specialists) benefit from an immediate execution, because they have certainty of what has executed right away and can determine how to update their quotes afterwards.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁷ in particular, in that it is designed to promote just and equitable principles of trade and protect investors and the public

⁵ Id.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

interest by permitting locking and crossing quotations to trade immediately, without a delay. Specifically, such immediate execution without a delay timer should help the market operate more efficiently. Moreover, market making participants can submit new quotes to the marketplace more quickly after such executions.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In fact, the immediate executions under this proposal should help the Exchange compete with other exchanges. With respect to intra-market competition among specialists, SQTs and RSQTs, such competition should be enhanced, because their respective quotations execute immediately, without a delay.

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

No written comments were either solicited or received.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹ Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to

⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

⁹ 17 CFR 240.19b-4(f)(6).

Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6)(iii) thereunder.¹¹

A proposed rule change filed under Rule 19b-4(f)(6)¹² normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹³ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately upon filing. The Commission previously recognized that continued locking and crossing of the market can negatively impact market quality.¹⁴ The Commission notes that the Exchange's proposal is designed to trade locked or crossed quotations without delay. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because such waiver would allow the Exchange to implement a rule that would provide for the immediate execution of locked or crossed markets. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.¹⁵

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹² 17 CFR 240.19b-4(f)(6).

¹³ 17 CFR 240.19b-4(f)(6)(iii).

¹⁴ See Securities Exchange Act Release No. 34-43863 (August 23, 2002), 67 FR 55897, 55900 n.37 (August 30, 2002) (SR-NASD-2002-56).

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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2015-10 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2015-10. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2015-10, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Jill M. Peterson
Assistant Secretary

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¹⁶ 17 CFR 200.30-3(a)(12).