in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act [12] and subparagraph (f)(2) of Rule 19b–4 thereunder,[13] because it establishes a due, fee, or other charge imposed by ISE.

At any time within 60 days of the filing of such 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 Email to *rule-comments@sec.gov.* Please include File No. SR–ISE–2014–48 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–ISE–2014–48. This file number should be included on the subject line if email 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 Web site *(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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. 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–ISE–2014–48 and should be submitted by November 21, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–25881 Filed 10–30–14; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73435; File No. SR–CBOE–2014–071]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Complex Order Book

October 27, 2014.

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 October 15, 2014, Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III 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 its rules related to the complex order book ("COB"). The text of the proposed rule change is provided below.

(additions are *italicized;* deletions are [bracketed])

* * * * *

Chicago Board Options Exchange, Incorporated Rules

* * * * *

Rule 6.53C. Complex Orders on the Hybrid System

(a)–(d) No change.

. . . *Interpretations and Policies:*

.01–.10 No change.

.11 Execution of Complex Orders on the COB Open:

(a) Complex orders, including stock-option orders, do not participate in opening rotations for individual component option series legs conducted pursuant to Rule 6.2B. When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option order, the underlying stock has opened), the COB for that strategy will open. The COB will open with no trade, except as follows:

([a]*i*) The COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the derived net market. The resulting execution will occur at the derived net market price to the extent marketable *pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs.* To the extent there is any remaining balance, the complex orders will *trade pursuant to subparagraph (ii) below or, if unable to trade,* be processed as they would on an intra-day basis under Rule 6.53C. [(]This *sub*paragraph ([a]*i*) is not applicable to

[12] 15 U.S.C. 78s(b)(3)(A)(ii).

[13] 17 CFR 240.19b–4(f)(2).

[14] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

stock-option orders because stock-option orders do not trade against the individual component option series legs when the COB opens.[)]

([b]*ii*) The COB will open *(or continue to open with another trade if a trade occurred pursuant to subparagraph (i) above)* with a trade against complex orders if there are complex orders in the COB *(including any remaining balance of an order that enters the COB after a partial trade with the legs pursuant to subparagraph (i))* that are marketable against each other and priced within the derived net market. The resulting execution will occur at a market clearing price that is inside the derived net market and that matches complex orders to the extent marketable *pursuant to the electronic allocation algorithm from Rule 6.45A or 6.45B, as applicable, as determined by the Exchange on a class-by-class basis*[. In determining the priority,] *with the addition that* the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.53C. [(]This *sub*paragraph ([b]*ii*) is applicable to stock-option orders.[)]

([c]*b*) The ''derived net market'' for a stock-option order strategy will be calculated using the Exchange's best bid or offer in the individual option series leg(s) and the NBBO in the stock leg. The ''derived net market'' for any other complex order strategy will be calculated using the Exchange's best bid or offer in the individual option series legs.

(c) The Exchange may also use the process described in paragraph (a) of this Interpretation and Policy .11 when the COB reopens a strategy after a time period during which trading of that strategy was unavailable.

.12 No change.

* * * * *

The text of the proposed rule change is also available on the Exchange's Web site (*http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx*), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to amend its rules related to its COB. Rule 6.53C, Interpretation and Policy .11 describes how complex orders execute when the COB opens. Complex orders do not participate in the opening rotation for the individual leg series (which occurs pursuant to Rule 6.2B). Rather, the COB for a complex order strategy will open when the last of the individual legs series that make up the strategy has opened (and, in the case of a stock-option order, when the underlying stock has opened). Under the current rules, the COB will open with no trade, except as follows:

- The COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the derived net market.[3] The resulting execution will occur at the derived net market price to the extent marketable. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.53C.[4] This does not apply to stock-option orders, which cannot trade against the individual leg series when the COB opens.
- The COB will open with a trade against complex orders if there are complex orders in the COB that are marketable against each other and priced within the derived net market. The resulting execution will occur at a market clearing price that is inside the derived net market and that matches complex orders to the extent marketable. In determining the priority, the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.53C.[5] This applies to stock-option orders.

The proposed rule change adds to current paragraph (b) of Interpretation and Policy .11[6] that the Exchange may determine, on a class-by-class basis, which electronic allocation algorithm[7] will apply to complex order trades on the COB open pursuant to current paragraph (b) (proposed paragraph (a)(ii)).[8] The Exchange may determine on a class-by-class basis which electronic allocation algorithm from Rule 6.45A or 6.45B, as applicable, will apply to executions to opening rotations.[9] This opening allocation algorithm may be different than the intraday allocation algorithm. The proposed rule change provides the Exchange with the same flexibility with respect to executions of complex orders on the COB open. While Rule 6.53C, Interpretation and Policy .09 provides the Exchange with the flexibility to determine on a class-by-class basis which electronic allocation algorithm from Rule 6.45A or 6.45B, as applicable, will apply to COB executions (in lieu of the algorithm specified in Rule 6.53C(c)(ii)(2) and (3)[10]), Interpretation

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[3] The ''derived net market'' is calculated based on the Exchange's best bid or offer (''BBO'') in the individual series legs. For stock-option orders, the derived net market is calculated based on the BBO in the individual option series leg(s) and the national best bid or offer (''NBBO'') in the stock leg. *See* Rule 6.53C, Interpretation and Policy .11(c) (which this rule filing proposes to change to paragraph (b)).

[4] Pursuant to Rule 6.53C, complex orders may either enter the COB or process through a complex order auction (COA).

[5] *Id.*

[6] The proposed rule change reorganizes Interpretation and Policy .11. This proposed language appears in proposed paragraph (a)(ii) (current paragraph (b)), which is the paragraph related to trades of complex orders on the COB at the open.

[7] The electronic allocation algorithms include price-time, pro-rata, and the ultimate matching algorithm base priorities and a combination of various optional priority overlays pertaining to public customer priority, Market-Maker participation entitlements, small order preference and market turn. *See* Rules 6.45A (related to equity options) and 6.45B (related to index and exchange-traded fund (ETF) options).

[8] The proposed rule change also adds to current paragraph (a) (proposed paragraph (a)(i)) that executions of complex orders against the individual legs will be pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs. The current rule is silent on what electronic allocation algorithm applies to executions of complex orders on the COB against the individual legs. The Exchange believes the proposed rule text merely eliminates any potential confusion regarding how complex orders will be allocated in accordance with proposed paragraph (a)(i).

[9] *See* Rule 6.2B, Interpretation and Policy .04.

[10] Rule 6.53C(c)(ii) states that complex orders submitted to the COB may trade as follows: (a) A complex order in the COB will automatically execute against individual quotes and orders on the book; (b) complex orders in the COB that are marketable against each other will automatically execute, and the allocation of such executions will be pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs; and (c) market

Continued

and Policy .11 does not state that the applicable allocation algorithm for complex order executions on the COB open may be different than the intraday allocation algorithm for the COB. The proposed rule change adds this detail to the rules and allows the Exchange to determine on a class-by-class basis which electronic allocation algorithm will apply to complex order trades on the COB open, which may be different than the allocation algorithm applicable to intraday complex order trades on the COB.[11] The Exchange will announce any allocation algorithm determinations via Regulatory Circular.[12]

The Exchange is not proposing to adopt any new allocation algorithms or priority rules nor is it proposing to modify the COB opening process.[13] Rather, it is adding detail to the Exchange rule regarding the COB opening process and providing the Exchange with flexibility to choose an algorithm from among the existing algorithms that will apply to complex order trades on the COB open, rather than simply defaulting to the algorithm in effect for intraday trading on the COB in that class. The Exchange believes this flexibility is consistent with its other rules regarding the determination of allocation algorithms and will further promote fair and orderly openings of strategies on the COB.[14]

The proposed rule change also adds detail to proposed paragraph (a)(ii) regarding which trades on the COB are deemed to be part of the opening of the COB (and thus subject to the allocation algorithm in place for the COB open). To the extent a complex order partially trades with the leg series on the COB open, and the remaining balance enters the COB (pursuant to Rule 6.53C) as set forth in proposed subparagraph (a)(i), if that remaining balance is marketable against another complex order on the COB at the open, those orders will execute as set forth in proposed subparagraph (a)(ii). Thus, any execution of that remaining balance on the COB is considered an execution at the COB open, as the open is intended to cause any marketable complex orders to trade, and thus subject to proposed subparagraph (a)(ii) (current paragraph (b)). The proposed rule change makes a corresponding change to proposed paragraph (a)(i) to provide that any remaining balance may trade pursuant to proposed paragraph (a)(ii) (if unable to trade, it will be processed as it would on an intra-day basis). The proposed rule change also makes a corresponding change to proposed paragraph (a)(ii) to provide that the COB will open, or continue to open, with a trade of complex orders on the COB, as the COB opening may already have been initiated by a trade pursuant to paragraph (a)(i).

For example, suppose Complex Order X is an order to buy 20 Series A and 20 Series B for a net price of $2.40 and on the COB at the open. If the market for Series A is $1.00–$1.20 and the market for Series B is $1.00–$1.20 (for a net price of $2.00–$2.40), with the offer to sell at $2.40 for 10 contracts, then when the COB opens, 10 contracts of Complex Order X will trade against the 10 contracts in the leg markets. The remaining balance of 10 of Complex Order X then enters the COB pursuant to Rule 6.53C(c). If Complex Order Y to sell 10 Series A and 10 Series B at $2.40 is on the COB at the open, then the remaining balance of Complex Order X will trade against Complex Order Y. This trade of Complex Order X against Complex Order Y is part of the COB open. If there were multiple complex orders at the same price, they would allocate in accordance with the algorithm in place for the COB open.

The Exchange believes that the rule text is currently unclear as to whether any remaining balance from proposed subparagraph (a)(i) enters the COB and is marketable against the COB would trade in accordance with COB open or COB intraday rules. Currently, if the remaining balance is marketable against other complex orders in the COB, the System will execute the remaining balance against orders in the COB as part of the COB open (and thus in accordance with the opening matching algorithm). Generally, the ''opening'' includes all trades that would ''clear'' the market.[15] The proposed rule change is consistent with this idea and adds this detail to proposed subparagraph (a)(ii) to codify the intent of the current rule.

In addition, the proposed rule change adds paragraph (c) to Interpretation and Policy .11, which states that the Exchange may use the process described in paragraph (a) when the COB reopens a strategy after a time period during which trading of that strategy was unavailable pursuant to the rules. The Exchange may use the opening rotation process to reopen a class after a trading halt.[16] The proposed rule change provides the Exchange with the same flexibility with respect to reopening the COB. Trading of strategies may be unavailable on the COB, for example, if there is a trading halt in the underlying security or if trading on the COB is ''on hold'' because the derived net market is outside of price check parameters set by the Exchange to prevent extreme executions.[17] The Exchange uses the opening rotation process to reopen after a trading halt to provide for an orderly reopening, and the Exchange would similarly like to provide for a fair and orderly reopening of the COB after any period during which COB trading was unavailable.

The proposed rule change also makes nonsubstantive, technical changes to Interpretation and Policy .11, including adding and modifying subparagraph lettering and numbering, indenting subparagraphs, and deleting unnecessary parentheticals.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[18] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) [19] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged

participants may submit orders or quotes to trade against orders in the COB, and the allocation of such executions will be pursuant to Rule 6.45A(c) or 6.45B(c), as applicable (which describes the interaction of a market participant's quotes and orders with orders in the electronic book).

[11] Currently, complex orders that execute against complex orders in the COB on the open (proposed subparagraph (a)(ii)) allocate pursuant to price-time priority.

[12] *See* Rule 6.53C, Interpretation and Policy .01 (which states that the Exchange will announce to Trading Permit Holders via Regulatory Circular all pronouncements regarding determinations by the Exchange pursuant to Rule 6.53C and the Interpretations and Policies thereunder).

[13] The Exchange represents that complex orders continue to have opportunities to trade against the leg markets, both at the open pursuant to proposed paragraph (a)(i) and intraday pursuant to Rule 6.53C(c) (execution of orders in the COB) and (d) (execution of orders through COA). Additionally, this filing does not change the complex order priority principles (including public customer priority) set forth in Rules 6.45A, 6.45B and 6.53C.

[14] Additionally, because Rules 6.2B, Interpretation and Policy .04, 6.45A, 6.45B and 6.53C, Interpretation and Policy .09 provide the Exchange with flexibility to determine allocation algorithms on a class-by-class basis, the Exchange believes it is appropriate to provide the same class-by-class flexibility to trading at the COB open.

[15] *See* Rule 6.2B regarding the opening of series at a market-clearing price and Rule 6.53C, Interpretation and Policy .11(b) regarding the opening of the COB at a market-clearing price.

[16] *See* Rule 6.2B(g).

[17] *See* Rule 6.53C, Interpretation and Policy .08. For example, pursuant to paragraph (a)(3), if the BBO or derived net market is not within an acceptable price range, the System holds marketable limit orders and does not allow trading of complex orders for that strategy until the market is no longer outside the applicable price range.

[18] 15 U.S.C. 78f(b).

[19] 15 U.S.C. 78f(b)(5).

in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) [20] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change adds detail to its rules regarding the opening of trading on its COB, which benefits investors. The Exchange believes the flexibility provided by the proposed rule change is consistent with its other rules. The Exchange already has flexibility to apply a different allocation algorithm at the open of trading of simple orders and to use its opening procedure after a trading halt for simple orders.[21] It also already has the flexibility to apply a different allocation algorithm to complex order executions on the COB.[22] The Exchange is merely extending this flexibility to the opening and reopening of trading of complex orders on the COB. The Exchange notes that the level of trading activity is often different at the open than during the trading day. To ensure a fair and orderly opening in light of this trading activity, rules often allow the Exchange to apply them in a different manner to the opening of trading (such as different bid-ask differential requirements, different price reasonability checks and different allocation algorithms). The Exchange believes extending similar flexibility to the opening of complex order trading on the Exchange will allow it to similarly ensure a fair and orderly COB open, which protects investors and promotes just and equitable principles of trade.

The proposed rule change that specifies that the remaining balance of a complex order that partially trades with the individual leg series may be executed as part of the COB open provision, and that the COB open may include both trades of complex orders with the legs and with other complex orders, further benefits investors and promotes an open market by adding detail to the rules regarding how the System treats this remaining balance. Openings generally include a series of trades in order to execute all orders that are marketable upon the open, and the Exchange believes the proposed rule change is consistent with that idea.

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

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change applies to all complex order trading on the COB when it opens or reopens. In addition, the proposed rule change applies only to the COB opening process on the Exchange. Its purpose is to include the COB opening procedure that is currently in place on the Exchange, which procedure is designed to open complex order strategies on the Exchange in a fair and orderly manner. The proposed rule change does not help CBOE market participants to the detriment of market participants on other exchanges.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

A. Significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act [23] and Rule 19b–4(f)(6) [24] thereunder. 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 will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov*. Please include File Number SR–CBOE–2014–071 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–CBOE–2014–071. This file number should be included on the subject line if email 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 Web site (*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 Web site 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–CBOE–2014–071, and should be submitted on or before November 21, 2014.

[20] *Id.*

[21] *See* Rule 6.2B(g) (use of opening procedures after a trading halt) and Interpretation and Policy .04 (determination of allocation algorithm on a class-by-class basis during opening rotations, which may be different than allocation algorithm for intraday trading).

[22] *See* Rule 6.53C, Interpretation and Policy .09.

[23] 15 U.S.C. 78s(b)(3)(A).

[24] 17 CFR 240.19b–4(f)(6).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–25877 Filed 10–30–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73441; File No. SR–Phlx–2014–66]

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of Proposed Rule Change To Adopt New Exchange Rule 1081, Solicitation Mechanism, To Introduce a New Electronic Solicitation Mechanism

October 27, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1], and Rule 19b–4 thereunder,[2] notice is hereby given that on October 14, 2014, NASDAQ OMX PHLX LLC (''Phlx'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt new Exchange Rule 1081, Solicitation Mechanism, to introduce a new electronic solicitation mechanism pursuant to which a member can electronically submit all-or-none orders of 500 contracts or more (or, in the case of mini options, 5000 contracts or more) the member represents as agent against contra orders the member solicited. The Exchange is also proposing a corresponding amendment to the definition of ''professional'' in Rule 1000(b)(14) and a clarification to Rule 1080, Phlx XL and Phlx XL II.

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

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

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

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

1. Purpose

The purpose of the proposal is to introduce an electronic solicitation mechanism. Currently, under Phlx Rule 1080(c)(ii)(C)(2), Order Entry Firms [3] must expose orders they represent as agent for at least one second before such orders may be automatically executed, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.[4] The proposed rule change would provide an alternative, enabling a member to electronically execute orders it represents on behalf of a public customer, broker-dealer, or any other entity (an ''Agency Order'') [5] against solicited limit orders of a public customer, broker-dealer, or any other entity (a ''Solicited Order'') through a solicitation mechanism designed for this purpose.[6]

The new mechanism is a process by which a member (the ''Initiating Member'') can electronically submit all-or-none orders [7] of 500 contracts or more (or, in the case of mini options,[8] 5000 contracts or more) that it represents as agent against contra orders that it has solicited, and initiate an auction (the ''Solicitation Auction'').[9] As explained below, at the end of the Solicitation Auction, allocation will occur with all contracts of the Agency Order trading at an improved price against non-solicited contra-side interest or at the stop price, defined below, against the Solicited Order. The solicitation mechanism would accommodate both simple orders and Complex Orders.[10] Prior to the first time a member enters an Agency Order into the solicitation mechanism on behalf of a customer, the member would be required to deliver to the customer a written notification informing the customer that its Agency Orders may be executed using the Phlx's solicitation mechanism. Such written notification would be required to disclose the terms

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[25] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] Rule 1080(c)(ii)(A)(1) defines ''Order Entry Firm'' as a member organization of the Exchange that is able to route orders to AUTOM. (AUTOM is the Exchange's electronic quoting and trading system, which has been denoted in Exchange rules as XL II, XL and AUTOM.)

[4] Section (c), Solicited Orders, of Exchange Rule 1064, Crossing, Facilitation and Solicited Orders, governs execution of solicited orders by open outcry, on the Exchange trading floor, and is unaffected by proposed Rule 1081. Additionally, many aspects of the functionality of the proposed solicitation mechanism are similar to those provided for in Rule 1080(n), PIXL, and certain of the rules proposed herein consequently track the existing PIXL rules. The Exchange adopted PIXL in October 2010 as a price-improvement mechanism that is a component of the Exchange's fully automated options trading system, Phlx XL, now known as XL II. Like the solicitation mechanism, PIXL is a mechanism whereby an initiating member submits a two-sided (buy and sell) order into an auction process soliciting price improvement. *See* Securities Exchange Act Release Nos. 63027 (October 1, 2010), 75 FR 62160 (October 7, 2010) (order approving SR–Phlx–2010–108, for purposes of this proposed rule change, the ''PIXL Filing'') and 69845 (June 25, 2013), 78 FR 39429 (July 1, 2013) (SR–Phlx–2013–46 and, for purposes of this proposed rule change, the ''Complex PIXL Filing'') (Order Granting Approval To Proposed Rule Change, as Modified by Amendment No. 1, Regarding Complex Order PIXL).

[5] Rule 1080(b)(i)(A) provides in part that ''[f]or purposes of Exchange options trading, an agency order is any order entered on behalf of a public customer, and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest.'' However, that provision did not contemplate, and is not applicable to, the capitalized and defined term ''Agency Order'' as used in proposed Rule 1081.

[6] To be clear, participants must ensure that their records adequately demonstrate the solicitation of an order that is entered into the mechanism for execution against an Agency Order as a Solicited Order prior to entry of such order into this mechanism.

[7] Exchange Rule 1066(c)(4) defines an ''all-or-none'' order as a market or limit order which is to be executed in its entirety or not at all.

[8] A given Solicitation Auction may be for options contracts exclusively or for mini options contracts exclusively, but cannot be used for a combination of both options contracts and mini options contracts together.

[9] Similar electronic functionality is offered today by competing exchanges. *See* Chicago Board Options Exchange (''CBOE'') Rule 6.74B, Solicitation Auction Mechanism (the ''CBOE Mechanism''), and International Securities Exchange (''ISE'') Rule 716(e), Solicited Order Mechanism (the ''ISE Mechanism'').

[10] A Complex Order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced at 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. A Complex Order may also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying stock or exchange-traded fund (''ETF'') coupled with the purchase or sale of options contract(s). Complex Orders on Phlx are discussed in Commentary .08 to Rule 1080.