

OMB APPROVAL	
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Page 1 of \* 21

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No.\* SR - 2020 - \* 27

Amendment No. (req. for Amendments \*)

Filing by Nasdaq PHLX LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule		
			<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) *		Section 806(e)(2) *	Section 3C(b)(2) *		
<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>		

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



### Description

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

A proposal to amend Options 5, Section 4, Order Routing.

### 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 *	Angela	Last Name *	Dunn
Title *	Principal Associate General Counsel		
E-mail *	Angela.Dunn@nasdaq.com		
Telephone *	(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 05/28/2020

EVP and Chief Legal Officer

By John A. Zecca

(Name \*)

john.zecca@nasdaq.com

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 EDDS 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 \***

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, 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**

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”)<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 5, Section 4, Order Routing.

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

In 2019, Phlx filed a rule proposal to define the term “Public Customer” within Rule 1000(b)(56) to provide, “Public Customer shall mean a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14).”<sup>3</sup> This defined term was later relocated to Options 1, Section 1(b)(46).<sup>4</sup> Within the Defined Term Rule Change, the Exchange replaced the term “customer” in various rules to either the defined term “Public Customer” or both the defined terms “Public Customer” and “Professional.”<sup>5</sup>

While converting various terms within the Phlx Rules, the Exchange inadvertently failed to revise Phlx Options 5, Section 4(a)(iii)(C). This particular reference was not contained within the Defined Term Rule Change. The Exchange should have added “and Professional” to Options 5, Section 4(a)(iii)(C) within the Defined Term Rule Change. Both Public Customers and Professional SRCH Orders may route. The Exchange has permitted market participants to route both Public Customer and Professional SRCH Orders for some time. During the Opening Process, Phlx only permits Public Customer

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<sup>3</sup> See Securities Exchange Act Release No. 86959 (September 13, 2019), 84 FR 49362 (September 19, 2019) (SR-Phlx-2019-33) (“Defined Term Rule Change”).

<sup>4</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>5</sup> The term “Professional” is defined within Options 1, Section 1(b)(45) as “The term “professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). Member organizations must indicate whether orders are for Professionals.”

and Professional orders to route.<sup>6</sup> The Exchange noted within the Defined Term Rule Change that, “the Exchange is not amending any provision of the rules, rather the Exchange is making clear where a Public Customer order is intended and where the term Professional is intended to avoid confusion.”<sup>7</sup>

The Exchange proposes to add the words “and Professional” within Phlx Options 5, Section 4(a)(iii)(C) to make clear that Professional SRCH Orders may route, in addition to Public Customer SRCH Orders to conform the rule text with the functionality of the System.

Finally, the Exchange proposes to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word “designed” to “designated.”

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</sup> 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 Exchange’s proposal to correct Options 5, Section 4(a)(iii)(C) to add the words “and Professional” to make clear that Public Customer and Professional SRCH Orders may route is consistent with the Act. Today, the System permits both Public Customer and

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<sup>6</sup> See Options 3, Section 8(k)(C)(6) and Options 5, Section 4(a)(iii)(B)(1).

<sup>7</sup> See note 3 above.

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

Professional SRCH Orders to route. Also, the Exchange believes that it is not unfairly discriminatory to limit the routing of SRCH Orders to Public Customers and Professionals. The Exchange has traditionally routed non-broker-dealer orders because the Exchange believes those market participants do not have the same capabilities as broker-dealers in terms of an ability to route to other options markets. Broker-dealers typically have memberships at other exchanges, unlike non-broker-dealers.

Previously, Phlx did not define the term “public customer.” The addition of the term “Public Customer” in the Rulebook, excluded professionals, which are separately defined. The Exchange’s proposal will correct its error and make clear that Professional SRCH Orders may route. For purposes of the Order Protection and Locked and Crossed Markets Plan, a “customer” is defined as an individual or organization that is not a Broker/Dealer.<sup>10</sup> This would include a Professional. Phlx routes Public Customer and Professional SRCH Orders that are not automatically executed because there is a displayed bid or offer on another exchange trading the same options contract that is better than the best bid or offer on the Exchange. The Exchange believes that ensuring that “customer” orders, as that term is defined within Options 5, Section 1(f), are routed subject to the customer’s routing instructions, is consistent with the Exchange Act and provides for the protection of these market participants to ensure that they are executed at the best bid or offer.

The Exchange noted in the Defined Term Rule Change that, “The Exchange desires to make clear where a customer order means a Public Customer order or both a

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<sup>10</sup> See Phlx Options 5, Section 1(f). The term “customer” as utilized within Options 5, Section 1(f) is equivalent to the combination of Phlx’s defined terms Public Customer and Professional.

Public Customer and a Professional order. By distinguishing the use of these terms, market participants will better understand Exchange Rules.”<sup>11</sup> The Exchange has permitted market participants to route both Public Customer and Professional SRCH Orders for some time. During the Opening Process, Phlx only permits Public Customer and Professional orders to route.<sup>12</sup> The Exchange noted within the Defined Term Rule Change that, “the Exchange is not amending any provision of the rules, rather the Exchange is making clear where a Public Customer order is intended and where the term Professional is intended to avoid confusion.”<sup>13</sup>

Finally, the Exchange’s proposal to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word “designed” to “designated” is non-substantive and will clarify the Rule.

#### 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. The Exchange’s proposal to correct Options 5, Section 4(a)(iii)(C) to add the words “and Professional” to make clear that Public Customer and Professional SRCH Orders may route does not impose an undue burden on competition. Today, the System permits Public Customer and Professional SRCH Orders to route. During the Opening Process, Phlx only permits Public Customer and Professional orders to route.<sup>14</sup> The Exchange

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<sup>11</sup> See note 3 above.

<sup>12</sup> See note 5 above.

<sup>13</sup> See note 3 above.

<sup>14</sup> Id.

does not believe that limiting the routing of SRCH Orders to Public Customers and Professionals imposes an undue burden on competition. The Exchange has traditionally routed non-broker-dealer orders because the Exchange believes those market participants do not have the same capabilities as broker-dealers in terms of an ability to route to other options markets. Broker-dealers typically have memberships at other exchanges, unlike non-broker-dealers.

The addition of the words “and Professional” will bring greater transparency to the Rulebook.

The Exchange’s proposal to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word “designed” to “designated” is non-substantive.

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)<sup>15</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>16</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

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

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

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

The Exchange's proposal to correct Options 5, Section 4(a)(iii)(C) to add the words "and Professional" to make clear that Public Customer and Professional SRCH Orders may route does not significantly affect the protection of investors or the public interest nor does it impose an undue burden on competition. For purposes of the Order Protection and Locked and Crossed Markets Plan, a "customer" is defined as an individual or organization that is not a Broker/Dealer.<sup>17</sup> This would include a Professional. Phlx routes Public Customer and Professional SRCH Orders that are not automatically executed because there is a displayed bid or offer on another exchange trading the same options contract that is better than the best bid or offer on the Exchange. The Exchange believes that ensuring that "customer" orders, as that term is defined within Phlx Options 5, Section 1(f), are routed subject to the customer's routing instructions, does not impose any significant burden on competition, rather it ensures that those customer orders are executed at the best bid or offer. Today, the System permits Public Customer and Professional SRCH Orders to route. During the Opening Process, Phlx only permits Public Customer and Professional orders to route.<sup>18</sup> The Exchange's proposal to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word "designed" to "designated" is non-substantive.

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<sup>17</sup> See Phlx Options 5, Section 1(f). The term "customer" as utilized within Options 5, Section 1(f) is equivalent to the combination of Phlx's defined terms Public Customer and Professional.

<sup>18</sup> See note 5 above.

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 operative delay to permit Phlx to immediately correct an inadvertent omission by noting within its rules that, today, both Public Customer and Professional SRCH Orders may route. The Exchange believes these amendments will bring greater clarity to its rules for the protection of investors and the general public.

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.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. ; File No. SR-Phlx-2020-27)

May \_\_, 2020

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend Phlx Options 5, Section 4.

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 May 28, 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 5, Section 4, Order Routing.

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.

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

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

<sup>2</sup> 17 CFR 240.19b-4.

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

In 2019, Phlx filed a rule proposal to define the term “Public Customer” within Rule 1000(b)(56) to provide, “Public Customer shall mean a person or entity that is not a broker or dealer in securities and is not a professional as defined within Phlx Rule 1000(b)(14).”<sup>3</sup> This defined term was later relocated to Options 1, Section 1(b)(46).<sup>4</sup> Within the Defined Term Rule Change, the Exchange replaced the term “customer” in various rules to either the defined term “Public Customer” or both the defined terms “Public Customer” and “Professional.”<sup>5</sup>

While converting various terms within the Phlx Rules, the Exchange inadvertently failed to revise Phlx Options 5, Section 4(a)(iii)(C). This particular reference was not contained within the Defined Term Rule Change. The Exchange should have added “and Professional” to Options 5, Section 4(a)(iii)(C) within the Defined Term Rule Change. Both Public Customers and Professional SRCH Orders may route. The Exchange has

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<sup>3</sup> See Securities Exchange Act Release No. 86959 (September 13, 2019), 84 FR 49362 (September 19, 2019) (SR-Phlx-2019-33) (“Defined Term Rule Change”).

<sup>4</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>5</sup> The term “Professional” is defined within Options 1, Section 1(b)(45) as “The term “professional” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). Member organizations must indicate whether orders are for Professionals.”

permitted market participants to route both Public Customer and Professional SRCH Orders for some time. During the Opening Process, Phlx only permits Public Customer and Professional orders to route.<sup>6</sup> The Exchange noted within the Defined Term Rule Change that, “the Exchange is not amending any provision of the rules, rather the Exchange is making clear where a Public Customer order is intended and where the term Professional is intended to avoid confusion.”<sup>7</sup>

The Exchange proposes to add the words “and Professional” within Phlx Options 5, Section 4(a)(iii)(C) to make clear that Professional SRCH Orders may route, in addition to Public Customer SRCH Orders to conform the rule text with the functionality of the System.

Finally, the Exchange proposes to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word “designed” to “designated.”

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</sup> 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 Exchange’s proposal to correct Options 5, Section 4(a)(iii)(C) to add the words “and

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<sup>6</sup> See Options 3, Section 8(k)(C)(6) and Options 5, Section 4(a)(iii)(B)(1).

<sup>7</sup> See note 3 above.

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

Professional” to make clear that Public Customer and Professional SRCH Orders may route is consistent with the Act. Today, the System permits both Public Customer and Professional SRCH Orders to route. Also, the Exchange believes that it is not unfairly discriminatory to limit the routing of SRCH Orders to Public Customers and Professionals. The Exchange has traditionally routed non-broker-dealer orders because the Exchange believes those market participants do not have the same capabilities as broker-dealers in terms of an ability to route to other options markets. Broker-dealers typically have memberships at other exchanges, unlike non-broker-dealers.

Previously, Phlx did not define the term “public customer.” The addition of the term “Public Customer” in the Rulebook, excluded professionals, which are separately defined. The Exchange’s proposal will correct its error and make clear that Professional SRCH Orders may route. For purposes of the Order Protection and Locked and Crossed Markets Plan, a “customer” is defined as an individual or organization that is not a Broker/Dealer.<sup>10</sup> This would include a Professional. Phlx routes Public Customer and Professional SRCH Orders that are not automatically executed because there is a displayed bid or offer on another exchange trading the same options contract that is better than the best bid or offer on the Exchange. The Exchange believes that ensuring that “customer” orders, as that term is defined within Options 5, Section 1(f), are routed subject to the customer’s routing instructions, is consistent with the Exchange Act and provides for the protection of these market participants to ensure that they are executed at the best bid or offer.

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<sup>10</sup> See Phlx Options 5, Section 1(f). The term “customer” as utilized within Options 5, Section 1(f) is equivalent to the combination of Phlx’s defined terms Public Customer and Professional.

The Exchange noted in the Defined Term Rule Change that, “The Exchange desires to make clear where a customer order means a Public Customer order or both a Public Customer and a Professional order. By distinguishing the use of these terms, market participants will better understand Exchange Rules.”<sup>11</sup> The Exchange has permitted market participants to route both Public Customer and Professional SRCH Orders for some time. During the Opening Process, Phlx only permits Public Customer and Professional orders to route.<sup>12</sup> The Exchange noted within the Defined Term Rule Change that, “the Exchange is not amending any provision of the rules, rather the Exchange is making clear where a Public Customer order is intended and where the term Professional is intended to avoid confusion.”<sup>13</sup>

Finally, the Exchange’s proposal to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word “designed” to “designated” is non-substantive and will clarify the Rule.

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. The Exchange’s proposal to correct Options 5, Section 4(a)(iii)(C) to add the words “and Professional” to make clear that Public Customer and Professional SRCH Orders may route does not impose an undue burden on competition. Today, the System permits Public Customer and Professional SRCH Orders to route. During the Opening Process,

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<sup>11</sup> See note 3 above.

<sup>12</sup> See note 5 above.

<sup>13</sup> See note 3 above.

Phlx only permits Public Customer and Professional orders to route.<sup>14</sup> The Exchange does not believe that limiting the routing of SRCH Orders to Public Customers and Professionals imposes an undue burden on competition. The Exchange has traditionally routed non-broker-dealer orders because the Exchange believes those market participants do not have the same capabilities as broker-dealers in terms of an ability to route to other options markets. Broker-dealers typically have memberships at other exchanges, unlike non-broker-dealers.

The addition of the words “and Professional” will bring greater transparency to the Rulebook.

The Exchange’s proposal to correct a typo within Options 5, Section 4(a)(iii)(B)(9) to change the word “designed” to “designated” is non-substantive.

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

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<sup>14</sup> Id.

to Section 19(b)(3)(A)(iii) of the Act<sup>15</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>16</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.

#### 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-2020-27 on the subject line.

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

<sup>16</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.

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-2020-27. 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-2020-27 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>17</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>17</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 5 Order Protection and Locked and Crossed Markets**

\* \* \* \* \*

**Section 4. Order Routing**

\* \* \* \* \*

(a) No change.

(i) and (ii) No change.

(iii) The following order types are available:

(A) No change.

(B) No change.

(1) – (8) No change.

(9) A FIND Order that is routed to an away market(s) will be marked as an Intermarket Sweep Order "ISO" and designated as an IOC order.

(C) **SRCH Order.** A SRCH Order is a Public Customer and Professional order that is routable at any time. A SRCH Order on the Order Book during an Opening Process (including a re-opening following a trading halt), whether it is received prior to an Opening Process or it is a GTC SRCH Order from a prior day, may be routed as part of an Opening Process. Orders initiate their own Route Timers and are routed in the order in which their Route Timers end.

\* \* \* \* \*