

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-59779; File No. SR-Phlx-2009-32)

April 16, 2009

Self-Regulatory Organizations; NASDAQ OMX PHLX, Inc.; Notice of Filing of Amendment No. 1 to Proposed Rule Change Relating to the Exchange's Enhanced Electronic Trading Platform for Options, Phlx XL II

On April 3, 2009, NASDAQ OMX PHLX, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to implement several enhancements to its electronic options trading system, Phlx XL. The proposed rule change was published for comment in the Federal Register on April 14, 2009.³ Pursuant to Section 19(b)(1) of the Act,⁴ and Rule 19b-4 thereunder,⁵ notice is hereby given that on April 15, 2009, Phlx filed with the Commission Amendment No. 1 to the proposed rule change as described in Item I below. The Commission is publishing this notice of Amendment No. 1 to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of Amendment No. 1 to the Proposed Rule Change

The Exchange is filing Amendment No. 1 to clarify and correct discrete portions of File No. SR-Phlx-2009-32, which proposes to implement several enhancements to its electronic options trading system, Phlx XL, with the enhanced system to be named Phlx XL II. The text of the proposed rule change is available on the Exchange's Web site at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 59721 (April 7, 2009), 74 FR 17245 (April 14, 2009).

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

<http://nasdaqomxphlx.cchwallstreet.com/NASDAQOMXPHLX/Filings/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

Changes to the “Purpose” Section of the Previously Submitted Form 19b-4

References to “page numbers” mean the page numbers in the previously submitted Form 19b-4 for SR-Phlx-2009-32. In addition to the proposed changes below, the Exchange proposes conforming changes to the previously submitted Exhibit 1 to SR-Phlx-2009-32.

1. Delete from footnote 3 the Federal Register citation to “44612” and replace it with “46612.”
2. Add a closing parenthesis to footnote 6 after the phrase, “the “Linkage Plan,”.”
3. Delete the following phrase from the third sentence of the first full paragraph on page 12:

“a number of contracts with a size equal to the size of the interest at other markets at prices better than interest on the Exchange,”

Replace the deleted phrase with the following:

“all marketable contracts on the Exchange to such better priced away markets,”
4. Delete the following phrase from the first sentence of the first full paragraph on page 15:

“conduct a Provisional Opening”

Replace the deleted phrase with the following:

“open as many contracts as possible”
5. Delete the final sentence of the first full paragraph on page 15 which states:

“The Exchange opening price will always be equal to or better than the OQR.”
6. Delete the following sentence from footnote 39:

“The duration of the brief period will be published in an Options Trader Alert, which will be available on the Exchange’s web site.”

This is consistent with footnote 65. The brief period is not on a timer.

7. Add the following at the end of footnote 44 on page 20:

“All references to a “Quote Exhaust Timer” in the Phlx XL II system and in the proposed rules mean a system pause for a brief period. Phlx XL II participants will not receive any notification that a Quote Exhaust Timer has been initiated.”

8. In the seventh line of the second paragraph on page 24, delete “B” in parentheses and replace it with “E” in parentheses and delete the “C” in parentheses and replace it with “F” in parentheses.

9. Delete the following sentences from Page 30 under Example II “After the Quote Exhaust Timer”:

“The initiating order buys 20 contracts from Market Maker 1 at 2.70 and the Phlx XL II system will contemporaneously route the unexecuted balance of the initiating order to the away market, 10 to buy at 2.70. This should result in a buy of 10 contracts at 2.65 on the away market.

The disseminated PBBO is 2.20 bid, 2.70 offer, with a size of 20x5”

Replace the deleted sentences with the following:

“The initiating order has 30 unexecuted contracts to buy. The Phlx XL II system will route 10 contracts to buy at 2.65 to the ABBO market, which is the best available price and size. The remaining balance is posted in the PBBO at the ABBO price.

The disseminated PBBO is 2.65 bid, 2.70 offer, with a size of 20x25.”

10. Delete the following phrase from second sentence of the last paragraph on page 34
(and continuing to page 35):

“a number of contracts that will satisfy interest at”

Replace the deleted phrase with the following:

“all marketable contracts on the Exchange to”

11. Delete the following phrase from the second sentence of the first full paragraph on
page 35:

“a number of contracts that will satisfy interest at other markets at prices better
than”

Replace the deleted phrase with the following:

“any remaining contracts to away markets at”

12. Delete the word “or” from the third line of the first full paragraph on page 38, and
replace it with the phrase “if the Exchange Auction Price is no more than”

13. Add the letter “i” to the second line of the third full paragraph on page 41
immediately before the last letter of the line, to spell the word “is.”

14. Add the word “be” at the end of the third line from the bottom of page 45, after the
word “not” and before the word “eligible.”

15. Add the following at the beginning of the second full paragraph on page 45:

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”

16. Add the following at the beginning of the second full paragraph on page 46:

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”

17. Add the following at the beginning of the second full paragraph on page 48:

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”

18. Add the following at the beginning of the second full paragraph on page 49:

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”

19. Add the following at the beginning of the second full paragraph on page 50:

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”

20. In the last line on page 54, delete the lower case “m” and add a capital “M” to form the word “Management.”

Changes to Previously Submitted Proposed Rule Text

1. Delete currently proposed Rule 1017(l)(ii)(E) and replace it with:

“A different opening price will not require the Phlx XL II system to repeat the entire opening process. “

2. Amend the first sentence of proposed Rule 1017(l)(iii)(B) to state:

“If there is sufficient size on the Exchange and on away markets on the opposite side of the market from the imbalance to execute all opening marketable interest at a price that is at or within the established OQR and the Away Best Bid or Offer (“ABBO”) without leaving an imbalance, the Phlx XL II system will open the affected series for trading at that price by executing opening marketable interest on the Phlx XL II system, as long as the system does not trade through the ABBO.”

3. Amend proposed Rule 1017(l)(iv)(B) to state:

“If opening quotes, Opening Sweeps and orders submitted during the Imbalance Timer, or other changes to the ABBO, would allow the entire imbalance amount to trade at the Exchange at or within the OQR without trading through the ABBO, the Imbalance Timer will end and the Phlx XL II system will execute at the appropriate opening price.”

4. Delete from proposed Rule 1017(l)(iv)(C)(3) the phrase:

“a number of contracts with a size equal to the size of the interest at other markets at prices better than interest on the Exchange,”

Replace that deleted phrase with the following:

“all marketable contracts on the Exchange to such better priced away markets,”

5. Delete the first two sentences from Rule 1017(l)(iv)(C)(7) and replace with the following:

“If after that number of times, the Phlx XL II system still cannot route and/or trade the entire imbalance amount, the Phlx XL II system will open as many contracts as possible by routing to other markets at prices better than the Exchange opening price for their disseminated size, trading available contracts on the Exchange at the Exchange opening price, and routing contracts to other markets at prices equal to the Phlx opening price at their disseminated size.”

6. Make a marking correction to Proposed Rule 1080(c)(iv)(E) by underlining the new capital “R” in the proposed rule text.
7. Delete from the first line of proposed Rule 1080(h), the capital “A” and replace it with a lower case “a.”

8. Make a marking correction to the first three lines of Proposed Rule 1080(m) by underlining the following proposed rule text:

“only customer FIND and SRCH Orders (as defined below) with no other contingencies. IOC Orders will be cancelled immediately if not executed, and will not be routed.”
9. Add the word “be” to the last sentence of the third paragraph of proposed Rule 1080(m)(iv)(B) between the words “not” and “eligible.”
10. Add the following to the beginning of the fifth paragraph of proposed Rule 1080(m)(iv)(B):

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”
11. Add the following to the beginning of the seventh paragraph of proposed Rule 1080(m)(iv)(B):

“In the circumstances described in the preceding paragraph,”

Delete the capital “W” from the word “What” and replace it with a lower case “w.”
12. Add the word “be” to the last sentence of the seventh paragraph of proposed Rule 1080(m)(iv) (B) between the words “not” and “eligible.”
13. Amend the final paragraph of proposed Rule 1080(m)(iv)(B) by adding a space between “Phlx XL” and “II” in the seventh line. Also delete the lower case “b” in parentheses at the end of the seventh line and replace it with a capital “B.”
14. Add the following to the beginning of the fifth paragraph of proposed Rule 1080(m)(iv)(C):

“In the circumstances described in the preceding paragraph,”

- Delete the capital “W” from the word “What” and replace it with a lower case “w.”
15. Add the following to the beginning of the seventh paragraph of proposed Rule 1080(m)(iv)(C):
- “In the circumstances described in the preceding paragraph,”
- Delete the capital “W” from the word “What” and replace it with a lower case “w.”
16. Correct a typographical error in the sixth paragraph of proposed Rule 1080(m)(iv)(C) by adding an “i” to the word “Timer” in the last sentence
17. Add the following to the beginning of the ninth paragraph of proposed Rule 1080(m)(iv)(C):
- “In the circumstances described in the preceding paragraph,”
- Delete the capital “W” from the word “What” and replace it with a lower case “w.”
18. Delete the capital “I” from the first line of proposed Rule 1082(a)(ii)(B)(3)(g)(iii)(B)(3) and replace it with a lower case “i.”
19. Add the word “to” to the first line of proposed Rule 1082(a)(ii)(B)(3)(g)(iv)(A)(4) between the words “equal” and “both.”
20. Delete the capital “I” from the first line of proposed Rule 1082(a)(ii)(B)(3)(g)(iv)(B)(3) and replace it with a lower case “i.”
21. Delete the words “quote or” from the first line of proposed Rule 1082(a)(ii)(B)(3)(g)(v).
22. Delete from proposed Rule 1082(a)(ii)(B)(4)(d)(iv)(A) the following phrase:
- “a number of contracts that will satisfy interest at”
- Replace the deleted phrase with the following:
- “all marketable contracts on the Exchange to”

23. Delete from proposed Rule 1082(a)(ii)(B)(4)(d)(iv)(B) the following phrase:

“a number of contracts that will satisfy interest at other markets at prices better than”

Replace the deleted phrase with the following:

“any remaining contracts to away markets at”

24. Underline the new text “OQR” in proposed OFPA A-14.

The following proposed rules have been changed from the previously submitted Exhibit 5: 1017(l)(ii)(E); 1017(l)(iii)(B); 1017(l)(iv)(B); 1017(l)(iv)(C)(3); 1017(l)(iv)(C)(7); 1080(c)(iv)(E); 1080(h); 1080(m); 1080(m)(iv)(B); 1080(m)(iv)(C); 1082(a)(ii)(B)(3)(g)(iii)(B)(3); 1082(a)(ii)(B)(3)(g)(iv)(A)(4); 1082(a)(ii)(B)(3)(g)(v); 1082(a)(ii)(B)(4)(d)(iv)(A); 1082(a)(ii)(B)(4)(d)(iv)(B); and OFPA A-14.

The Exhibit 5 included in Amendment No. 1 replaces the previously submitted Exhibit 5 to SR-Phlx-2009-32 in its entirety.⁶

III. Date of Effectiveness of Amendment No. 1 to the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

⁶ The text of Exhibit 5 to Amendment No. 1 is also available on the Commission’s Web site.

The Exchange has requested accelerated approval of this Amendment No. 1 to the proposed rule change prior to the 30th day after the date of publication of the notice in the Federal Register. The Commission is considering granting accelerated approval of the proposed rule change at the end of a 21-day comment period.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning this Amendment No. 1, including whether this Amendment No. 1 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-2009-32 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2009-32. 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 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 inspection and copying 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2009-32 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.⁷

Florence E. Harmon
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).