

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="22"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="75"/> Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Nasdaq PHLX LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposal to allow the Exchange to aggregate Displayed odd-lot Orders across price levels for transmission to network processors as the Exchanges best priced Order under Rule 3306(c)(2).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date

By

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

edward.knight@nasdaq.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to allow the Exchange to aggregate Displayed odd-lot Orders across price levels for transmission to network processors as the Exchange’s best priced Order under Rule 3306(c)(2).

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on September 26, 2018. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

T. Sean Bennett
Principal Associate General Counsel
Nasdaq, Inc.
(301) 978-8499

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange is proposing to amend Rule 3306 to allow the Exchange to aggregate Displayed³ odd-lot Orders across price levels for transmission to network processors as the Exchange's best ranked Displayed Order(s), which is based on how NYSE Arca, Inc. handles such orders pursuant to NYSE Arca Rule 7.36-E(b)(3).⁴ Rule 3306 concerns entry and display of Quotes⁵ and Orders,⁶ and paragraph (c) thereunder

³ Display is an Order Attribute that allows the price and size of an Order to be displayed to market participants via market data feeds. Certain Order Types may be non-displayed if they are not assigned a Display Order Attribute, and all non-displayed Orders may be referred to as "Non-Displayed Orders" (See Rule 3301A(b)(3)(A)). In contrast, an Order with a Display Order Attribute may be referred to as a "Displayed Order." See Rule 3301B(k).

⁴ See Securities Exchange Act Release No. 74796 (April 23, 2015), 80 FR 23838 (April 29, 2015) (SR-NYSEArca-2015-08).

⁵ The term "Quote" means a single bid or offer quotation submitted to the System by a Market Maker or Equities Electronic Communications Network and designated for display (price and size) next to the Participant's Market Participant Identifier in the PSX Book. Quotes are entered in the form of Orders with Attribution (as defined in Rule 3301B). Accordingly, all Quotes are also Orders. See Rule 3301(d).

⁶ The term "Order" means an instruction to trade a specified number of shares in a specified System Security submitted to the System by a Participant. An "Order Type" is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the PSX Book when submitted to the System. An "Order Attribute" is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the PSX Book when submitted to the System. The available Order Types and Order Attributes, and the Order Attributes that may be associated with particular Order Types, are described in Rules 3301A and 3301B. One or more Order Attributes may be assigned to a single Order; provided, however, that if the use of multiple Order Attributes would provide contradictory instructions to an Order, the System will reject the Order or remove non-conforming Order Attributes. See Rule 3301(e).

provides how the System⁷ will display Quotes and Orders submitted to the System. Rule 3306(c)(2), which the Exchange is proposing to amend, describes what the Exchange transmits to the network processors as the Exchange's best priced Order. Specifically, Rule 3306(c)(2) provides that, for each System Security,⁸ the aggregate size of all Quotes and Orders at the best price to buy and sell resident in the System will be transmitted for display to the appropriate network processor, unless the aggregate size is less than one round lot, in which case the aggregate size will be displayed in the System Book Feed⁹ but not be transmitted to a network processor.¹⁰ Thus, pursuant to Rule 3306(c)(2) Orders with an aggregate size of less than one round lot at a particular price level are displayed in the System Book Feed, but are not transmitted to a network processor. For example, if the Exchange best bid is \$10.00, and there are the following three odd-lot Orders resting displayed on the PSX Book with no other interest resting on the PSX Book - 25 shares to buy at \$10.00, 25 shares to buy at \$9.99, and 50 shares to buy at \$9.98 - the

⁷ The term "PSX" or "System" shall mean the automated system for order execution and trade reporting owned and operated by the Exchange. See Rule 3301(a).

⁸ The term "System Securities" shall mean any NMS stock, as defined in SEC Rule 600 except securities specifically excluded from trading via a list of excluded securities posted on www.nasdaqtrader.com. See Rule 3301(b).

⁹ The term "System Book Feed" shall mean a data feed for System Securities, generally known as the PSX TotalView ITCH feed. See Rule 3301(l).

¹⁰ Consequently, the Exchange currently will aggregate and transmit to the network processor odd-lot Orders at a particular price level if such Orders aggregate to at least one round lot and are priced better than the best-priced round lot interest on the PSX Book.

System will not transmit any of these Orders to the appropriate processor, but rather will post them to the System Book Feed.¹¹

The Exchange is proposing to amend Rule 3306(c)(2) to allow the Exchange to aggregate odd-lot sized Displayed Orders at multiple price points that equal at least a round lot for purposes of transmitting the Exchange's best ranked Displayed Order(s) to the appropriate processor. In assigning a price to such aggregated odd-lot Orders, the Exchange would use the highest (lowest) price to buy (sell) wherein the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater. Consequently, because the aggregated Displayed odd-lot Orders represent the best price available on the Exchange, they would be transmitted to the network processor as such. Using the example above, all three odd-lot Orders resting displayed on the PSX Book would be aggregated into a round lot Order and reported to the appropriate processor for quoting at a price of \$9.98.¹² The Exchange is proposing to amend Rule 3306(c)(2) to add four new subparagraphs to the rule, which provide that the Exchange will transmit to the appropriate processor the highest (lowest) price to buy (sell) wherein the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater, and that the aggregate size of

¹¹ The Exchange notes that the network processors only accept quotations in round lots. As a consequence, if aggregated Orders do not equal a round lot the Exchange will round down to the nearest round lot for purposes of reporting to the appropriate network processor. This proposal does not change this process.

¹² The Exchange notes that it is not proposing to change how it processes Orders for execution. System Orders are executed in accordance with one of two execution algorithms: Price/Time or Pro Rata. See Rule 3307. Thus, Orders resting on the Exchange Book will be executed pursuant to the price/time execution algorithm or pro rata execution algorithm consistent with Rule 3307. Likewise, the algorithm used for execution does not affect what is provided to the network processor as the Exchange's best priced Order.

all displayed buy (sell) interest in the System greater (less) than or equal to that price will be transmitted rounded down to the nearest round lot.¹³

The Exchange is also proposing to make clarifying changes to Rule 3306(c)(2). Currently, the rule does not note that the obligation to report the highest (lowest) aggregate Displayed interest to buy (sell) arises from Rule 602 of Regulation NMS. The Exchange is amending the rule to affirmatively state that the transmission to the appropriate network processor is done pursuant to Rule 602 of Regulation NMS. The Exchange is also deleting the text concerning the display in the System Book Feed of all Quotes and Orders at the best price to buy and sell resident in the System that are less than one round lot. The Exchange believes that this text is redundant of paragraph (1) of Rule 3306(c) and serves no purpose under the clarified rule. The Exchange notes that the clarifying changes do not alter how it currently handles Quotes and Orders for display and trade reporting.

The Exchange plans to implement the change proposed herein in the first quarter of 2019, and will announce the precise date by Equity Trader Alert at least thirty days prior to implementation.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove

¹³ Supra note 10.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

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, because the proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system by allowing the Exchange to aggregate odd lot Orders across multiple price levels for purposes of determining the Exchange's best ranked Displayed Order(s) for transmission to the appropriate network processor. The proposed change will provide market participants with greater visibility into liquidity available on the Exchange via the appropriate network processor. Because arriving marketable contra-side Orders execute in price-time priority or pro-rata priority against resting odd-lot Orders priced better than resting round-lot Orders, the Exchange believes that it is appropriate to display such odd-lot interest on the public data feeds as the Exchange's best bid or offer if in the aggregate, they equal a round lot or more. The Exchange further believes that aggregating such odd-lot Orders at the highest (lowest) price to buy (sell) wherein the aggregate size of all buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater would remove impediments to and perfect the mechanism of a free and open market because it represents the best aggregated execution price for incoming sell (buy) Orders. The Exchange notes that the incoming marketable interest would receive price improvement when executing against any odd-lot orders priced better than the aggregated displayed price. Last, the Exchange believes that the proposed clarifying changes will help promote a better understanding of the operation of the rule. As noted above, the clarifying changes do not alter how the Exchange currently handles Quotes and Orders for display and trade reporting.

4. 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 noted above, the Exchange is copying functionality that is currently in use by a competitor exchange. The proposed change may increase the Exchange's position at the National Best Bid and Offer, thus allowing the Exchange to receive greater Order flow and, consequently, executions. This is the same benefit that the competitor exchange has received since adopting the process proposed herein. Thus, the proposed change is a competitive response, but does not place any burden on competition because it is copying a process used by a competitor exchange, which was approved by the Commission.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)¹⁶ of the Act and Rule 19b-4(f)(6) thereunder¹⁷ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6).

Commission may designate if consistent with the protection of investors and the public interest.

As described above, the proposed change does not significantly affect the protection of investors because NYSE Arca currently uses the proposed process for aggregating odd-lot orders for purposes of reporting to the appropriate processor. As a consequence, the proposed change is not novel to market participants. Moreover, and as described above, the proposed change will allow the Exchange to provide the best aggregated execution price for incoming sell (buy) Orders to the network processors, with incoming marketable interest receiving price improvement when executing against any odd-lot orders priced better than the aggregated displayed price. The Exchange believes that the proposed clarifying changes will help promote a better understanding of the operation of the rule, thereby promoting the public interest. The Exchange does not believe that the proposal imposes any significant burden on competition for the reasons stated above. In particular, the proposed change may increase the Exchange's position at the National Best Bid and Offer, thus allowing the Exchange to receive greater Order flow and, consequently, executions. Thus, the proposed change is pro-competitive.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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 shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposal is based on NYSE Arca Rule 7.36-E.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2018-75)

November __, 2018

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend Rule 3306(c)(2)

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 November 16, 2018, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 allow the Exchange to aggregate Displayed odd-lot Orders across price levels for transmission to network processors as the Exchange’s best priced Order under Rule 3306(c)(2). While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative in the first quarter of 2019, and will announce the precise date by Equity Trader Alert at least thirty days prior to implementation.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqphlx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 is proposing to amend Rule 3306 to allow the Exchange to aggregate Displayed³ odd-lot Orders across price levels for transmission to network processors as the Exchange's best ranked Displayed Order(s), which is based on how NYSE Arca, Inc. handles such orders pursuant to NYSE Arca Rule 7.36-E(b)(3).⁴ Rule 3306 concerns entry and display of Quotes⁵ and Orders,⁶ and paragraph (c) thereunder

³ Display is an Order Attribute that allows the price and size of an Order to be displayed to market participants via market data feeds. Certain Order Types may be non-displayed if they are not assigned a Display Order Attribute, and all non-displayed Orders may be referred to as "Non-Displayed Orders" (See Rule 3301A(b)(3)(A)). In contrast, an Order with a Display Order Attribute may be referred to as a "Displayed Order." See Rule 3301B(k).

⁴ See Securities Exchange Act Release No. 74796 (April 23, 2015), 80 FR 23838 (April 29, 2015) (SR-NYSEArca-2015-08).

⁵ The term "Quote" means a single bid or offer quotation submitted to the System by a Market Maker or Equities Electronic Communications Network and designated for display (price and size) next to the Participant's Market Participant Identifier in the PSX Book. Quotes are entered in the form of Orders with Attribution (as defined in Rule 3301B). Accordingly, all Quotes are also Orders. See Rule 3301(d).

provides how the System⁷ will display Quotes and Orders submitted to the System. Rule 3306(c)(2), which the Exchange is proposing to amend, describes what the Exchange transmits to the network processors as the Exchange's best priced Order. Specifically, Rule 3306(c)(2) provides that, for each System Security,⁸ the aggregate size of all Quotes and Orders at the best price to buy and sell resident in the System will be transmitted for display to the appropriate network processor, unless the aggregate size is less than one round lot, in which case the aggregate size will be displayed in the System Book Feed⁹ but not be transmitted to a network processor.¹⁰ Thus, pursuant to Rule 3306(c)(2)

⁶ The term "Order" means an instruction to trade a specified number of shares in a specified System Security submitted to the System by a Participant. An "Order Type" is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the PSX Book when submitted to the System. An "Order Attribute" is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the PSX Book when submitted to the System. The available Order Types and Order Attributes, and the Order Attributes that may be associated with particular Order Types, are described in Rules 3301A and 3301B. One or more Order Attributes may be assigned to a single Order; provided, however, that if the use of multiple Order Attributes would provide contradictory instructions to an Order, the System will reject the Order or remove non-conforming Order Attributes. See Rule 3301(e).

⁷ The term "PSX" or "System" shall mean the automated system for order execution and trade reporting owned and operated by the Exchange. See Rule 3301(a).

⁸ The term "System Securities" shall mean any NMS stock, as defined in SEC Rule 600 except securities specifically excluded from trading via a list of excluded securities posted on www.nasdaqtrader.com. See Rule 3301(b).

⁹ The term "System Book Feed" shall mean a data feed for System Securities, generally known as the PSX TotalView ITCH feed. See Rule 3301(l).

¹⁰ Consequently, the Exchange currently will aggregate and transmit to the network processor odd-lot Orders at a particular price level if such Orders aggregate to at least one round lot and are priced better than the best-priced round lot interest on the PSX Book.

Orders with an aggregate size of less than one round lot at a particular price level are displayed in the System Book Feed, but are not transmitted to a network processor. For example, if the Exchange best bid is \$10.00, and there are the following three odd-lot Orders resting displayed on the PSX Book with no other interest resting on the PSX Book - 25 shares to buy at \$10.00, 25 shares to buy at \$9.99, and 50 shares to buy at \$9.98 - the System will not transmit any of these Orders to the appropriate processor, but rather will post them to the System Book Feed.¹¹

The Exchange is proposing to amend Rule 3306(c)(2) to allow the Exchange to aggregate odd-lot sized Displayed Orders at multiple price points that equal at least a round lot for purposes of transmitting the Exchange's best ranked Displayed Order(s) to the appropriate processor. In assigning a price to such aggregated odd-lot Orders, the Exchange would use the highest (lowest) price to buy (sell) wherein the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater. Consequently, because the aggregated Displayed odd-lot Orders represent the best price available on the Exchange, they would be transmitted to the network processor as such. Using the example above, all three odd-lot Orders resting displayed on the PSX Book would be aggregated into a round lot Order and reported to the appropriate processor for quoting at a price of \$9.98.¹² The Exchange is proposing to

¹¹ The Exchange notes that the network processors only accept quotations in round lots. As a consequence, if aggregated Orders do not equal a round lot the Exchange will round down to the nearest round lot for purposes of reporting to the appropriate network processor. This proposal does not change this process.

¹² The Exchange notes that it is not proposing to change how it processes Orders for execution. System Orders are executed in accordance with one of two execution algorithms: Price/Time or Pro Rata. See Rule 3307. Thus, Orders resting on the Exchange Book will be executed pursuant to the price/time execution algorithm or pro rata execution algorithm consistent with Rule 3307. Likewise, the

amend Rule 3306(c)(2) to add four new subparagraphs to the rule, which provide that the Exchange will transmit to the appropriate processor the highest (lowest) price to buy (sell) wherein the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater, and that the aggregate size of all displayed buy (sell) interest in the System greater (less) than or equal to that price will be transmitted rounded down to the nearest round lot.¹³

The Exchange is also proposing to make clarifying changes to Rule 3306(c)(2). Currently, the rule does not note that the obligation to report the highest (lowest) aggregate Displayed interest to buy (sell) arises from Rule 602 of Regulation NMS. The Exchange is amending the rule to affirmatively state that the transmission to the appropriate network processor is done pursuant to Rule 602 of Regulation NMS. The Exchange is also deleting the text concerning the display in the System Book Feed of all Quotes and Orders at the best price to buy and sell resident in the System that are less than one round lot. The Exchange believes that this text is redundant of paragraph (1) of Rule 3306(c) and serves no purpose under the clarified rule. The Exchange notes that the clarifying changes do not alter how it currently handles Quotes and Orders for display and trade reporting.

The Exchange plans to implement the change proposed herein in the first quarter of 2019, and will announce the precise date by Equity Trader Alert at least thirty days prior to implementation.

algorithm used for execution does not affect what is provided to the network processor as the Exchange's best priced Order.

¹³ Supra note 10.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ 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, because the proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system by allowing the Exchange to aggregate odd lot Orders across multiple price levels for purposes of determining the Exchange's best ranked Displayed Order(s) for transmission to the appropriate network processor. The proposed change will provide market participants with greater visibility into liquidity available on the Exchange via the appropriate network processor. Because arriving marketable contra-side Orders execute in price-time priority or pro-rata priority against resting odd-lot Orders priced better than resting round-lot Orders, the Exchange believes that it is appropriate to display such odd-lot interest on the public data feeds as the Exchange's best bid or offer if in the aggregate, they equal a round lot or more. The Exchange further believes that aggregating such odd-lot Orders at the highest (lowest) price to buy (sell) wherein the aggregate size of all buy (sell) interest in the System greater (less) than or equal to that price is one round lot or greater would remove impediments to and perfect the mechanism of a free and open market because it represents the best aggregated execution price for incoming sell (buy) Orders. The

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

Exchange notes that the incoming marketable interest would receive price improvement when executing against any odd-lot orders priced better than the aggregated displayed price. Last, the Exchange believes that the proposed clarifying changes will help promote a better understanding of the operation of the rule. As noted above, the clarifying changes do not alter how the Exchange currently handles Quotes and Orders for display and trade reporting.

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 noted above, the Exchange is copying functionality that is currently in use by a competitor exchange. The proposed change may increase the Exchange's position at the National Best Bid and Offer, thus allowing the Exchange to receive greater Order flow and, consequently, executions. This is the same benefit that the competitor exchange has received since adopting the process proposed herein. Thus, the proposed change is a competitive response, but does not place any burden on competition because it is copying a process used by a competitor exchange, which was approved by the Commission.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) 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)(iii) of the Act¹⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁷

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 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 e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2018-75 on the subject line.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2018-75. 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 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 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-2018-75 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.¹⁸

Eduardo A. Aleman
Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

Nasdaq PHLX Rules

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Nasdaq PSX Rules

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Rule 3306. Entry and Display of Quotes and Orders

(a) – (b) No change.

(c) Display of Quotes and Orders—The System will display quotes and orders submitted to the System as follows:

(1) No change.

(2) Best Priced Order Display—Pursuant to Rule 602 of Regulation NMS under the Exchange Act, the Exchange will transmit for display to the appropriate network processor [F] for each System Security; the aggregate size of all Quotes and Orders at the best price to buy and sell resident in the System will be transmitted for display to the appropriate network processor, unless the aggregate size is less than one round lot in which case the aggregate size will be displayed in the System Book Feed but not be transmitted to a network processor.]

(i) the highest price to buy wherein the aggregate size of all displayed buy interest in the System greater than or equal to that price is one round lot or greater;

(ii) the aggregate size of all displayed buy interest in the System greater than or equal to the price in (i), rounded down to the nearest round lot;

(iii) the lowest price to sell wherein the aggregate size of all displayed sell interest in the System less than or equal to that price is one round lot or greater; and

(iv) the aggregate size of all displayed sell interest in the System less than or equal to the price in (iii), rounded down to the nearest round lot.

(3) – (4) No change.

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