

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65610; File No. SR-Phlx-2011-141)

October 24, 2011

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing of Proposed Rule Change to Introduce the Minimum Life Order as a New Order Type

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 12, 2011, NASDAQ OMX PHLX LLC (“PHLX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by PHLX. 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

PHLX is filing this proposed rule change to introduce a new order type – the Minimum Life Order – for use in the NASDAQ OMX PSX (“PSX”) system. PHLX proposes to implement the rule change as soon as practicable following Commission approval. The text of the proposed rule change is available at <http://nasdaqomxphlx.cchwallstreet.com/nasdaqomxphlx/phlx>, at PHLX’s principal office, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

PHLX proposes to introduce a new order type – the Minimum Life Order – for use on PSX. Today's cash equities markets are characterized by high levels of automation and speed, both in the systems employed by exchanges and by their market participants. In such an environment, the degree to which displayed orders reflect committed trading sentiment has become less predictable, because many entered orders are rapidly cancelled. Market participants that seek to interact with orders that are cancelled before they can execute may ultimately achieve less favorable executions than would have been the case if the order had not cancelled or if they had directed their own order elsewhere. The more often a market participant pursues displayed liquidity at a particular venue that is no longer available by the time its order arrives, the more likely it is that the market participant will pursue liquidity at another venue. Conversely, if an exchange's fill rates are good, market participants will direct liquidity-seeking orders to it with greater confidence.

PSX was developed to provide an alternative to traditional price-time markets that reward market participants whose systems are quickest to post at a given price. Through its unique price-size-pro rata algorithm, PSX instead allocates execution opportunities based on the size of posted orders. The Exchange has devised the Minimum Life Order as a further enhancement to this market model, designed to provide market participants with a means to signal that their order will not be cancelled within a given time frame, and thereby encourage removers of liquidity to route orders to PSX in the expectation of receiving higher fill rates. The Exchange believes that

the order type may also enhance price discovery by allowing a market participant to signal its commitment to trade at a particular price.

Once entered, a Minimum Life Order may not be cancelled for a period of time established in advance by the Exchange. If a market participant entering a Minimum Life Order submits a cancel message with respect to a Minimum Life Order at the same time as the order, or at any point during the “no cancel” window, the cancel message will not be rejected, but will be effected only following the expiration of the window (assuming the order has not already been executed). Thus, a market participant that wished to use the order type but that was concerned about the potential for keeping its order on the book too long would have a readily available mechanism for cancelling the order at the end of the window. The initial “no cancel” window will be 100 milliseconds. The Exchange reserves the right to change the duration of the no cancel window by submitting a proposed rule change to do so. All Minimum Life Orders must be designated as Displayed Orders.

Through a separate filing, the Exchange will establish pricing for the order. Because the Exchange believes that the order type may enhance PSX’s market quality through improved fill rates, the Exchange expects to propose to offer an enhanced liquidity provider rebate of \$0.0026 per share executed for Minimum Life Orders that provide liquidity after posting to the book. This rebate is the same as the rebate offered with respect to displayed orders with an initial size of 2,000 shares or more, and compares favorably to the rates of \$0.0024 per share executed for displayed orders with a smaller size and \$0.0010 per share executed for non-displayed orders.

2. Statutory Basis

PHLX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,³ in general, and with Section 6(b)(5) of the Act,⁴ in particular, in that the proposal is 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 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. The Exchange believes that the order will enhance PSX's market quality by providing a means for market participants to signal commitment to trade at the stated price of the order for a defined period of time. The Exchange believes that the use of such orders will benefit other market participants by increasing the certainty of execution, and benefit the Exchange and all of its participants by attracting additional order flow and increasing order interaction.

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

PHLX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Rather, the change will promote greater competition by enhancing the functionality offered by PSX. Use of the order type is entirely voluntary.

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

Written comments were neither solicited nor received.

³ 15 U.S.C. 78f.

⁴ 15 U.S.C. 78f(b)(5).

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

Within 45 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 self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

The Exchange stated that it will submit an amendment to the proposed rule change upon its approval by the Board of Directors of PHLX.⁵ The Exchange consented to an extension of the period of time specified in Section 19(b)(2) of the Act⁶ until forty-five days after the Exchange files an amendment to this filing reflecting approval of the provisions of the proposed rule change by the Board of Directors of PHLX.⁷

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 No. SR-Phlx-2011-141 on the subject line.

⁵ See Item 2 of the Form 19b-4 filed by the Exchange on October 12, 2011.

⁶ 15 U.S.C. 78s(b)(2).

⁷ See Item 6 of the Form 19b-4 filed by the Exchange on October 12, 2011.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2011-141. 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 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-2011-141 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin M. O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).