

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="24"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2020"/> - * <input type="text" value="07"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by   
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"/>
			Rule		
Pilot <input type="checkbox"/>	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)(6)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	<input checked="" type="checkbox"/> 19b-4(f)(6)
			<input type="checkbox"/> 19b-4(f)(3)		

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 \*).

Amendments to Complex Orders

**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 * <input type="text" value="Angela"/>	Last Name * <input type="text" value="Dunn"/>
Title * <input type="text" value="Principal Associate General Counsel"/>	
E-mail * <input type="text" value="angela.dunn@nasdaq.com"/>	
Telephone * <input type="text" value="(215) 496-5692"/>	Fax <input type="text"/>

**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 <input type="text" value="03/04/2020"/>	<input type="text" value="EVP and Chief Legal Officer"/>
By <input type="text" value="John Zecca"/>	<input type="text"/>
(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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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**

Add Remove View

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**

Add Remove View

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**

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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**

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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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Options 3, Section 7, “Electronic Acceptance of Quotes and Orders,” Options 3, Section 14, “Complex Orders,” Options 8, Section 17, “Limitations on Members’ Trading Because of Customers’ Orders” and Options 8, Section 32, “Certain Types of Floor-Based (Non-System) Orders Defined.”

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 25, 2019. 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:

Angela Saccomandi Dunn  
Principal Associate General Counsel  
Nasdaq, Inc.  
215-496-5692

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 proposes to amend Options 3, Section 7, “Electronic Acceptance of Quotes and Orders,” Options 3, Section 14, “Complex Orders,” Options 8, Section 17, “Limitations on Members’ Trading Because of Customers’ Orders” and Options 8, Section 32, “Certain Types of Floor-Based (Non-System) Orders Defined.” Each change is described below.

Options 3, Section 7 and Options 8, Section 32

The Exchange proposes to amend Options 3, Section 7, titled “Electronic Acceptance of Quotes and Orders” and Options 8, Section 32, titled “Certain Types of Floor-Based (Non-System) Orders Defined” to complete the list of Order Types available for trading on the Exchange by referencing currently available Complex Order types. Options 3, Section 7(b) currently lists all order types that may be electronically submitted to the System. Options 8, Section 32(a) currently lists all order types that may be utilized on the trading floor. The Exchange lists all simple order types in both Options 3, Section 7(b) and Options 8, Section 32(a), but these lists do not include Complex Orders which are currently described within Options 3, Section 14, titled “Complex Orders.” The Exchange proposes to amend Options 3, Section 7(b) and Options 8, Section 32(a) to simply reference that a Complex Order is as described in Options 3, Section 14(a)(i).<sup>3</sup>

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<sup>3</sup> Options 3, Section 14(a)(i) provides, “a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. With respect to Mini Options, a Complex Order is an order involving the simultaneous purchase and/or sale of

The Exchange also proposes to amend these rules to simply reference that a Stock-Option Order is as described in Options 3, Section 14(a)(i).<sup>4</sup>

The Exchange believes that adding reference to Complex Orders and Stock-Option Orders to Options 3, Section 7(b) and Options 8, Section 32(a) will make clear to market participants the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor.

#### Options 3, Section 14

The Exchange recently relocated its Rulebook into a new Rulebook Shell.<sup>5</sup> Prior to that relocation, the Exchange filed a rule proposal<sup>6</sup> which adopted rule text within Phlx

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two or more different Mini Options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Mini Options may only be part of a Complex Order that includes other Mini Options.”

<sup>4</sup> Options 3, Section 14(a)(i) provides, “Except respecting Mini Options, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share (“ETF”)) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery. Stock-option orders can only be executed against other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market (“Nasdaq”) are required to have a Uniform Service Bureau/Executing Broker Agreement (“AGU”) with Nasdaq Execution Services, LLC (“NES”) in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative (“QSR”) arrangement with NES in order to trade Complex Orders containing a stock/ETF component.”

Rule 1080(f), which stated, “Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose.” The Phlx Rulebook Relocation Rule Change inadvertently removed the rule text in the Prior Rule Change at Rule 1080(f). At this time, the Exchange proposes to restore the Rule 1080(f) rule text within its current rules at Options 3, Section 7(f). Similarly, the Exchange inadvertently deleted rule text within the Prior Rule Change at Rule 1098(b)(v), which stated “Complex Orders may be submitted as: All-or-None Orders, Cancel-Replacement Orders, Directed Orders, Limit Orders or Market Orders as those terms are defined in Rule 1080(b).” At this time, the Exchange proposes to restore the Rule 1098(b)(v) rule text within its current rules at Options 3, Section 14(b)(v).

Options 8, Section 17

The Exchange proposes to delete the current rule at Options 8, Section 17, “Limitations on Members’ Trading Because of Customers’ Orders.” The Exchange notes that this rule describes a prohibition against trading ahead of Customer Orders. The Exchange currently has such a prohibition within its rules at General 9, Section 1(a) which provides, “Prohibition Against Trading Ahead of Customer Orders. Phlx members and persons associated with a member shall comply with FINRA Rule 5320 as if such Rule were part of Phlx's rules.” The Exchange notes that General 9, Section 1 applies to all Phlx members including members transacting options on the trading floor. The Exchange believes that Options 8, Section 17 is redundant because a trading ahead

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<sup>5</sup> See Securities Exchange Act Release No. 88213 (February 14, 2020), 85 FR 9859 (February 20, 2020) (SR-Phlx-2020-03) (“Phlx Rulebook Relocation Rule Change”).

<sup>6</sup> See Securities Exchange Act Release No. 87691 (December 9, 2019), 84 FR 68197 (December 13, 2019) (SR-Phlx-2019-52) (“Prior Rule Change”).

prohibition already exists in the Rules and applies to the options trading floor. The Exchange proposes to reserve Options 8, Section 17.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by amending its rules to provide greater transparency.

Options 3, Section 7 and Options 8, Section 32

The Exchange's proposal to amend Options 3, Section 7, titled "Electronic Acceptance of Quotes and Orders" and Options 8, Section 32, titled "Certain Types of Floor-Based (Non-System) Orders Defined" to complete the list of Order Types by referencing existing Complex Order types is consistent with the Act. Options 3, Section 7(b) currently lists all order types that may be electronically submitted to the System. Options 8, Section 32(a) currently lists all order types that may be utilized on the trading floor. However, these lists do not include Complex Orders which are described within Options 3, Section 14, titled "Complex Orders." The Exchange believes amending Options 3, Section 7(b) and Options 8, Section 32(a) to reference Complex Orders and Stock-Option Orders, which are currently described in Options 3, Section 14(a)(i), will make clear to market participants the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

Options 3, Section 14

The Exchange's proposal to restore inadvertently deleted rule text within Options 3, Section 7(f) and Section 14(b)(v) from a Prior Rule Change will correct Phlx's rules to reflect previously adopted rule text that was inadvertently omitted when it adopted its shell Rulebook as explained above.<sup>9</sup>

Options 8, Section 17

The Exchange's proposal to delete the current rule at Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders" is consistent with the Act because this rule is redundant. General 9, Section 1(a) and Options 8, Section 17 both contain a prohibition against trading ahead of Customer Orders. The Exchange proposes to delete the redundant rule text within Options 8, Section 17. The rule text within General 9, Section 1 applies to all Phlx members, including members transacting options on the trading floor. The deletion of Options 8, Section 17 is a non-substantive amendment to eliminate redundancy within the rules.

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

The Exchange does not believe that the proposed rule change will impose an unnecessary burden on intra-market competition as explained below.

Options 3, Section 7 and Options 8, Section 32

The Exchange's proposal to amend Options 3, Section 7, titled "Electronic Acceptance of Quotes and Orders" and Options 8, Section 32, titled "Certain Types of Floor-Based (Non-System) Orders Defined" to complete the list of Order Types by referencing Complex Order types, which are currently described in Options 3, Section

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<sup>9</sup> See notes 5 and 6 above.

14(a)(i), does not impose an undue burden on inter-market or intra-market competition. The Exchange is referencing Complex Orders and Stock-Options Orders within Options 3, Section 14(a)(i) within the Options 3, Section 7(b) and Options 8, Section 32(a) lists of order types for greater transparency as to the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor.

Options 3, Section 14

The Exchange's proposal to restore inadvertently deleted rule text within Options 3, Section 7(f) and Section 14(b)(v) does not impose an undue burden on inter-market or intra-market competition, rather restoring the rule text will correct the current Phlx Rules to reflect previously adopted rule text, as explained herein.

Options 8, Section 17

The Exchange's proposal to delete the current rule at Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders" does not impose an undue burden on inter-market or intra-market competition. A prohibition against trading ahead of Customer Orders, is currently contained within General 9, Section 1(a) and applies to all Phlx members, including members transacting business on the trading floor. The deletion of Options 8, Section 17 is a non-substantive amendment to avoid redundancy within the rules.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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)<sup>10</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>11</sup> 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 Commission may designate if consistent with the protection of investors and the public interest.

The proposal to amend Options 3, Section 7, titled “Electronic Acceptance of Quotes and Orders” and Options 8, Section 32, titled “Certain Types of Floor-Based (Non-System) Orders Defined” to include Complex Orders and Stock-Options Orders, which are described within Options 3, Section 14, will make clear to market participants the various types of orders that may be transacted both electronically in the System and on the Exchange’s trading floor. The Exchange’s proposal to restore inadvertently deleted rule text from a Prior Rule Change within Options 3, Section 7(f) and Section 14(b)(v) will correct the current Phlx Rules to include previously adopted rule text as described herein. Deleting Options 8, Section 17, “Limitations on Members’ Trading Because of Customers’ Orders” is a non-substantive amendment designed to eliminate a redundant prohibition in Phlx’s Rules. A prohibition against trading ahead of Customer

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

Orders on the options floor is currently contained within General 9, Section 1(a) and applies to all Phlx members, including members transacting business on the trading floor. The aforementioned rule changes do not significantly affect the protection of investors or the public interest for the reasons mentioned. Further, these proposals do not impose any significant burden on competition. Referencing both Complex Orders and Stock-Option Orders, which are currently described within Options 3, Section 14(a)(i), will make clear to market participants the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor. Restoring inadvertently deleted rule text from a Prior Rule Change within Options 3, Section 7(f) and Section 14(b)(v) is a non-substantive rule change. Finally, deleting the current rule at Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders" is a non-substantive amendment to avoid redundancy within the Exchange's rules.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may immediately reference Complex Orders and Stock-Option Orders, which are currently described in Options 3, Section 14(a)(i), within Options 3, Section 7(b) and Options 8, Section 32(a) for greater transparency. Also, the proposal will correct current Phlx Rules by restoring rule text in a Prior Rule Change which was previously adopted and inadvertently deleted in a subsequent filing.<sup>12</sup> The Exchange believes that correcting this error in the Rulebook in a timely manner will provide market participants with clarity as to the current Phlx Rules.

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

Not applicable.

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.

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<sup>12</sup> See notes 5 and 6 above.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2020-07)

March \_\_, 2020

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amendments to Complex Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 4, 2020, 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 amend Options 3, Section 7, “Electronic Acceptance of Quotes and Orders,” Options 3, Section 14, “Complex Orders,” Options 8, Section 17, “Limitations on Members’ Trading Because of Customers’ Orders” and Options 8, Section 32, “Certain Types of Floor-Based (Non-System) Orders Defined.”

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 proposes to amend Options 3, Section 7, "Electronic Acceptance of Quotes and Orders," Options 3, Section 14, "Complex Orders," Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders" and Options 8, Section 32, "Certain Types of Floor-Based (Non-System) Orders Defined." Each change is described below.

Options 3, Section 7 and Options 8, Section 32

The Exchange proposes to amend Options 3, Section 7, titled "Electronic Acceptance of Quotes and Orders" and Options 8, Section 32, titled "Certain Types of Floor-Based (Non-System) Orders Defined" to complete the list of Order Types available for trading on the Exchange by referencing currently available Complex Order types. Options 3, Section 7(b) currently lists all order types that may be electronically submitted to the System. Options 8, Section 32(a) currently lists all order types that may be utilized on the trading floor. The Exchange lists all simple order types in both Options 3, Section 7(b) and Options 8, Section 32(a), but these lists do not include Complex Orders which are currently described within Options 3, Section 14, titled "Complex Orders." The

Exchange proposes to amend Options 3, Section 7(b) and Options 8, Section 32(a) to simply reference that a Complex Order is as described in Options 3, Section 14(a)(i).<sup>3</sup>

The Exchange also proposes to amend these rules to simply reference that a Stock-Option Order is as described in Options 3, Section 14(a)(i).<sup>4</sup>

The Exchange believes that adding reference to Complex Orders and Stock-Option Orders to Options 3, Section 7(b) and Options 8, Section 32(a) will make clear to

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<sup>3</sup> Options 3, Section 14(a)(i) provides, “a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. With respect to Mini Options, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different Mini Options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy. Mini Options may only be part of a Complex Order that includes other Mini Options.”

<sup>4</sup> Options 3, Section 14(a)(i) provides, “Except respecting Mini Options, a Complex Order can also be a stock-option order, which is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share (“ETF”)) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery. Stock-option orders can only be executed against other stock-option orders and cannot be executed by the System against orders for the individual components. Member organizations may only submit Complex Orders with a stock/ETF component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Member organizations submitting such Complex Orders with a stock/ETF component represent that such orders comply with the Qualified Contingent Trade Exemption. Members of FINRA or The Nasdaq Stock Market (“Nasdaq”) are required to have a Uniform Service Bureau/Executing Broker Agreement (“AGU”) with Nasdaq Execution Services, LLC (“NES”) in order to trade Complex Orders containing a stock/ETF component; firms that are not members of FINRA or Nasdaq are required to have a Qualified Special Representative (“QSR”) arrangement with NES in order to trade Complex Orders containing a stock/ETF component.”

market participants the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor.

#### Options 3, Section 14

The Exchange recently relocated its Rulebook into a new Rulebook Shell.<sup>5</sup> Prior to that relocation, the Exchange filed a rule proposal<sup>6</sup> which adopted rule text within Phlx Rule 1080(f), which stated, "Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose." The Phlx Rulebook Relocation Rule Change inadvertently removed the rule text in the Prior Rule Change at Rule 1080(f). At this time, the Exchange proposes to restore the Rule 1080(f) rule text within its current rules at Options 3, Section 7(f). Similarly, the Exchange inadvertently deleted rule text within the Prior Rule Change at Rule 1098(b)(v), which stated "Complex Orders may be submitted as: All-or-None Orders, Cancel-Replacement Orders, Directed Orders, Limit Orders or Market Orders as those terms are defined in Rule 1080(b)." At this time, the Exchange proposes to restore the Rule 1098(b)(v) rule text within its current rules at Options 3, Section 14(b)(v).

#### Options 8, Section 17

The Exchange proposes to delete the current rule at Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders." The Exchange notes that this rule describes a prohibition against trading ahead of Customer Orders. The Exchange currently has such a prohibition within its rules at General 9, Section 1(a)

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<sup>5</sup> See Securities Exchange Act Release No. 88213 (February 14, 2020), 85 FR 9859 (February 20, 2020) (SR-Phlx-2020-03) ("Phlx Rulebook Relocation Rule Change").

<sup>6</sup> See Securities Exchange Act Release No. 87691 (December 9, 2019), 84 FR 68197 (December 13, 2019) (SR-Phlx-2019-52) ("Prior Rule Change").

which provides, “Prohibition Against Trading Ahead of Customer Orders. Phlx members and persons associated with a member shall comply with FINRA Rule 5320 as if such Rule were part of Phlx's rules.” The Exchange notes that General 9, Section 1 applies to all Phlx members including members transacting options on the trading floor. The Exchange believes that Options 8, Section 17 is redundant because a trading ahead prohibition already exists in the Rules and applies to the options trading floor. The Exchange proposes to reserve Options 8, Section 17.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by amending its rules to provide greater transparency.

### Options 3, Section 7 and Options 8, Section 32

The Exchange’s proposal to amend Options 3, Section 7, titled “Electronic Acceptance of Quotes and Orders” and Options 8, Section 32, titled “Certain Types of Floor-Based (Non-System) Orders Defined” to complete the list of Order Types by referencing existing Complex Order types is consistent with the Act. Options 3, Section 7(b) currently lists all order types that may be electronically submitted to the System. Options 8, Section 32(a) currently lists all order types that may be utilized on the trading floor. However, these lists do not include Complex Orders which are described within Options 3, Section 14, titled “Complex Orders.” The Exchange believes amending

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

Options 3, Section 7(b) and Options 8, Section 32(a) to reference Complex Orders and Stock-Option Orders, which are currently described in Options 3, Section 14(a)(i), will make clear to market participants the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor.

Options 3, Section 14

The Exchange's proposal to restore inadvertently deleted rule text within Options 3, Section 7(f) and Section 14(b)(v) from a Prior Rule Change will correct Phlx's rules to reflect previously adopted rule text that was inadvertently omitted when it adopted its shell Rulebook as explained above.<sup>9</sup>

Options 8, Section 17

The Exchange's proposal to delete the current rule at Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders" is consistent with the Act because this rule is redundant. General 9, Section 1(a) and Options 8, Section 17 both contain a prohibition against trading ahead of Customer Orders. The Exchange proposes to delete the redundant rule text within Options 8, Section 17. The rule text within General 9, Section 1 applies to all Phlx members, including members transacting options on the trading floor. The deletion of Options 8, Section 17 is a non-substantive amendment to eliminate redundancy within the rules.

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

The Exchange does not believe that the proposed rule change will impose an unnecessary burden on intra-market competition as explained below.

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<sup>9</sup> See notes 5 and 6 above.

Options 3, Section 7 and Options 8, Section 32

The Exchange's proposal to amend Options 3, Section 7, titled "Electronic Acceptance of Quotes and Orders" and Options 8, Section 32, titled "Certain Types of Floor-Based (Non-System) Orders Defined" to complete the list of Order Types by referencing Complex Order types, which are currently described in Options 3, Section 14(a)(i), does not impose an undue burden on inter-market or intra-market competition. The Exchange is referencing Complex Orders and Stock-Options Orders within Options 3, Section 14(a)(i) within the Options 3, Section 7(b) and Options 8, Section 32(a) lists of order types for greater transparency as to the various types of orders that may be transacted both electronically in the System and on the Exchange's trading floor.

Options 3, Section 14

The Exchange's proposal to restore inadvertently deleted rule text within Options 3, Section 7(f) and Section 14(b)(v) does not impose an undue burden on inter-market or intra-market competition, rather restoring the rule text will correct the current Phlx Rules to reflect previously adopted rule text, as explained herein.

Options 8, Section 17

The Exchange's proposal to delete the current rule at Options 8, Section 17, "Limitations on Members' Trading Because of Customers' Orders" does not impose an undue burden on inter-market or intra-market competition. A prohibition against trading ahead of Customer Orders, is currently contained within General 9, Section 1(a) and applies to all Phlx members, including members transacting business on the trading floor. The deletion of Options 8, Section 17 is a non-substantive amendment to avoid redundancy within the rules.

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 Act<sup>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup>

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.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2020-07 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-2020-07. 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-2020-07 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.<sup>12</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>12</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

*New text is underlined and deleted text is in brackets.*

**Nasdaq PHLX LLC Rules**

\* \* \* \* \*

**Options 3 Options Trading Rules**

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**Section 7. Electronic Acceptance of Quotes and Orders**

\* \* \* \* \*

(b) **Order Types.** The following order types may be submitted to the System:

(1) – (11) No change.

(12) **Complex Orders.** A Complex Order is as described in Options 3, Section 14(a)(i).

(13) **Stock-Option Order.** A Stock-Option Order is as described in Options 3, Section 14(a)(i).

\* \* \* \* \*

(f) **Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose.**

**Section 14. Complex Orders**

(a) No change.

(b) Complex orders may be entered in increments of \$0.01 with certain "time in force" designations and as certain order types with certain contingencies as follows:

(i) – (iv) No change.

(v) **Complex Orders may be submitted as: All-or-None Orders, Cancel-Replacement Orders, Directed Orders, Limit Orders or Market Orders as those terms are defined in Options 3, Section 7(b).**

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**Options 8 Floor Trading**

\* \* \* \* \*

**Section 17. Reserved. [Limitations on Members' Trading Because of Customers' Orders**

(a) In addition to the limitations set forth below, a member organization's member on the Trading Floor may not execute a proprietary order at the same price, or at a better price, as an unexecuted

customer order that he or she is representing, except to the extent the member itself could do so under this Rule.]

\* \* \* \* \*

### **Section 32. Certain Types of Floor-Based (Non-System) Orders Defined**

(a) These order types are eligible for entry by a member for execution through the Options Floor Based Management System ("FBMS").

(1) *Market Order*. A Market Order is an order to buy or sell a stated number of option contracts and is to be executed at the best price obtainable when the order reaches the post.

(2) *Limit Order*. A Limit Order is an order to buy or sell a stated number of option contracts at a specified price, or better.

(3) *Complex Orders*. A Complex Order is as described in Options 3, Section 14(a)(i).

(4) *Stock-Option Order*. A Stock-Option Order is as described in Options 3, Section 14(a)(i).

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