SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations: NASDAQ PHXL LLC; Notice of Filing of Proposed Rule Change To Amend Certain Sections of Rules 1024, Conduct of Accounts for Options Trading, and of 1025, Supervision of Accounts, To Conform Them More Closely To Comparable Rules of the Chicago Board Options Exchange ("CBOE") and To Make Minor Clarifications and Corrections to the Text

September 18, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), and Rule 19b–4 thereunder,1 the Securities and Exchange Commission ("Commission") is publishing this notice to solicit comments on the proposed rule change. The text of the proposed rule change is being made available to interested persons.

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

Rules 1024 and 1025 contain a range of regulatory requirements generally applicable to Phlx members and member organizations that conduct a public customer options business. The Exchange is proposing a number of changes to certain sections of those rules to clarify the language of those rules and to correct inaccuracies. The Exchange also proposes to change certain rule language to conform the rules more closely to CBOE rules dealing with the same subject matter, in order to more easily facilitate compliance by dual members and to prevent inadvertent misunderstandings of the rules’ requirements that can arise from slight wording differences. These rule changes are generally intended to promote more effective regulatory compliance by Exchange members and member organizations. The proposed changes are detailed below.

Rule 1024(a)(i)

Rule 1024(a)(i) governs registration of Options Principals. The rule currently provides that no member or member organization or individual associated with a member organization shall be approved to transact options business with the public until such persons, who are designated as Options Principals, have been approved by and registered with the Exchange. Additionally, it provides that persons engaged in the supervision of options sales practice or a person to whom the designated general partner or executive officer (pursuant to Rule 1025) or another Registered Options Principal4 delegates the authority to supervise options sales practices shall be designated as Options Principals. Finally, the rule states that all members and member organizations must use Web CRD to submit Form U4, Uniform Application for Securities Industry Registration or Transfer (Form U4) with Web CRD, to successfully complete an examination prescribed by the Exchange and specified in Rule 1024 for the purpose of demonstrating an adequate knowledge of the options business and of the Rules of the Exchange, and to further agree in the U4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of The Options Clearing Corporation. The Exchange is proposing to remove the language that requires members and member organizations to amend Form U4 filings not later than thirty (30) days after the filer knew or should have known of the facts which gave rise to the amendment. However, the Exchange proposes to add language requiring members and member organizations that are required to complete Form U4 to promptly (but in any event no later than 30 days after the filer knew or should have known of the facts which gave rise to the need for the amendment) electronically file any required amendments to Form U4 with Web CRD. Additionally, new language is proposed that would require termination of employment or affiliation of any Registered Options Principal in such capacity to be promptly, but in any event no later than 30 days following the termination, electronically reported to Web CRD together with a brief statement of the reason for such termination on Form U5. The amendment would conform Rule 1024(a) more closely to CBOE Rule 9.2. The proposal would also add a reference in the second sentence to “options sale practice,” substituting for that term “options sales practices”.

Rule 1024(b)(ii)

Rule 1024(b)(ii) generally provides that, in approving a customer’s account for options transactions, a member or member organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information. It also provides for approval and for confirmation of approval of the customer’s account by a Registered Options Principal qualified individual. For purposes of clarity, the Exchange proposes to eliminate references in Rule 1024(b)(ii) to a “specific” or “specified” Registered Options Principal. It also proposes to delete the words “qualified individual” as they appear following references to Registered Options Principals to eliminate any ambiguity, as it is not clear what a Registered Options Principal qualified individual

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3 See Rule 612(d).
4 Id.
means if not a Registered Options
Principal. Finally, the Exchange
proposes to relocate the phrase “within
a reasonable period of time” simply to
conform the rule in this respect more
closely to CBOE Rule 9.7.

Rule 1024(c)(v)

Rule 1024(c)(v) is proposed to be
amended by changing an inaccurate
internal cross reference, from Rule
1029(c) to Rule 1029(b).

Rule 1024 Commentary .01 Section 8

The Exchange is proposing to delete
the word “other” as unnecessary and to
correct the placement of a closing
parenthesis, moving it from after the
word “transactions” to after the word
“commodities”.

Rule 1024 Commentary .03

The Exchange is proposing to add the
inadvertently omitted word “an” before
the word “opportunity”.

Rule 1024 Commentary .06

The Exchange is proposing to reread
the sentence for clarity, so that it states
that individuals engaged in the
supervision of options sales practices
are required to be designated as Options
Principals and are required to qualify as
an Options Principal by passing one of
the examinations referred to in the rule.
The Exchange also proposes to amend
the rule’s reference to the Series 9/10
examination, in order to use the same
name that the Financial Industry
Regulatory Authority (“FINRA”) uses for
that examination.

Rule 1024 Commentary .07

The Exchange proposes to add the
inadvertently dropped word
“reviewing” to a sentence that requires
individuals who are delegated
responsibility for reviewing, among
other things, the acceptance of
disciplinary accounts, to be designated
as Options Principals and pass the
Series 4 examination.

Rule 1025(a)(iii)A

The Exchange proposes to substitute
the word “responsibility” for the word
“responsibilities” simply to conform the
rule more closely to CBOE Rule
9.8(a)(3)(i).

Rule 1025(b)(i)

The Exchange proposes to make
minor, nonsubstantive, clarifying
wording changes which would conform
the rule language more closely to that of
CBOE Rule 9.8(b)(1), by removing the
unnecessary words “above-noted”, by
replacing the words “requirements
applicable to” with the words
“responsibility”, by deleting the
unnecessary words “however, the”, and
by replacing the words “other than the
principal supervisory office if such
documents and information” with the
words “off premises so long as the
records”.

Rule 1025(b)(iii)

The Exchange proposes to capitalize
the word “Rule” in a reference to SEC
rule 17a–4, to conform the language
more closely to CBOE Rule 9.8(b)(3).

Rule 1025(b) Concluding Sentence

The words “any person” are proposed
to be substituted for the words “a
person”, and an inaccurate reference to
“this paragraph (b)(3)” is proposed to be
corrected to read “this paragraph
(b)(iii)”.

Rule 1025(d)

An extraneous word “the” is
proposed to be deleted before the word
“proximity” to conform more closely to
CBOE Rule 9.8(d)(1)(i), and an
inaccurate reference to Rule 1025(c) is
proposed to be corrected to read Rule
1025(e).

Rule 1025(e)

The Exchange proposes to remove an
extraneous comma to conform the rule
more closely to CBOE Rule 9.8(e)(1) and
to change an incorrect internal cross
reference from paragraph (e)(1) to
paragraph (e)(f).

Rule 1025(g)

Currently, Rule 1025(g) requires each
member organization that conducts a
non-member customer business to submit
each year to the Exchange a
written report on the member
organization’s supervision and
compliance effort during the preceding
year. The Exchange proposes to expand
the requirement to conform it more
closely to CBOE Rule 9.8(g), by
specifying that the report must also
detail the adequacy of the member
organization’s ongoing compliance
processes and procedures. The proposed
amendments to Rule 1025(g) would also
require the Chief Executive Officer (or
equivalent) to certify that the member
organization has in place processes to
test the effectiveness of policies and
procedures on a periodic, rather than on
a regular, basis. This change would
conform the Exchange’s requirement
more closely to the comparable CBOE
Rule 9.8(g)(5)(i)(C) requirement. The
proposal would also correct the spelling
of the word “preceding” in Rule
1025(g)(ii), adding missing semicolons to
an itemized list found in Rule
1025(g)(iii), correct inaccurate internal

Rule 1025(h)

Rule 1025(h) currently provides that
each member organization shall submit
the report required by Rule 1024(g) to its
headquarters or its equivalent committee
or group. The Exchange proposes to
replace the inaccurate reference to Rule
1024(g) with a correct reference to Rule
1025(h). The Exchange proposes to add
language to the end of the rule to
establish the meaning of “control person,”
proposed to be defined as a person who
controls the member organization. The new
language would define the term “control” as
meaning the power to exercise a
controlling influence over the
management or policies of the member
organization, unless such power is
solely the result of an official position
within the member organization. Finally,
the new language would state that any
person who owns beneficially, directly
or indirectly, more than 20% of the
voting power in the election of directors
of the member organization, or more
than 25% of the voting power in the
election of directors of any other
corporation which directly or through
one or more affiliates owns beneficially
more than 25% of the voting power in the
election of directors of the member
organization, shall be presumed to
control the member organization. The
proposed new language is based on
CBOE Rules 9.8(h) and 1.1(k), which is
incorporated by reference into CBOE
Rule 9.8(h).

Rule 1025 Commentary .02 and .03

Rule 1025 Commentary .02 is
proposed to be amended by deleting the
introductory phrase “In meeting their
supervisory responsibilities” in order to
conform the language more closely to
CBOE Rule 9.8, Interpretations and
Policies .01. The rule currently requires
member organizations conducting a
non-member customer business to
enforce written procedures governing
the conduct of options accounts. As
revised, the written procedures would
be required to detail the specific
methods used to supervise all
non-member customer accounts and all
orders in such accounts. This
amendment would also provide greater
clarity regarding the required content of
the procedures and also would conform the rule more closely to CBOE Rule 9.8 Interpretations and Policies .01. The last sentence of Commentary .02 would be replaced by replacing the phrase “short uncovered” options positions with the phrase “uncovered short” options positions. Finally, the Exchange proposes to amend Rule 1025 Commentary .03 by adding the word “shall” to the first sentence, to conform the language more closely to CBOE Rule 9.8, Interpretations and Policies .02.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,5 in general, and furthers the objectives of Section 6(b)(5) of the Act,6 in particular, in that it is designed to promote just and equitable principles of trade, 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 amendments should remove impediments to and perfect the mechanism of a free and open market and a national market system, by correcting various aspects of the rules and by adding additional clarity to the rules. The minor corrections and clarifications described above should improve the accuracy of the rules and should also improve their readability, making them more understandable and thereby facilitating easier compliance.

Additionally, where certain sections of the Phlx rules are proposed to be amended to conform more closely to comparable rules of the CBOE, the proposed rule change should create greater regulatory parity among the two options exchanges regarding members’ obligations in the areas of conduct of accounts for options trading and supervision of accounts. The proposed amendments should create more efficient regulatory compliance by members of both exchanges due to reduction of differences in wording and consequent potential for inadvertent regulatory noncompliance. In this regard, the Exchange believes it is in the public interest for a more consistently worded regulatory policy and standard regarding conduct of accounts for options trading and supervision of accounts to be in effect across options exchanges, for the benefit of customers.

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. As stated above the proposal is designed to correct various aspects of the rules and to add additional clarity to various sections of the rules, which are equally applicable to all similarly situated members and member organizations. Certain aspects of the proposed rule change to amend various sections of Rules 1024 and 1025 are also designed to conform to Phlx rules more closely to comparable rules of CBOE, thus eliminating a potential source of regulatory arbitrage and facilitating compliance by dual members.

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

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 Exchange consents, the Commission shall: (a) By order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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);
- Send an email to rule-comments@sec.gov.ase include File Number SR–Phlx–2017–55 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–2017–55 and should be submitted on or before October 13, 2017.

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

Eduardo A. Aleman,
Assistant Secretary.

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change To Adopt New Equity Trading Rules for Trading UTP Securities on Pillar, Including Orders and Modifiers, Order Ranking and Display, and Order Execution and Routing

September 18, 2017.

On July 28, 2017, New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities