

the Options Price Reporting Authority ("OPRA").

The System includes a feature that would report transactions executed in the trading crowd by the Floor Broker automatically upon execution. Once a trade involving a Floor Broker is executed in the trading crowd, such a Floor Broker would simply indicate on the System that the order was executed, which would automatically generate an electronic report. The Exchange believes that this feature should enhance the ability of Floor Brokers to comply with the 90-second trade reporting requirement. Further, such reporting activity would be captured in the electronic audit trail, thus facilitating electronic surveillance for compliance with the reporting requirement.

The Exchange is proposing amendments to Phlx Rule 1051 and OFPA F-2 in order to address the situation in which a Floor Broker who initiates a transaction executes all or a portion of the transaction against a contra-side limit order on the specialist's limit order book.<sup>10</sup> Currently, in such a situation, the specialist manually executes the booked limit order on the AUTOM System against the order represented by the Floor Broker. Upon such manual execution, the transaction is reported automatically by AUTOM.

The proposed amendment would provide that, when an order represented by a Floor Broker is executed against a limit order on the book, the specialist must report or ensure that the portion of the transaction represented by such specialist is reported to the tape. The purpose of this provision is to address the situation in which an order represented by a Floor Broker executes a booked limit order is executed by the specialist, in which case AUTOM automatically reports the execution of the booked limit order. Thus, the Floor Broker in this situation would not be required to report that portion of the transaction on the System, despite the fact that the Floor Broker involved may have in fact "initiated" the transaction. If the booked limit order represents the entire contra-side to the order represented by the Floor Broker, the specialist would be required to report the entire transaction. If the booked limit order represents a portion of the transaction, the specialist would be required to report that portion of the

transaction, while the Floor Broker initiating the transaction would be responsible for reporting the remaining portion of the transaction he or she initiated.

#### *Ticket Marking Requirements and the System*

Currently, various Exchange rules require Floor Brokers to mark trade tickets with certain notations, depending on the type of trade and the crowd participants involved. The Exchange is proposing to amend the rules concerning the ticket marking requirements so that Floor Brokers would be required to enter similar notations onto the System.

Specifically, the Exchange proposes the following amendments to the current Phlx rules and OFPAs concerning ticket marking requirements in order to make such rules and OFPAs applicable to the System:

- Phlx Rule 1015, Execution Guarantees, and corresponding OFPA A-11, Responsibility to Fill Customer Orders, would be amended to require a Floor Broker or his employees to make the appropriate notation on the System when it has been determined that the order is for an account of a broker/dealer.
- Phlx Rule 1064 and corresponding OFPA B-11, Crossing, Facilitation and Solicited Orders, would be amended to require that Floor Brokers who wish to execute orders as a facilitation cross (or their employees) to enter the appropriate indication onto the System for the public customer's order, together with all of the terms of the order, including any contingency involving other options or the underlying or related securities. The sections of the Rule and OFPA concerning solicited orders would require a Floor Broker or his employees to indicate on the System that the trade involves a solicited order.
- Phlx Rule 1014(g)(i)(A) and corresponding OFPA B-6, Priority of Options Orders for Equity Options and Index Options by Account Type, would be amended to require Floor Brokers representing controlled accounts<sup>11</sup> to indicate on the System that such accounts must yield to customer orders in parity situations.
- Phlx OFPA B-8, Use of Floor Brokers by an ROT While on the Floor, would be amended to require a Floor Broker or his employees to indicate on the System whether an order for an ROT that is represented by the Floor Broker

is opening or closing, in order to remain consistent with the requirements of proposed Phlx Rule 1063(e) and proposed OFPA C-2.

- Phlx OFPA C-2, Clocking Tickets for Time of Entry on the Floor, which currently requires an introducing Floor Brokerage unit to time stamp an order when it is received, would be re-titled and amended to include the requirements concerning the System included in proposed Phlx Rule 1063(e).

- Phlx OFPA C-3, Handling Orders of Phlx ROTs and Other Registered Options Market Makers, would be amended to require, in the situation in which a Floor Broker represents an order for a market maker on another national securities exchange, such Floor Broker or his employees must so indicate on the Options Floor Broker Management System and must ensure that the order is represented in the trading crowd as a "BD" order for the purposes of the Exchange's yielding requirements.

- Phlx OFPA F-1, Use of Identification Letters and Numbers, would be amended to require all Floor Brokers or their employees to indicate their complete alpha/numeric identifiers on the System for each order they receive and represent in the crowd.

- Phlx OFPA F-4, Orders Executed as Spreads, Straddles, Combinations or Synthetics and Other Order Ticket Marking Requirements, would be amended to require that, in the case of trades involving a Floor Broker, such Floor Broker or his employees must make the appropriate notation concerning such order types on the Options Floor Broker Management System.

The Rollout will be conducted on a firm-by-firm basis, beginning with the installation of a device at the respective Floor Broker firm's booth on the options floor ("Booth Device"), on which such Floor Broker (or his/her employee) may enter the required information concerning the orders they represent.<sup>12</sup> In addition, the Exchange would issue a handheld device to each individual Floor Broker in such a firm who represents an order in the crowd ("Handheld Device"), on which he/she would have the ability to enter the required information. As stated above, the Rollout would be complete on a

<sup>10</sup> The electronic "limit order book" is the Exchange's automated specialist limit order book, which automatically routes all unexecuted AUTOM orders to the book and displays orders real-time in order of price-time priority. Orders not delivered through AUTOM may also be entered onto the limit order book. See Phlx Rule 1080, Commentary .02.

<sup>11</sup> Phlx Rule 1014(g)(i)(A) defines a "controlled account" as any account controlled by or under common control with a broker-dealer. Customer accounts are all other accounts.

<sup>12</sup> Such information would include: (i) The order type (*i.e.*, customer, firm, broker-dealer); the option symbol; (iii) buy, sell, or cancel; (iv) call, put, complex (*i.e.*, spread, straddle), or contingency order as described in Phlx Rule 1066; (v) number of contracts; (vi) limit price or market order or, in the case of a complex order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position.