

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="122"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2021"/> - * <input type="text" value="05"/>	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)(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 type="checkbox"/>	Exhibit 3 Sent As Paper Document <input 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 amend various Phlx Rules.

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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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 *

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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 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

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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

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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”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Phlx Rules at Options 1, Section 1, “Applicability, Definitions and References”; Options 2, Section 4, “Obligations of Market Makers”; Options 2, Section 6, “Market Maker Orders”; Options 3, Section 6, “Firm Quotations”; Options 3, Section 7, “Types of Orders and Order and Quote Protocols”; Options 3, Section 10, “Electronic Execution Priority and Processing in the System”; Options 3, Section 13, “Price Improvement XL (“PIXL”)”; Options 3, Section 15, “Simple Order Risk Protections”; Options 3, Section 23, “Data Feeds and Trade Information”; Options 5, Section 4, “Order Routing”; Options 8, Section 2, “Definitions”; and Options 8, Section 32, “Types of Floor-Based (Non-System) Orders”.

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”)

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

on November 5, 2020. 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

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 Phlx Rules at Options 1, Section 1, “Applicability, Definitions and References”; Options 2, Section 4, “Obligations of Market Makers”; Options 2, Section 6, “Market Maker Orders”; Options 3, Section 6, “Firm Quotations”; Options 3, Section 7, “Types of Orders and Order and Quote Protocols”; Options 3, Section 10, “Electronic Execution Priority and Processing in the System”; Options 3, Section 13, “Price Improvement XL (“PIXL”)”; Options 3, Section 15, “Simple Order Risk Protections”; Options 3, Section 23, “Data Feeds and Trade Information”; Options 5, Section 4, “Order Routing”; Options 8, Section 2, “Definitions”; and Options 8, Section 32, “Types of Floor-Based (Non-System) Orders”. Each change is described below.

Options 1, Section 1

The Exchange proposes to update the cross reference within Options 1, Section 1(b)(46) to Options 1, Section 1(b)(45) and make other non-substantive grammatical amendments within Options 1, Section 1.

Options 2, Section 4

The Exchange proposes to add a title to Options 2, Section 4(c)(1) to make clear

that this section applies intra-day. The Exchange proposes to add the title, “Intra-Day Bid/Ask Differentials (Quote Spread Parameters).”

Additionally, the Exchange proposes to remove the phrase, “or its decimal equivalent rounded down to the nearest minimum increment” within Options 2, Section 4(c)(1). This is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange previously filed a rule change³ to replace the term “Registered Options Traders” or “ROTs” with “Market Makers” and replace “Specialists” with “Lead Market Makers.” The Exchange is updating this rule to conform to those prior changes.

Options 3, Section 6

The Exchange proposes to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx’s rule structure, update rule citations, and add spacing where necessary.

The Exchange also proposes to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4), which provides,

(A) If the Best Price is the Exchange’s next available price... and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable

³ See Securities Exchange Act Release No. 88213 (February 14, 2020), 85 FR 9859 (February 20, 2020) (SR-Phlx-2020-03) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Rules From Its Current Rulebook Into Its New Rulebook Shell”).

Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

The Exchange proposes to amend the sentence which provides,

If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Trade Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Trade Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order.

This statement does not represent the current function of the System. The Exchange proposes to amend the rule text to properly represent system functionality. Today, in this scenario, if the Exchange's next available price is the ABBO price (which equates to the Acceptable Trade Range price) after the remaining order has routed away and executed with quotes at the away exchange and the unexecuted contracts are returned to the Exchange, the incoming order may post at its original limit price, with a new timestamp and would be subject to certain entry checks. The Exchange proposes to amend the sentence to correctly provide,

If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Trade Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the unexecuted contracts would post to the Order Book at their

Limit Order price, with a new timestamp, subject to order entry price checks.

The order entry checks are applied for new orders when they post to the Order Book as provided for in Phlx Options 3, Section 5(a)(4). The Exchange filed prior rule changes⁴ which established Phlx's System as it exists today. As the new System was amended through a series of rule changes, certain technology was automated to prevent any manual intervention, and provide System-enforced functionalities. The Exchange believes that this process was modified with certain enhancements which further automated the System. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁵ A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry.

⁴ See Securities Exchange Act Release Nos. 50100 (July 27, 2004), 69 FR 46612 (August 3, 2004) (SR-Phlx-2003-59); 55498 (March 20, 2007, 72 FR 14318 (March 27, 2007) (SR-Phlx-2007-15); 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32); and 72152 (May 12, 2014), 79 FR 28561 (May 16, 2014) (SR-Phlx-2014-32).

⁵ Options 5, Section 4 describes the various options routing functionalities available on Phlx.

The final sentence of Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4),⁶ which is being removed, is no longer relevant in this scenario as the ten second period does not exist.

The Exchange proposes to amend current Options 3, Section 6(a)(ii)(B)(4)(a), which states, “If there are no offers both on the Exchange and on away markets in the affected series, Market Orders to buy in the affected series will be cancelled immediately, and an electronic report of such cancellation will be transmitted to the sender.” The Exchange proposes to replace “cancelled immediately” with the term “rejected” to conform the rule text to conform to other uses of the word rejected in the Rulebook. The System would reject and not accept the order in this case.

Finally, the Exchange proposes to amend Supplementary Material .02 to Options 3, Section 6 which states, “In the event that an SQT, RSQT, and/or Lead Market Maker's electronically submitted quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the Lead Market Maker, resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer), the locked quotations will automatically execute against each other in accordance with the allocation algorithm set forth in Options 3, Section 10.” The phrase, “resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer)” is out of date as under the current Options Order Protection and Locked/ Crossed Market Plan,⁷ the Exchange would not disseminate a

⁶ During this up to ten second period, the System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

⁷ See Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009) (File No. 4-546).

locked quotation. Rather, the Exchange would reprice its quote as described within Options 3, Section 4(b)(6). As a result, the Exchange proposes to delete this rule text. The Exchange believes that this rule text existed prior to the Locked and Crossed Market Plan and was not updated when the new plan came into existence.

Options 3, Section 7

Similar to the changes proposed within Options 2, Section 6, the Exchange proposes to replace the term “Registered Options Traders” or “ROTs” with “Market Makers” and replace “Specialists” with “Lead Market Makers” within Options 3, Section 7 to conform to the remainder of the Rulebook.⁸

The Exchange proposes to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order to bring greater transparency to this order type. Today, the Exchange provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders⁹

⁸ See note 3 above.

⁹ See Phlx Options 3, Section 23(a)(2). PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Limit Order book. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single order book(s), single and Complex Orders, and Complex Order Live Auction ("COLA") for all symbols listed on Phlx. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

and PHLX Depth of Book¹⁰ feed.” This additional rule text will make clear that these order types are not disseminated on OPRA or the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.¹¹ Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange proposes to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text, and also add a clarifying sentence. Today, Options 3, Section 7(c)(3) provides, “An Opening Only (“OPG”) order is entered with a Time in Force (“TIF”) of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments.” The Exchange proposes to

¹⁰ See Phlx Options 3, Section 23(a)(3). PHLX Depth of Market is a data product that provides: (i) order and quotation information for individual quotes and orders on the PHLX book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

¹¹ The Exchange discusses these data feeds in more detail below.

remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes,¹² as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep,¹³ which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange also proposes to note that OPG orders may not route. Both of these amendments represent current System functionality. This additional information is proposed to bring greater clarity to this TIF.

¹² A Valid Width Quote is a two-sided electronic quotation submitted by a Phlx Electronic Market Maker that meets the following requirements: options on equities and index options bidding and/or offering so as to create differences of no more than \$.25 between the bid and the offer for each option contract for which the prevailing bid is less than \$2; no more than \$.40 where the prevailing bid is \$2 or more but less than \$5; no more than \$.50 where the prevailing bid is \$5 or more but less than \$10; no more than \$.80 where the prevailing bid is \$10 or more but less than \$20; and no more than \$1 where the prevailing bid is \$20 or more, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded down to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options. See Options 3, Section 8(a)(ix).

¹³ An Opening Sweep is a one-sided order entered by a Specialist or ROT through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed. See Options 3, Section 7(b)(6). This definition is being amended herein to update the terms Specialist and ROT to Lead Market Maker and Market Maker.

Options 3, Section 10

The Exchange proposes to make a grammatical correction to Options 3, Section 10 which is non-substantive.

Options 3, Section 13

The Exchange proposes to update incorrect rule references within Options 3, Section 13.

The Exchange proposes to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders¹⁴ are treated within a PIXL Auction. Specifically, the Exchange proposes to make clear that the term “Reference BBO,” as described within Options 3, Section 13(a)(2), describes displayed and non-displayed orders, however, All-Or-None Orders are not considered. The Exchange does not consider All-Or-None Orders, until the order is being allocated because the System is unable to determine whether an All-Or-None Order can be satisfied until the System receives responses to the PIXL Order and is able to allocate the PIXL Order. The Exchange proposes to add rule text to make clear where the Reference BBO or the Reference cPBBO¹⁵ is mentioned, whether All-Or-None Orders are included or excluded.

¹⁴ Options 3, Section 7(b)(5) provides, “An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or None Order may only be submitted by a Public Customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. The Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders.” The Exchange is proposing to amend Options 3, Section 7(b)(5), please see discussion regarding All-or-None Order on page 9.

¹⁵ The term “cPBBO” means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security. See Options 3, Section 14(a)(iv).

With respect to PIXL entry checks and, thereafter, the treatment of auction responses, All-Or-None Orders are not considered for price checks. The Exchange does consider All-Or-None Orders for allocation purposes. Options 3, Section 13(a)(5)(B)(i), which is not proposed to be amended, provides,

If the Initiating Member selected the single stop price option of the PIXL Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after Public Customer interest is satisfied being allocated to the Initiating Member at the stop price. However, if only one other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to the algorithm set forth in Options 3, Section 10(a)(1)(G) among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member. The allocation will account for Surrender, if applicable.

Options 3, Section 10 considers All-Or-None Orders that can be satisfied. This proposal clarifies the current System operation.

The Exchange also proposes to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-or-None Orders that can be satisfied are included within the Reference BBO. The Exchange considers All-Or-None Orders when checking the Order Book for other Public Customer Orders. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. The addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at

a price equal to or through the cPBBO.

The Exchange proposes to note “including Reference BBO” within Options 3, Section 13(b)(2)(C) and 13(f) to conform the rule text throughout the rule. These amendments represent current System operation. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs.

These amendments are intended to bring greater clarity to the representation of All-Or-None Orders within this Rule.

The Exchange proposes to amend Options 3, Section 13 in various places to replace “one minimum price improvement increment,” with “\$0.01.” This amendment is non-substantive.

The Exchange proposes amendments to Options 3, Section 13(b)(7) and (8) to clarify the rule text. The proposed amendments are non-substantive and are similar to amendments recently made to BX Options 3, Section 13(ii)(I). The Exchange proposes to add some context to the rule to better reflect the current System operation. First, the Exchange purposes to add the word “execution” in the first sentences of Options 3, Section 13 (b)(7) and (8). The execution price of the PIXL Auction is utilized to compare to the price of an order on the Limit Order book. The Exchange utilizes the execution price today on Phlx. Adding the word “execution” makes clear to members that the initial PIXL Order stop price is not utilized to compare the same side of the market transactions at execution. If the potential execution price of the PIXL Order would be the same or better than the price of an order on the Limit Order book on the same side of the market as the PIXL Order then, today, the PIXL Order would be

executed at a price \$0.01 better than such limit order, regardless of whether such limit was a Public or Non-Public Customer Order. Second, while the phrase “or better” is not clearly specified in the rule text, today, the System captures cases where PAN responses provide price improvement for the PIXL Order at prices that are crossed with the same side interest mentioned above. Third, the remainder of the changes are grammatical and technical in nature. The Exchange is creating two separate sentences for readability.

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8. A similar change was recently made to BX’s Rules.¹⁶ The Exchange proposes to clarify that Anti-Internalization does not apply during an Opening Process or reopening following a trading halt, pursuant to Options 3, Section 8, to provide more specificity on how this functionality currently operates. The same procedures used during an Opening Process are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the Opening Process (i.e., the opening and halt reopening processes). During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to submit a Valid Width Quote. AIQ is unnecessary during an Opening Process due to the high level of control that Market Makers exercise over their quotes during this process. This clarifying rule text reflects current System

¹⁶ See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

functionality.

The Exchange also proposes to amend Options 3, Section 15 to note that with Automated Quotation Adjustments all interest entered through SQF will be automatically removed. As provided for within Options 3, Section 7(a)(i)(B),

Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge request from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series.

Today, Quotes and Immediate-or-Cancel Orders that may be entered through SQF are removed when the Automated Quotation Adjustment risk mechanism is triggered. The current rule text only considers quotes entered through SQF. The amendment will update the rule text to represent current System functionality, and will bring greater clarity to Automated Quotation removals. Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Market Maker is assigned to

quote in throughout the trading day. Market Makers and Lead Marker Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended.

Options 3, Section 23

The Exchange proposes to amend Options 3, Section 23(a)(2) which describes the PHLX Orders data feed. The proposed amendments represent the current information contained in the PHLX Orders feed. The proposed amendments are intended to better represent the information in the feed by adding more description to the current rule text.

The Exchange proposes to note in the first sentence of Options 3, Section 23(a)(2) that PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Order book for displayed order types and All-or-None Orders,¹⁷ as well as market participant capacity.

All-or-None Orders are non-displayed and non-routable. They are executed in price-time priority among all Public Customer Orders if the size contingency can be met. All-or-None Orders have a quantity contingency requiring the full quantity of the order to execute in order for any trade to take place which may cause the order to not execute. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.¹⁸ The Exchange is proposing to amend the rule text within Options 3, Section 7(b)(5) which describes All-or-None

¹⁷ See note 14 above.

¹⁸ Options 3, Section 7(b)(5)(i) provides, “Non-Displayed Contingency Orders. A Non-Displayed Contingency Order shall be defined to include the following non-displayed order types: (1) Stop Orders; and (2) All-or-None Orders.” Unlike All-or-None Orders, Stop Orders are not available for execution until such time as the Stop Order’s contingency has been met, therefore, Stop Orders are not displayed on data feeds or OPRA until the Stop Order is available for execution.

Orders to add more clarity about the dissemination of All-or-None Orders and the manner in which the System will bypass those orders if the contingency cannot be met.¹⁹

The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options²⁰ feed, which is not being amended by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.²¹ The Exchange does display All-Or-None Orders on the PHLX

¹⁹ See proposed Options 3, Section 7(b)(5).

²⁰ Top of PHLX Options (“TOPO”) is a direct data feed product that includes the Exchange's best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. See Options 3, Section 23(a)(1).

²¹ 17 CFR 242.608. The “NBBO” is the best Protected Bid and Protected Offer as defined in the Options Order Protection and Locked/Crossed Markets Plan; Protected Bids and Protected Offers that are displayed at a price but available on the Exchange at a better non-displayed price shall be included in the NBBO at their better non-displayed price for purposes of this rule. See Reg. NMS Rule 600(a)(42). Options 5, Section 1(o) defines a “Protected Bid” or “Protected Offer” as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders.

Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does not disseminate all-or-none orders to OPRA.²² Similar to Phlx, Cboe displays all-or-none orders on its Orders and Depth of Book feed.²³

The Exchange proposes to remove the second use of the word “Limit”, as it is redundant. The additional text makes clear that both displayed and non-displayed orders types and market participant capacity are available.

The second sentence is being amended to add “and complex” in lieu of “single and Complex Orders, and Complex Order Live Auction (“COLA”) for all symbols listed on Phlx. The sentence, as proposed, would state, “PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s).” The Exchange

²² Cboe Rule 5.6(b) provides, “...An “All-or-None” or “AON” order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON.”

²³ See Section 4.5 of this specification:
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTI_CAST_PITCH_SPECIFICATION.pdf.

believes the proposed sentence is more succinct.

Finally, the Exchange proposes to add a sentence to the end of the description of PHLX Order feed that provides, “The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance).” This additional information will more clearly describe the PHLX Orders feed. The Exchange also proposes to add the same sentence to the end of the description for the PHLX Depth of Market feed within Options 3, Section 23(a)(3) to also add the same specificity to that feed. The additional sentence reflects the current information provided in both the PHLX Orders and PHLX Depth of Market feeds.

The removal of the word “PHLX” within Options 3, Section 23(a)(3) and addition of the word “order” are non-substantive technical amendments.

Options 5, Section 4

The Exchange proposes to amend the sixth sentence of Options 5, Section 4(a) and make some technical amendments. As proposed, the sentence would provide, “For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or Stop Orders which have not been triggered. The “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding Stop Orders which have not been triggered and All-or-None Orders which cannot be satisfied.” Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, “which cannot be satisfied” when referencing All-or-None Orders within Options 5, Section 4. The

limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,²⁴ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation.

Options 8, Section 2

The Exchange proposes to add a sentence within Options 8, Section 2(a) which provides “The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified:”. The Exchange proposes this sentence for context to the information which follows thereafter. This is a non-substantive change.

The Exchange proposes to add a new defined term, “Floor Lead Market Maker.” This defined term will bring greater clarity to the Options 8 rules. The Exchange proposes to state, “The term ‘Floor Lead Market Maker’ is a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a) and has a physical presence on the Exchange’s trading floor.” This term is currently utilized within the Options 8 rules.

The Exchange proposes to add the word “Organization” within Options 8, Section 2(a)(5). The word was inadvertently left out. This is not a substantive change. The term “Member Organization” is a defined term within General 1, Section 1(17).

²⁴ Stop orders are inactive until they are “elected.” Stop orders are elected when either the bid (offer) is updated to a price equal to or greater (less) than the stop price of a Buy (Sell) Stop order or an execution on the Exchange occurs at a price equal to or greater (less) than the stop price of a Buy(Sell) stop order. Stop order election takes place at the end of the transaction that caused the election and at that time the stop order enters the book as a new market or limit order depending on the participant instructions. Stop orders that are “electable” upon entry are rejected.

Options 8, Section 32

The Exchange proposes to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx. The Exchange proposes to provide that a FLEX Option is as described within Options 8, Section 34. Further, FLEX Options are not eligible for entry by a member for execution through the Options Floor Based Management System (“FBMS”).²⁵ Phlx Options 8, Section 22 provides,

(a) Options transactions on the Exchange's Trading Floor shall be executed in one of the following ways:

(1) automatically by the Exchange Trading System as provided in applicable Exchange Rules;

(2) through the Options Floor Based Management System. Members authorized to operate on the floor are not permitted to execute orders in the Exchange's options trading crowd, except as follows:

(A) The Exchange may determine to permit executions otherwise than in accordance with subparagraphs (1) and (2) above respecting an option or all options in the event of a problem with Exchange systems.

(B) In addition, members can execute orders in the options trading crowd pursuant to Options 8, Section 33, Accommodation Transactions (cabinet trades), and Options 8, Section 34, FLEX Equity, Index and Currency Options.

(C) Multi-leg orders with more than 15 legs can be executed in the trading crowd.

(D) The following split price orders that, due to FBMS system limitations, require manual calculation:

²⁵ FBMS, an order management system, is the gateway for the electronic execution of equity, equity index and U.S. dollar-settled foreign currency option orders represented by Floor Brokers on the Exchange's Options Floor. Floor Brokers contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker into FBMS, which creates an electronic audit trail. The execution of orders into Phlx's electronic trading system also occurs via FBMS.

(i) simple orders not expressed in the applicable minimum increment ("sub-MPV") and that cannot be evenly split into two whole numbers to create a price at the midpoint of the minimum increment; and (ii) complex and multi-leg orders with at least one option leg with an odd-numbered volume that must trade at a sub-MPV price or one leg that qualifies under (i) above.

(E) As set forth in Options 8, Section 29(e)(v), members may use the Snapshot feature of the Options Floor Based Management System to provisionally execute orders in the options trading crowd.

* * * * *

Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22(a)(1)(B).²⁶ The Exchange believes that the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor and also clearly note that this order type is not eligible for FBMS.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁸ in particular,

²⁶ The Exchange has previously noted that FLEX may be executed manually. See Securities and Exchange Act Release No. 69471 (April 29, 2013), 78 FR 26096 (May 3, 2013) (SR-Phlx-2013-09). The rule change noted that FLEX orders will continue to be executable by Floor Brokers in the trading crowd, rather than through FBMS because FBMS will not be able to accept FLEX orders, which have varied and complicated terms. Further, the Exchange requires floor brokers or their employees to enter the certain data elements into the Exchange's electronic audit trail in the same electronic format as the required information for equity and index options. Floor brokers or their employees must enter the required information for FLEX Options into the electronic audit trail on the same business day that a specific event surrounding the lifecycle of an order in FLEX (including, without limitation, orders, price or size changes, execution or cancellation) occurs. See Securities and Exchange Act Release No. 50997 (January 7, 2005), 70 FR 2444 (January 3, 2013) (SR-Phlx-2003-40). See also Options 8, Section 28(f).

²⁷ 15 U.S.C. 78f(b).

in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 1, Section 1

The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46), and make other grammatical amendments within Options 1, Section 1 are non-substantive.

Options 2, Section 4

The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day is consistent with the Act because it will bring greater clarity to the rule text.

The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment" within Options 2, Section 4(c)(1) is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange's proposal to update certain terms within Options 2, Section 6, which conforms with a previously filed rule change,²⁹ is consistent with the Act. The updates to change the names of the terms are non-substantive.

²⁸ 15 U.S.C. 78f(b)(5).

²⁹ See note 3 above.

Options 3, Section 6

The Exchange's proposal to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx's rule structure, update rule citations, and add spacing where necessary are non-substantive amendments.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) is consistent with the Act. While processing an order that is working through Acceptable Trade Ranges, if that order encounters a situation where the Exchange's next available price is the ABBO that also equals the outer limit of the Acceptable Trade Range, the order is able to post at its limit price on the Order Book after routing after it is executed with quotes at the away exchange. Any unexecuted contracts which return to the Exchange may post at their original limit price with a new timestamp, subject to certain entry checks. Order entry checks are applied for new orders when they post to the Order Book as provided for in Phlx Options 3, Section 5(a)(4). This proposed rule text protects investors and the general public because it will provide market participants with an expectation of how the System will handle orders that remain unexecuted in this scenario. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.³⁰ A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back

³⁰See note 5 above.

an order after exhausting its potential to trade upon entry. Further, this amendment provides more liquidity on the Exchange with the order posting to the Order Book, instead of potentially being cancelled after a 10 second period.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace the term "cancelled immediately" with "rejected" conforms the rule text to other uses of the word rejected within the Rulebook. This amendment is non-substantive.

Finally, the Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 to remove the phrase, "resulting in the dissemination of a "locked" quotation (e.g., \$1.00 bid - 1.00 offer)" is consistent with the Act. This phrase is out of date as under the current Locked and Crossed Market Plan, the Exchange would not disseminate a locked quotation. Rather, the Exchange would reprice its quote as described within Options 3, Section 4(b)(6). The Exchange believes that this rule text existed prior to the Locked and Crossed Market Plan and was not updated since that plan came into existence. The amendment will protect investors and the general public by removing this inaccurate statement.

Options 3, Section 7

Similar to the changes proposed within Options 2, Section 6, the Exchange's proposal to replace the term "Registered Options Traders" or "ROTs" with "Market Makers" and replace "Specialists" with "Lead Market Makers" within Options 3, Section 7 conforms the usage of these terms within Phlx's Rulebook.³¹ These non-substantive amendments which update outdated terms within Options 3, Section 7 is consistent with the Act.

³¹ Id.

The Exchange's proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order is consistent with the Act because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, "All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed." This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, "If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met." This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange's proposal to amend Options 3, Section 7(c)(3), "Opening Only," to correct incorrect rule text, and also add a clarifying sentence, is consistent with the Act. Today, Options 3, Section 7(c)(3) provides, "An Opening Only ("OPG") order is entered with a TIF of "OPG". This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be valid outside of the Opening Process. This order type is not subject to any protections listed in Options

3, Section 15, except for Automated Quotation Adjustments.” The Exchange proposes to remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. The Exchange believes that it is consistent with the Act to not apply any risk protections during the Opening Process as the Opening Process itself has boundaries within which orders will be executed. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep,³² which is utilized by Market Makers and Lead Market Makers, is protected by Automated Quotation Adjustments. The Exchange’s proposal to note that OPG orders may not route will bring greater transparency to the rule.

Options 3, Section 10

The Exchange’s proposal to make a grammatical correction to Options 3, Section 10 is non-substantive.

Options 3, Section 13

The Exchange’s proposal to update certain rule references within Options 3, Section 13 is non-substantive.

³² An Opening Sweep is a one-sided order entered by a Specialist or ROT through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed. See Options 3, Section 7(b)(6). This definition is being amended herein to update the terms Specialist and ROT to Lead Market Maker and Market Maker.

The Exchange's proposal to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders are treated within a PIXL Auction is consistent with the Act as this rule text will bring greater clarity to the current System operation. All-or None Orders are Limit Orders or Market Orders that are to be executed in their entirety or not at all, and are non-displayed.³³ The term "Reference BBO," as described within Options 3, Section 13(a)(2), describes displayed and non-displayed orders, however, All-Or-None Orders are not considered. Today, the System does not consider All-Or-None Orders, until the order is being allocated because the System is unable to determine whether an All-Or-None Order can be satisfied until the System receives responses to the PIXL Order and is able to allocate the PIXL Order. The Exchange proposes to add rule text to make clear where the Reference BBO or the Reference cPBBO is mentioned, whether All-Or-None Orders are included or excluded. With respect to PIXL entry checks and, thereafter, the treatment of auction responses, All-Or-None Orders are not considered for price checks. The Exchange's proposal protects investors and the general public by considering the contingency associated with an All-Or-None Order when it can be determined if the All-Or-None Order can be satisfied based on allocation priority and responses received to the PIXL Order.

The Exchange's proposal to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-Or-None Orders that can be satisfied are included within the Reference BBO is consistent with the Act. Today, Phlx does consider All-Or-None Orders when checking the Order Book for other

³³ See Options 3, Section 7(b)(5).

Public Customer Orders. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. Specifically, the addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at a price equal to or through the cPBBO.

The Exchange’s proposal to amend Options 3, Section 13 in various places to replace “one minimum price improvement increment,” with “\$0.01” is a non-substantive amendment.

The Exchange’s proposed amendments to Options 3, Section 13(b)(7) and (8) are consistent with the Act because they clarify the current rule text by adding “or better” to make clear that the execution price may be better than an order on the Limit Order Book. Today, this is the case. This context reflects the current System operation. . Similar amendments were made recently made to BX Options 3, Section 13(ii)(I).

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange’s proposal to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text, and also add a clarifying sentence is consistent with the Act. The Exchange’s proposal to remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only.

Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep, which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. Nasdaq BX, Inc. recently adopted a similar rule.³⁴ This proposal represent current System functionality.

The Exchange's proposal to note that OPG orders may not route is consistent with the Act. This additional information will bring greater clarity to this TIF. This proposal represent current System functionality.

The Exchange's proposal to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8 is consistent with the Act. Anti-Internalization will not apply during an Opening Process is consistent with the Act as it would provide more specificity on how this functionality currently operates. During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to quote. Anti-Internalization is unnecessary during an Opening Process due to the high level of control that Lead Market Makers exercise over their quotes during this process. A similar change was recently made to BX's Rules.³⁵

³⁴ See Securities Exchange Act Release No. 89731 (September 1, 2020), 85 FR 55524 (September 8, 2020) (SR-BX-2020-016) (Order Approving Proposed Rule Change To Amend BX's Opening Process in Connection With a Technology Migration).

³⁵ See note 16 above.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the PHLX Orders data feed, is consistent with the Act. All-or-None Orders are non-displayed and non-routable. They are executed in price-time priority among all Public Customer Orders if the size contingency can be met. All-or-None Orders have a quantity contingency requiring the full quantity of the order to execute in order for any trade to take place which may cause the order to not execute. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.

The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options feed, which is not being amended by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.³⁶ The Exchange does display All-Or-None Orders on the PHLX

³⁶ 17 CFR 242.608. Pursuant to Section 6 of the Plan, Locked and Crossed Markets, The Participants agree that they shall establish, maintain and enforce written rules that: (a) Require their members reasonably to avoid displaying Locked and Crossed Markets; (b) Are reasonably designed to assure the reconciliation of Locked and Crossed Markets; and (c) Prohibit its members from engaging in a pattern or practice of displaying Locked and Crossed Markets; in all cases subject to such exceptions as may be contained in the rules of a Participant approved by

Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders.

Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does not disseminate all-or-none orders to OPRA.³⁷ Similar to Phlx, Cboe displays all-or-none orders on its Depth of Book feed.³⁸ The proposed amendments represent the current information contained in the PHLX Orders feed. The proposed amendments are intended to add more description and bring greater clarity to the rule text.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) is consistent with the Act as the proposal clarifies the definition of internal PBBO. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for

the Commission.

³⁷ Cboe Rule 5.6(b) provides, "...An "All-or-None" or "AON" order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON."

³⁸ See Section 4.5 of this specification.
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTI_CAST_PITCH_SPECIFICATION.pdf.

execution. Also, the Exchange inadvertently did not include the phrase, “which cannot be satisfied” when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,³⁹ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation.

Options 8, Section 2

The Exchange’s proposal to add a new defined term, “Floor Lead Market Maker” is consistent with the Act and will bring greater clarity to the Options 8 rules. This term is currently utilized within the Options 8 rules.

The Exchange’s proposal to add an introductory sentence within Options 8, Section 2(a) is a non-substantive amendment which will bring greater clarity to the rule text. The addition of the word “Organization” within Options 8, Section 2(a)(5) will correct the rule text to provide for a defined term.

Options 8, Section 32

The Exchange’s proposal to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx is consistent with the Act because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker

³⁹ See note 24 above.

Management System as provided for within Options 8, Section 22B.⁴⁰

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.

Options 1, Section 1

The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46) and make other grammatical amendments within Options 1, Section 1 does not impose an undue burden on competition as these amendments are non-substantive.

Options 2, Section 4

The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day does not impose an undue burden on competition because it will bring greater clarity to the rule text.

The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment" within Options 2, Section 4(c)(1) does not impose an undue burden on competition. This is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange's proposal to update certain terms within Options 2, Section 6

⁴⁰ See note 25 above.

conform the rule with the use of terms in the Rulebook⁴¹ and does not impose an undue burden on competition. These changes are non-substantive.

Options 3, Section 6

The Exchange's proposal to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx's rule structure, update rule citations, and add spacing where necessary does not impose an undue burden on competition as these amendments are non-substantive.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) does not impose an undue burden on competition as this proposal will correct the rule text within Options 3, Section 6, and provide market participants with the expected outcome in this scenario. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing and time in force. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁴² A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace "cancelled immediately" with the term "rejected" conforms the rule text to other

⁴¹ See note 3 above.

⁴² See note 5 above.

uses of the word rejected within the Rulebook. This amendment is non-substantive.

The Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 does not impose an undue burden on competition as this amendment corrects out of date rule text. The System does not disseminate locked quotations, rather the System re-prices orders. The amendment will remove an inaccurate statement and bring greater clarity to the Rulebook.

Options 3, Section 7

The Exchange's proposal to update certain terms within Options 3, Section 7 to conform to a prior rule change⁴³ does not impose an undue burden on competition. These changes are non-substantive.

The Exchange's proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order does not impose an undue burden on competition because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, "All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed." This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, "If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met." This language is intended to make

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Id.

clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange's proposal to amend Options 3, Section 7(c)(3), "Opening Only," to amend incorrect rule text, and also add a clarifying sentence does not impose an undue burden on competition. An OPG Only Order may be executed by any market participant in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be not valid outside of the Opening Process.

Removing the phrase "except for Automated Quotation Adjustments" does not impose an undue burden on competition because, today, an OPG Order is not subject to Automated Quotation Adjustments. The Opening Process itself has boundaries within which orders will be executed. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange's proposal to note that OPG orders may not route will bring greater transparency to the rule.

Options 3, Section 10

The Exchange's proposal to make a grammatical correction to Options 3, Section 10 is non-substantive.

Options 3, Section 13

The Exchange's proposal to update certain rule references within Options 3, Section 13 is non-substantive.

The Exchange's proposal to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders are treated by the System within a PIXL Auction does not impose an undue burden on competition as this rule text will bring greater clarity to the current System operation. All market participants will be treated in a uniform manner when they enter an All-Or-None Order into PIXL.

The Exchange's proposal to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-Or-None Orders that can be satisfied are included within the Reference BBO does not impose an undue burden on competition. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs.

The Exchange's proposal to make clear where the Reference BBO is specified within this rule, or the Reference cPBBO, that All-or-None Orders are excluded does not impose an undue burden on competition. The Exchange proposes to note "including Reference BBO" within Options 3, Section 13(b)(2)(C) and 13(f) to conform the rule text. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs. This represents current System operation.

The Exchange's proposal to amend Options 3, Section 13 in various places to replace "one minimum price improvement increment," with "\$0.01" is a non-substantive

amendment.

The Exchange's proposed amendments to Options 3, Section 13(b)(7) and (8) do not impose an undue burden on competition because they clarify current rule text without any substantive amendment.

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange's proposal to note that the Automated Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders does not impose an undue burden on competition. Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Marker Maker is assigned to quote in throughout the trading day. Market Makers and Lead Marker Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended.

The Exchange believes its proposal to clarify that Anti-Internalization will not apply during an Opening Process does not impose an undue burden on competition as it would provide more specificity on how this functionality currently operates. During the

opening, Market Makers are able to observe the primary market and then determine how they would like to quote. Market Makers are sophisticated market participants that have their own tools and other protections to manage risk during the Opening Process.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the PHLX Orders data feed, does not impose an undue burden on competition. The proposed amendments represent current information contained in the PHLX Orders feed. This proprietary data feed displays all orders on the Order Book with original information, whereas the Exchange's the Top of PHLX Options feed, which is not being amended by this proposal, only provides information as to the displayed order book. The Exchange does not disseminate non-displayed order information to the OPRA data feed, rather only non-displayed prices are submitted. The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders. The proposed amendments are simply clarifying in nature and intended to add more description to the rule.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a), and make some technical amendments, does not impose an undue burden on competition. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available

for execution. Also, the Exchange inadvertently did not include the phrase, “which cannot be satisfied” when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,⁴⁴ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation and will bring greater clarity to the rule.

Options 8, Section 2

The Exchange’s proposal to add a new defined term, “Floor Lead Market Maker” does not impose an undue burden on competition. This defined term, which is currently utilized within the Options 8 rules, will bring greater clarity to the Options 8 rules.

The Exchange’s proposal to add an introductory sentence within Options 8, Section 2(a) that provides context to the information that follows is a non-substantive amendment. The addition of the word “Organization” within Options 8, Section 2(a)(5) will make clear the reference to the defined term “member organization.”

Options 8, Section 32

The Exchange’s proposal to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx does not impose an undue burden on competition because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the

⁴⁴ See note 24 above.

Options Floor Broker Management System as provided for within Options 8, Section 22B.⁴⁵

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)⁴⁶ of the Act and Rule 19b-4(f)(6) thereunder⁴⁷ 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 Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46) and make other grammatical amendments within Options 1, Section 1 are non-substantive. The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day

⁴⁵ See note 23 above.

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴⁷ 17 CFR 240.19b-4(f)(6).

does not significantly affect the protection of investors or the public interest because it will bring greater clarity to the rule text. The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment" within Options 2, Section 4(c)(1) is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous. The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) does not significantly affect the protection of investors or the public interest. The Exchange's proposal would amend the rule text to properly reflect the operation of the System in this particular scenario. Today, in this scenario, if the Exchange's next available price is the ABBO price (which equates to the Acceptable Trade Range price) after the remaining order has routed away and executed with quotes at the away exchange and the unexecuted contracts are returned to the Exchange, the incoming order may post at its original limit price, with a new timestamp and would be subject to certain entry checks. The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace "cancelled immediately" with the term "rejected" conforms the rule text to other uses of the word rejected. The Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 to remove the phrase, "resulting in the dissemination of a "locked" quotation (e.g., \$1.00 bid - 1.00 offer)" does not significantly affect the protection of investors or the public interest. This phrase is out of date as under the current Locked and Crossed Market Plan, the Exchange would not disseminate a locked quotation. Rather, the Exchange would reprice its quote. The Exchange's proposal to amend All-or-None Orders within Options

3, Section 7(b)(5) to add more language to the description of an All-or-None Order does not significantly affect the protection of investors or the public interest because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.” This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders. The Exchange’s proposal to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text and add a clarifying sentence does not significantly affect the protection of investors or the public interest. An OPG Order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be not valid outside of the Opening Process. Further, this order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. Today, an

OPG Order is not subject to Automated Quotation Adjustments. The Exchange believes that it does not significantly affect the protection of investors or the public interest to not apply any risk protections during the Opening Process as the Opening Process itself has boundaries within which orders will be executed. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. The Exchange's proposal to note that OPG orders may not route will bring greater transparency to the rule. The Exchange's proposal to update various references within Options 3, Section 13 to make clear that the Reference BBO does not include All-Or-None Orders, which are non-displayed, with respect to execution checks does not significantly affect the protection of investors or the public interest as this rule text will bring greater clarity to the current System operation. This contingency order may not be able to be allocated at the end of the PIXL timer and therefore the Exchange does not consider the All-or-None Orders when determining auction eligibility. The Exchange's proposal to make clear when All-Or-None Orders are considered with respect to a PIXL auction will provide market participants with greater clarity as this order type. The Exchange's proposal to note "including Reference BBO" within Options 3, Section 13(b)(2)(C) and 13(f) conforms the rule text. The Exchange's proposal to clarify within Options 3, Section 13(f), that with respect to a PIXL Order for the account of a Public Customer paired with an order for the account of a Public Customer, All-Or-None Orders that can be satisfied are included within the Reference BBO does not significantly affect

the protection of investors or the public interest. The addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at a price equal to or through the cPBBO. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation and provides specificity to the rule. The Exchange’s proposal to amend Options 3, Section 13 in various places to replace “one minimum price improvement increment,” with “\$0.01” is a non-substantive amendment. The Exchange’s proposed amendments to Options 3, Section 13(b)(7) and (8) do not significantly affect the protection of investors or the public interest because they clarify the current rule text without any substantive amendment. The Exchange’s proposal to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8 does not significantly affect the protection of investors or the public interest. This proposal to clarify that Anti-Internalization will not apply during an Opening Process is consistent with the Act as it would provide more specificity on how this functionality currently operates. During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to quote. Anti-Internalization is unnecessary during an Opening Process due to the high level of control that Lead Market Makers exercise over their quotes during this process. A similar change was recently made to BX’s Rules.⁴⁸ The Exchange’s proposal to amend Options 3, Section 15 to note that with Automated Quotation

⁴⁸ See note 16 above.

Adjustments all interest entered through SQF will be automatically removed does not significantly affect the protection of investors or the public interest. Amending Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Marker Maker is assigned to quote in throughout the trading day. Market Makers and Lead Marker Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended. The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the PHLX Orders data feed, does not significantly affect the protection of investors or the public interest. The proposed amendments represent the current information contained in the PHLX Orders feed. This proprietary data feed displays all orders on the Order Book with original information, whereas the Exchange's the Top of PHLX Options feed, which is not being amended by this proposal, only provides information as to the displayed order book. The Exchange does not disseminate non-displayed order information to the OPRA data feed, rather only non-displayed prices are submitted. The proposed amendments are simply clarifying in nature and intended to add more description. The Exchange's proposal to amend Options 5, Section 4(a) and make some technical amendments does not significantly affect the protection of investors or the public interest. Stop Orders

must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, “which cannot be satisfied” when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,⁴⁹ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation. The Exchange’s proposal to add a new defined term, “Floor Lead Market Maker” within Options 8, Section 2 will bring greater clarity to the Options 8 rules. This term is currently utilized within the Options 8 rules. The Exchange’s proposal to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx does not significantly affect the protection of investors or the public interest because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22B.⁵⁰

The proposed amendments do not impose any significant burden on competition. The Exchange’s proposal to update the cross reference within Options 1, Section 1(b)(46) and make other grammatical amendments within Options 1, Section 1 do not impose any

⁴⁹ See note 24 above.

⁵⁰ See note 23 above.

significant burden on competition as these amendments are non-substantive. The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day will bring greater clarity to the rule text. The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment," within Options 2, Section 4(c)(1) is a non-substantive amendment which would be applied uniformly. The Exchange's proposal to update certain terms within Options 2, Section 6 to conform to a prior rule change⁵¹ is non-substantive. The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) does not impose any significant burden on competition because the proposed change will bring greater clarity to the rule text. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁵² A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry. This System functionality would apply uniformly to all quotes. The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace the term "cancelled immediately" with "rejected" will conform the rule text with other uses of the word rejected is non-substantive. The Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 to

⁵¹ See note 3 above.

⁵² See note 5 above.

remove the phrase, “resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer)” do not impose any significant burden on competition . This phrase is out of date as under the current Locked and Crossed Market Plan, the Exchange would not disseminate a locked quotation. The Exchange’s proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order do not impose any significant burden on competition because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.” This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders. Today, Options 3, Section 7(c)(3) provides, “An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed by any market participant in the Opening Process pursuant to

Options 3, Section 8. This order type would continue to not be not valid outside of the Opening Process. Removing the phrase “except for Automated Quotation Adjustments” within this same section will correct the rule text. No OPG Order is subject to Automated Quotation Adjustments. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange’s proposal to amend rule text describing the manner in which All-Or-None Orders will be treated within a PIXL auction will bring greater clarity to the current System operation. This contingency order may not be allocated at the end of the PIXL timer and therefore would not need to be considered when determining auction eligibility. The Exchange’s proposal to note “including Reference BBO” within Options 3, Section 13(b)(2)(C) and 13(f) will conform the rule text. The Exchange’s proposal to clarify within Options 3, Section 13(f), that with respect to a PIXL Order for the account of a Public Customer paired with an order for the account of a Public Customer, All-Or-None Orders that can be satisfied are included within the Reference BBO will provide specificity to the rule. The addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at a price equal to or through the cPBBO. The Exchange’s proposal to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3,

Section 8 will add clarity. During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. Market Makers are sophisticated market participants that have their own tools and other protections to manage risk during the Opening Process. The Exchange's proposal to amend Options 3, Section 15 to note that with Automated Quotation Adjustments all interest entered through SQF will be automatically removed do not impose any significant burden on competition. Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Marker Maker is assigned to quote in throughout the trading day. Market Makers and Lead Marker Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended. The Exchange's proposal to amend Options 3, Section 23(a)(2) which describes the PHLX Orders data feed is clarifying in nature and intended to add more description. The Exchange's proposal to amend Options 5, Section 4(a) and make some technical amendments do not impose any significant burden on competition. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is trigged and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase,

“which cannot be satisfied” when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,⁵³ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation. The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options⁵⁴ feed, which is not being amended by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.⁵⁵ Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does

⁵³ See note 24 above.

⁵⁴ Top of PHLX Options (“TOPO”) is a direct data feed product that includes the Exchange's best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. See Options 3, Section 23(a)(1).

⁵⁵ 17 CFR 242.608. Pursuant to Section 6 of the Plan, Locked and Crossed Markets,

not disseminate all-or-none orders to OPRA.⁵⁶ Similar to Phlx, Cboe displays all-or-none orders on its Depth of Book feed.⁵⁷ The Exchange proposes to add a new defined term, “Floor Lead Market Maker” will bring greater clarity to the Options 8 rules. This term is currently utilized within the Options 8 rules. The Exchange’s proposal to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx will make clear the order types that are available for execution on the Trading Floor. FLEX Options are not eligible for entry by a member for execution through the Options Floor Based Management System (“FBMS”).⁵⁸ The remainder of the proposed amendments are non-substantive.

The Participants agree that they shall establish, maintain and enforce written rules that: (a) Require their members reasonably to avoid displaying Locked and Crossed Markets; (b) Are reasonably designed to assure the reconciliation of Locked and Crossed Markets; and (c) Prohibit its members from engaging in a pattern or practice of displaying Locked and Crossed Markets; in all cases subject to such exceptions as may be contained in the rules of a Participant approved by the Commission.

⁵⁶ Cboe Rule 5.6(b) provides, “...An “All-or-None” or “AON” order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON.”

⁵⁷ See Section 4.5 of this specification.
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTI_CAST_PITCH_SPECIFICATION.pdf.

⁵⁸ See note 25 above.

Furthermore, Rule 19b-4(f)(6)(iii)⁵⁹ 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.

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 remove the two incorrect and contradictory sentences in the Phlx Routing rule to bring greater clarity and transparency 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.

⁵⁹ 17 CFR 240.19b-4(f)(6)(iii).

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-2021-05)

January __, 2021

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx Rules

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 January 26, 2021, 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 Phlx Rules at Options 1, Section 1, “Applicability, Definitions and References”; Options 2, Section 4, “Obligations of Market Makers”; Options 2, Section 6, “Market Maker Orders”; Options 3, Section 6, “Firm Quotations”; Options 3, Section 7, “Types of Orders and Order and Quote Protocols”; Options 3, Section 10, “Electronic Execution Priority and Processing in the System”; Options 3, Section 13, “Price Improvement XL (“PIXL”)”; Options 3, Section 15, “Simple Order Risk Protections”; Options 3, Section 23, “Data Feeds and Trade Information”; Options 5, Section 4, “Order Routing”; Options 8, Section 2, “Definitions”; and Options 8, Section 32, “Types of Floor-Based (Non-System) Orders”.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, 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 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 Phlx Rules at Options 1, Section 1, "Applicability, Definitions and References"; Options 2, Section 4, "Obligations of Market Makers"; Options 2, Section 6, "Market Maker Orders"; Options 3, Section 6, "Firm Quotations"; Options 3, Section 7, "Types of Orders and Order and Quote Protocols"; Options 3, Section 10, "Electronic Execution Priority and Processing in the System"; Options 3, Section 13, "Price Improvement XL ("PIXL")"; Options 3, Section 15, "Simple Order Risk Protections"; Options 3, Section 23, "Data Feeds and Trade Information"; Options 5, Section 4, "Order Routing"; Options 8, Section 2, "Definitions"; and Options 8, Section 32, "Types of Floor-Based (Non-System) Orders". Each change is described below.

Options 1, Section 1

The Exchange proposes to update the cross reference within Options 1, Section

1(b)(46) to Options 1, Section 1(b)(45) and make other non-substantive grammatical amendments within Options 1, Section 1.

Options 2, Section 4

The Exchange proposes to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day. The Exchange proposes to add the title, “Intra-Day Bid/Ask Differentials (Quote Spread Parameters).”

Additionally, the Exchange proposes to remove the phrase, “or its decimal equivalent rounded down to the nearest minimum increment” within Options 2, Section 4(c)(1). This is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange previously filed a rule change³ to replace the term “Registered Options Traders” or “ROTs” with “Market Makers” and replace “Specialists” with “Lead Market Makers.” The Exchange is updating this rule to conform to those prior changes.

Options 3, Section 6

The Exchange proposes to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx’s rule structure, update rule citations, and add spacing where necessary.

³ See Securities Exchange Act Release No. 88213 (February 14, 2020), 85 FR 9859 (February 20, 2020) (SR-Phlx-2020-03) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Rules From Its Current Rulebook Into Its New Rulebook Shell”).

The Exchange also proposes to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4), which provides,

(A) If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

The Exchange proposes to amend the sentence which provides,

If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Trade Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable

Trade Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order.

This statement does not represent the current function of the System. The Exchange proposes to amend the rule text to properly represent system functionality. Today, in this scenario, if the Exchange's next available price is the ABBO price (which equates to the Acceptable Trade Range price) after the remaining order has routed away and executed with quotes at the away exchange and the unexecuted contracts are returned to the Exchange, the incoming order may post at its original limit price, with a new timestamp and would be subject to certain entry checks. The Exchange proposes to amend the sentence to correctly provide,

If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Trade Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the unexecuted contracts would post to the Order Book at their Limit Order price, with a new timestamp, subject to order entry price checks.

The order entry checks are applied for new orders when they post to the Order Book as provided for in Phlx Options 3, Section 5(a)(4). The Exchange filed prior rule

changes⁴ which established Phlx's System as it exists today. As the new System was amended through a series of rule changes, certain technology was automated to prevent any manual intervention, and provide System-enforced functionalities. The Exchange believes that this process was modified with certain enhancements which further automated the System. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁵ A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry.

The final sentence of Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4),⁶ which is being removed, is no longer relevant in this scenario as the ten second period does not exist.

⁴ See Securities Exchange Act Release Nos. 50100 (July 27, 2004), [69 FR 46612](#) (August 3, 2004) (SR-Phlx-2003-59); 55498 (March 20, 2007, 72 FR 14318 (March 27, 2007) (SR-Phlx-2007-15); 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32); and 72152 (May 12, 2014), 79 FR 28561 (May 16, 2014) (SR-Phlx-2014-32).

⁵ Options 5, Section 4 describes the various options routing functionalities available on Phlx.

⁶ During this up to ten second period, the System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

The Exchange proposes to amend current Options 3, Section 6(a)(ii)(B)(4)(a), which states, “If there are no offers both on the Exchange and on away markets in the affected series, Market Orders to buy in the affected series will be cancelled immediately, and an electronic report of such cancellation will be transmitted to the sender.” The Exchange proposes to replace “cancelled immediately” with the term “rejected” to conform the rule text to conform to other uses of the word rejected in the Rulebook. The System would reject and not accept the order in this case.

Finally, the Exchange proposes to amend Supplementary Material .02 to Options 3, Section 6 which states, “In the event that an SQT, RSQT, and/or Lead Market Maker's electronically submitted quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the Lead Market Maker, resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer), the locked quotations will automatically execute against each other in accordance with the allocation algorithm set forth in Options 3, Section 10.” The phrase, “resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer)” is out of date as under the current Options Order Protection and Locked/ Crossed Market Plan,⁷ the Exchange would not disseminate a locked quotation. Rather, the Exchange would reprice its quote as described within Options 3, Section 4(b)(6). As a result, the Exchange proposes to delete this rule text. The Exchange believes that this rule text existed prior to the Locked and Crossed Market Plan and was not updated when the new plan came into existence.

Options 3, Section 7

Similar to the changes proposed within Options 2, Section 6, the Exchange

⁷ See Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009) (File No. 4-546).

proposes to replace the term “Registered Options Traders” or “ROTs” with “Market Makers” and replace “Specialists” with “Lead Market Makers” within Options 3, Section 7 to conform to the remainder of the Rulebook.⁸

The Exchange proposes to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order to bring greater transparency to this order type. Today, the Exchange provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders⁹ and PHLX Depth of Book¹⁰ feed.” This additional rule text will make clear that these

⁸ See note 3 above.

⁹ See Phlx Options 3, Section 23(a)(2). PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Limit Order book. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single order book(s), single and Complex Orders, and Complex Order Live Auction ("COLA") for all symbols listed on Phlx. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

¹⁰ See Phlx Options 3, Section 23(a)(3). PHLX Depth of Market is a data product that provides: (i) order and quotation information for individual quotes and orders on the PHLX book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

order types are not disseminated on OPRA or the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.¹¹ Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange proposes to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text, and also add a clarifying sentence. Today, Options 3, Section 7(c)(3) provides, “An Opening Only (“OPG”) order is entered with a Time in Force (“TIF”) of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments.” The Exchange proposes to remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width

¹¹ The Exchange discusses these data feeds in more detail below.

Quotes,¹² as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep,¹³ which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange also proposes to note that OPG orders may not route. Both of these amendments represent current System functionality. This additional information is proposed to bring greater clarity to this TIF.

Options 3, Section 10

The Exchange proposes to make a grammatical correction to Options 3, Section 10 which is non-substantive.

Options 3, Section 13

The Exchange proposes to update incorrect rule references within Options 3,

¹² A Valid Width Quote is a two-sided electronic quotation submitted by a Phlx Electronic Market Maker that meets the following requirements: options on equities and index options bidding and/or offering so as to create differences of no more than \$.25 between the bid and the offer for each option contract for which the prevailing bid is less than \$2; no more than \$.40 where the prevailing bid is \$2 or more but less than \$5; no more than \$.50 where the prevailing bid is \$5 or more but less than \$10; no more than \$.80 where the prevailing bid is \$10 or more but less than \$20; and no more than \$1 where the prevailing bid is \$20 or more, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded down to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options. See Options 3, Section 8(a)(ix).

¹³ An Opening Sweep is a one-sided order entered by a Specialist or ROT through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed. See Options 3, Section 7(b)(6). This definition is being amended herein to update the terms Specialist and ROT to Lead Market Maker and Market Maker.

Section 13.

The Exchange proposes to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders¹⁴ are treated within a PIXL Auction. Specifically, the Exchange proposes to make clear that the term “Reference BBO,” as described within Options 3, Section 13(a)(2), describes displayed and non-displayed orders, however, All-Or-None Orders are not considered. The Exchange does not consider All-Or-None Orders, until the order is being allocated because the System is unable to determine whether an All-Or-None Order can be satisfied until the System receives responses to the PIXL Order and is able to allocate the PIXL Order. The Exchange proposes to add rule text to make clear where the Reference BBO or the Reference cPBBO¹⁵ is mentioned, whether All-Or-None Orders are included or excluded. With respect to PIXL entry checks and, thereafter, the treatment of auction responses, All-Or-None Orders are not considered for price checks. The Exchange does consider All-Or-None Orders for allocation purposes. Options 3, Section 13(a)(5)(B)(i), which is not proposed to be amended, provides,

If the Initiating Member selected the single stop price option of the PIXL

¹⁴ Options 3, Section 7(b)(5) provides, “An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or None Order may only be submitted by a Public Customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. The Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders.” The Exchange is proposing to amend Options 3, Section 7(b)(5), please see discussion regarding All-or-None Order on page 9.

¹⁵ The term “cPBBO” means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security. See Options 3, Section 14(a)(iv).

Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after Public Customer interest is satisfied being allocated to the Initiating Member at the stop price. However, if only one other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to the algorithm set forth in Options 3, Section 10(a)(1)(G) among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member. The allocation will account for Surrender, if applicable.

Options 3, Section 10 considers All-Or-None Orders that can be satisfied. This proposal clarifies the current System operation.

The Exchange also proposes to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-or-None Orders that can be satisfied are included within the Reference BBO. The Exchange considers All-Or-None Orders when checking the Order Book for other Public Customer Orders. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. The addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at

a price equal to or through the cPBBO.

The Exchange proposes to note “including Reference BBO” within Options 3, Section 13(b)(2)(C) and 13(f) to conform the rule text throughout the rule. These amendments represent current System operation. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs.

These amendments are intended to bring greater clarity to the representation of All-Or-None Orders within this Rule.

The Exchange proposes to amend Options 3, Section 13 in various places to replace “one minimum price improvement increment,” with “\$0.01.” This amendment is non-substantive.

The Exchange proposes amendments to Options 3, Section 13(b)(7) and (8) to clarify the rule text. The proposed amendments are non-substantive and are similar to amendments recently made to BX Options 3, Section 13(ii)(I). The Exchange proposes to add some context to the rule to better reflect the current System operation. First, the Exchange purposes to add the word “execution” in the first sentences of Options 3, Section 13 (b)(7) and (8). The execution price of the PIXL Auction is utilized to compare to the price of an order on the Limit Order book. The Exchange utilizes the execution price today on Phlx. Adding the word “execution” makes clear to members that the initial PIXL Order stop price is not utilized to compare the same side of the market transactions at execution. If the potential execution price of the PIXL Order would be the same or better than the price of an order on the Limit Order book on the same side of the market as the PIXL Order then, today, the PIXL Order would be

executed at a price \$0.01 better than such limit order, regardless of whether such limit was a Public or Non-Public Customer Order. Second, while the phrase “or better” is not clearly specified in the rule text, today, the System captures cases where PAN responses provide price improvement for the PIXL Order at prices that are crossed with the same side interest mentioned above. Third, the remainder of the changes are grammatical and technical in nature. The Exchange is creating two separate sentences for readability.

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8. A similar change was recently made to BX’s Rules.¹⁶ The Exchange proposes to clarify that Anti-Internalization does not apply during an Opening Process or reopening following a trading halt, pursuant to Options 3, Section 8, to provide more specificity on how this functionality currently operates. The same procedures used during an Opening Process are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the Opening Process (i.e., the opening and halt reopening processes). During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to submit a Valid Width Quote. AIQ is unnecessary during an Opening Process due to the high level of control that Market Makers exercise over their quotes during this process. This clarifying rule text reflects current System

¹⁶ See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

functionality.

The Exchange also proposes to amend Options 3, Section 15 to note that with Automated Quotation Adjustments all interest entered through SQF will be automatically removed. As provided for within Options 3, Section 7(a)(i)(B),

Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g. underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge request from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series.

Today, Quotes and Immediate-or-Cancel Orders that may be entered through SQF are removed when the Automated Quotation Adjustment risk mechanism is triggered. The current rule text only considers quotes entered through SQF. The amendment will update the rule text to represent current System functionality, and will bring greater clarity to Automated Quotation removals. Market Makers and Lead Market Makers utilize the

Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Market Maker is assigned to quote in throughout the trading day. Market Makers and Lead Market Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended.

Options 3, Section 23

The Exchange proposes to amend Options 3, Section 23(a)(2) which describes the PHLX Orders data feed. The proposed amendments represent the current information contained in the PHLX Orders feed. The proposed amendments are intended to better represent the information in the feed by adding more description to the current rule text.

The Exchange proposes to note in the first sentence of Options 3, Section 23(a)(2) that PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Order book for displayed order types and All-or-None Orders,¹⁷ as well as market participant capacity.

All-or-None Orders are non-displayed and non-routable. They are executed in price-time priority among all Public Customer Orders if the size contingency can be met. All-or-None Orders have a quantity contingency requiring the full quantity of the order to

¹⁷ See note 14 above.

execute in order for any trade to take place which may cause the order to not execute. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.¹⁸ The Exchange is proposing to amend the rule text within Options 3, Section 7(b)(5) which describes All-or-None Orders to add more clarity about the dissemination of All-or-None Orders and the manner in which the System will bypass those orders if the contingency cannot be met.¹⁹

The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options²⁰ feed, which is not being amended by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing

¹⁸ Options 3, Section 7(b)(5)(i) provides, “Non-Displayed Contingency Orders. A Non-Displayed Contingency Order shall be defined to include the following non-displayed order types: (1) Stop Orders; and (2) All-or-None Orders.” Unlike All-or-None Orders, Stop Orders are not available for execution until such time as the Stop Order’s contingency has been met, therefore, Stop Orders are not displayed on data feeds or OPRA until the Stop Order is available for execution.

¹⁹ See proposed Options 3, Section 7(b)(5).

²⁰ Top of PHLX Options (“TOPO”) is a direct data feed product that includes the Exchange's best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. See Options 3, Section 23(a)(1).

away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.²¹ The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders.

Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does not disseminate all-or-none orders to OPRA.²² Similar to Phlx, Cboe displays all-or-none orders on its Orders and Depth of Book feed.²³

²¹ 17 CFR 242.608. The “NBBO” is the best Protected Bid and Protected Offer as defined in the Options Order Protection and Locked/Crossed Markets Plan; Protected Bids and Protected Offers that are displayed at a price but available on the Exchange at a better non-displayed price shall be included in the NBBO at their better non-displayed price for purposes of this rule. See Reg. NMS Rule 600(a)(42). Options 5, Section 1(o) defines a “Protected Bid” or “Protected Offer” as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

²² Cboe Rule 5.6(b) provides, “...An “All-or-None” or “AON” order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON.”

²³ See Section 4.5 of this specification:
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTI_CAST_PITCH_SPECIFICATION.pdf.

The Exchange proposes to remove the second use of the word “Limit”, as it is redundant. The additional text makes clear that both displayed and non-displayed orders types and market participant capacity are available.

The second sentence is being amended to add “and complex” in lieu of “single and Complex Orders, and Complex Order Live Auction (“COLA”) for all symbols listed on Phlx. The sentence, as proposed, would state, “PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s).” The Exchange believes the proposed sentence is more succinct.

Finally, the Exchange proposes to add a sentence to the end of the description of PHLX Order feed that provides, “The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance).” This additional information will more clearly describe the PHLX Orders feed. The Exchange also proposes to add the same sentence to the end of the description for the PHLX Depth of Market feed within Options 3, Section 23(a)(3) to also add the same specificity to that feed. The additional sentence reflects the current information provided in both the PHLX Orders and PHLX Depth of Market feeds.

The removal of the word “PHLX” within Options 3, Section 23(a)(3) and addition of the word “order” are non-substantive technical amendments.

Options 5, Section 4

The Exchange proposes to amend the sixth sentence of Options 5, Section 4(a) and make some technical amendments. As proposed, the sentence would provide, “For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-

None Orders or Stop Orders which have not been triggered. The “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding Stop Orders which have not been triggered and All-or-None Orders which cannot be satisfied.” Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, “which cannot be satisfied” when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,²⁴ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation.

Options 8, Section 2

The Exchange proposes to add a sentence within Options 8, Section 2(a) which provides “The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified:”. The Exchange proposes this sentence for context to the information which follows thereafter. This is a non-substantive change.

The Exchange proposes to add a new defined term, “Floor Lead Market Maker.”

²⁴ Stop orders are inactive until they are “elected.” Stop orders are elected when either the bid (offer) is updated to a price equal to or greater (less) than the stop price of a Buy (Sell) Stop order or an execution on the Exchange occurs at a price equal to or greater (less) than the stop price of a Buy(Sell) stop order. Stop order election takes place at the end of the transaction that caused the election and at that time the stop order enters the book as a new market or limit order depending on the participant instructions. Stop orders that are “electable” upon entry are rejected.

This defined term will bring greater clarity to the Options 8 rules. The Exchange proposes to state, “The term ‘Floor Lead Market Maker’ is a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a) and has a physical presence on the Exchange’s trading floor.” This term is currently utilized within the Options 8 rules.

The Exchange proposes to add the word “Organization” within Options 8, Section 2(a)(5). The word was inadvertently left out. This is not a substantive change. The term “Member Organization” is a defined term within General 1, Section 1(17).

Options 8, Section 32

The Exchange proposes to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx. The Exchange proposes to provide that a FLEX Option is as described within Options 8, Section 34. Further, FLEX Options are not eligible for entry by a member for execution through the Options Floor Based Management System (“FBMS”).²⁵ Phlx Options 8, Section 22 provides,

(a) Options transactions on the Exchange's Trading Floor shall be executed in one of the following ways:

(1) automatically by the Exchange Trading System as provided in applicable Exchange Rules;

²⁵ FBMS, an order management system, is the gateway for the electronic execution of equity, equity index and U.S. dollar-settled foreign currency option orders represented by Floor Brokers on the Exchange’s Options Floor. Floor Brokers contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker into FBMS, which creates an electronic audit trail. The execution of orders into Phlx’s electronic trading system also occurs via FBMS.

(2) through the Options Floor Based Management System. Members authorized to operate on the floor are not permitted to execute orders in the Exchange's options trading crowd, except as follows:

(A) The Exchange may determine to permit executions otherwise than in accordance with subparagraphs (1) and (2) above respecting an option or all options in the event of a problem with Exchange systems.

(B) In addition, members can execute orders in the options trading crowd pursuant to Options 8, Section 33, Accommodation Transactions (cabinet trades), and Options 8, Section 34, FLEX Equity, Index and Currency Options.

(C) Multi-leg orders with more than 15 legs can be executed in the trading crowd.

(D) The following split price orders that, due to FBMS system limitations, require manual calculation:

(i) simple orders not expressed in the applicable minimum increment ("sub-MPV") and that cannot be evenly split into two whole numbers to create a price at the midpoint of the minimum increment; and (ii) complex and multi-leg orders with at least one option leg with an odd-numbered volume that must trade at a sub-MPV price or one leg that qualifies under (i) above.

(E) As set forth in Options 8, Section 29(e)(v), members may use the Snapshot feature of the Options Floor Based Management System to provisionally execute orders in the options trading crowd.

* * * * *

Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22(a)(1)(B).²⁶ The Exchange believes that the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor and also clearly note that this order type is not eligible for FBMS.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁸ in particular, in that it is designed to promote just and equitable principles of trade and to protect

²⁶ The Exchange has previously noted that FLEX may be executed manually. See Securities and Exchange Act Release No. 69471 (April 29, 2013), 78 FR 26096 (May 3, 2013) (SR-Phlx-2013-09). The rule change noted that FLEX orders will continue to be executable by Floor Brokers in the trading crowd, rather than through FBMS because FBMS will not be able to accept FLEX orders, which have varied and complicated terms. Further, the Exchange requires floor brokers or their employees to enter the certain data elements into the Exchange's electronic audit trail in the same electronic format as the required information for equity and index options. Floor brokers or their employees must enter the required information for FLEX Options into the electronic audit trail on the same business day that a specific event surrounding the lifecycle of an order in FLEX (including, without limitation, orders, price or size changes, execution or cancellation) occurs. See Securities and Exchange Act Release No. 50997 (January 7, 2005), 70 FR 2444 (January 3, 2013) (SR-Phlx-2003-40). See also Options 8, Section 28(f).

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(5).

investors and the public interest.

Options 1, Section 1

The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46), and make other grammatical amendments within Options 1, Section 1 are non-substantive.

Options 2, Section 4

The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day is consistent with the Act because it will bring greater clarity to the rule text.

The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment" within Options 2, Section 4(c)(1) is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange's proposal to update certain terms within Options 2, Section 6, which conforms with a previously filed rule change,²⁹ is consistent with the Act. The updates to change the names of the terms are non-substantive.

Options 3, Section 6

The Exchange's proposal to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx's rule structure, update rule citations, and add spacing

²⁹ See note 3 above.

where necessary are non-substantive amendments.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) is consistent with the Act. While processing an order that is working through Acceptable Trade Ranges, if that order encounters a situation where the Exchange's next available price is the ABBO that also equals the outer limit of the Acceptable Trade Range, the order is able to post at its limit price on the Order Book after routing after it is executed with quotes at the away exchange. Any unexecuted contracts which return to the Exchange may post at their original limit price with a new timestamp, subject to certain entry checks. Order entry checks are applied for new orders when they post to the Order Book as provided for in Phlx Options 3, Section 5(a)(4). This proposed rule text protects investors and the general public because it will provide market participants with an expectation of how the System will handle orders that remain unexecuted in this scenario. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.³⁰ A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry. Further, this amendment provides more liquidity on the Exchange with the order posting to the Order Book, instead of potentially being cancelled after a 10 second period.

³⁰

See note 5 above.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace the term "cancelled immediately" with "rejected" conforms the rule text to other uses of the word rejected within the Rulebook. This amendment is non-substantive.

Finally, the Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 to remove the phrase, "resulting in the dissemination of a "locked" quotation (e.g., \$1.00 bid - 1.00 offer)" is consistent with the Act. This phrase is out of date as under the current Locked and Crossed Market Plan, the Exchange would not disseminate a locked quotation. Rather, the Exchange would reprice its quote as described within Options 3, Section 4(b)(6). The Exchange believes that this rule text existed prior to the Locked and Crossed Market Plan and was not updated since that plan came into existence. The amendment will protect investors and the general public by removing this inaccurate statement.

Options 3, Section 7

Similar to the changes proposed within Options 2, Section 6, the Exchange's proposal to replace the term "Registered Options Traders" or "ROTs" with "Market Makers" and replace "Specialists" with "Lead Market Makers" within Options 3, Section 7 conforms the usage of these terms within Phlx's Rulebook.³¹ These non-substantive amendments which update outdated terms within Options 3, Section 7 is consistent with the Act.

The Exchange's proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order is consistent with the Act because the proposed rule text will bring greater transparency to this order

³¹

Id.

type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.” This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange’s proposal to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text, and also add a clarifying sentence, is consistent with the Act. Today, Options 3, Section 7(c)(3) provides, “An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be valid outside of the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments.” The Exchange proposes to remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. The Exchange believes

that it is consistent with the Act to not apply any risk protections during the Opening Process as the Opening Process itself has boundaries within which orders will be executed. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep,³² which is utilized by Market Makers and Lead Market Makers, is protected by Automated Quotation Adjustments. The Exchange's proposal to note that OPG orders may not route will bring greater transparency to the rule.

Options 3, Section 10

The Exchange's proposal to make a grammatical correction to Options 3, Section 10 is non-substantive.

Options 3, Section 13

The Exchange's proposal to update certain rule references within Options 3, Section 13 is non-substantive.

The Exchange's proposal to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders are treated within a PIXL Auction is consistent with the Act as this rule text will bring greater clarity to the current

³² An Opening Sweep is a one-sided order entered by a Specialist or ROT through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed. See Options 3, Section 7(b)(6). This definition is being amended herein to update the terms Specialist and ROT to Lead Market Maker and Market Maker.

System operation. All-or None Orders are Limit Orders or Market Orders that are to be executed in their entirety or not at all, and are non-displayed.³³ The term “Reference BBO,” as described within Options 3, Section 13(a)(2), describes displayed and non-displayed orders, however, All-Or-None Orders are not considered. Today, the System does not consider All-Or-None Orders, until the order is being allocated because the System is unable to determine whether an All-Or-None Order can be satisfied until the System receives responses to the PIXL Order and is able to allocate the PIXL Order. The Exchange proposes to add rule text to make clear where the Reference BBO or the Reference cPBBO is mentioned, whether All-Or-None Orders are included or excluded. With respect to PIXL entry checks and, thereafter, the treatment of auction responses, All-Or-None Orders are not considered for price checks. The Exchange’s proposal protects investors and the general public by considering the contingency associated with an All-Or-None Order when it can be determined if the All-Or-None Order can be satisfied based on allocation priority and responses received to the PIXL Order.

The Exchange’s proposal to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-Or-None Orders that can be satisfied are included within the Reference BBO is consistent with the Act. Today, Phlx does consider All-Or-None Orders when checking the Order Book for other Public Customer Orders. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. Specifically, the addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public

³³ See Options 3, Section 7(b)(5).

Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at a price equal to or through the cPBBO.

The Exchange's proposal to amend Options 3, Section 13 in various places to replace "one minimum price improvement increment," with "\$0.01" is a non-substantive amendment.

The Exchange's proposed amendments to Options 3, Section 13(b)(7) and (8) are consistent with the Act because they clarify the current rule text by adding "or better" to make clear that the execution price may be better than an order on the Limit Order Book. Today, this is the case. This context reflects the current System operation. . Similar amendments were made recently made to BX Options 3, Section 13(ii)(I).

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 7(c)(3), "Opening Only," to correct incorrect rule text, and also add a clarifying sentence is consistent with the Act. The Exchange's proposal to remove the phrase "except for Automated Quotation Adjustments" because, today, an OPG order is not subject to Automated Quotation Adjustments. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep, which is utilized by Market

Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. Nasdaq BX, Inc. recently adopted a similar rule.³⁴ This proposal represent current System functionality.

The Exchange's proposal to note that OPG orders may not route is consistent with the Act. This additional information will bring greater clarity to this TIF. This proposal represent current System functionality.

The Exchange's proposal to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8 is consistent with the Act. Anti-Internalization will not apply during an Opening Process is consistent with the Act as it would provide more specificity on how this functionality currently operates. During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to quote. Anti-Internalization is unnecessary during an Opening Process due to the high level of control that Lead Market Makers exercise over their quotes during this process. A similar change was recently made to BX's Rules.³⁵

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the PHLX Orders data feed, is consistent with the Act. All-or-None Orders are non-displayed and non-routable. They are executed in price-time priority among all Public Customer Orders if the size contingency can be met. All-or-None Orders have a quantity

³⁴ See Securities Exchange Act Release No. 89731 (September 1, 2020), 85 FR 55524 (September 8, 2020) (SR-BX-2020-016) (Order Approving Proposed Rule Change To Amend BX's Opening Process in Connection With a Technology Migration).

³⁵ See note 16 above.

contingency requiring the full quantity of the order to execute in order for any trade to take place which may cause the order to not execute. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.

The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options feed, which is not being amended by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.³⁶ The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders.

Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does

³⁶ 17 CFR 242.608. Pursuant to Section 6 of the Plan, Locked and Crossed Markets, The Participants agree that they shall establish, maintain and enforce written rules that: (a) Require their members reasonably to avoid displaying Locked and Crossed Markets; (b) Are reasonably designed to assure the reconciliation of Locked and Crossed Markets; and (c) Prohibit its members from engaging in a pattern or practice of displaying Locked and Crossed Markets; in all cases subject to such exceptions as may be contained in the rules of a Participant approved by the Commission.

not disseminate all-or-none orders to OPRA.³⁷ Similar to Phlx, Cboe displays all-or-none orders on its Depth of Book feed.³⁸ The proposed amendments represent the current information contained in the PHLX Orders feed. The proposed amendments are intended to add more description and bring greater clarity to the rule text.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) is consistent with the Act as the proposal clarifies the definition of internal PBBO. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, "which cannot be satisfied" when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once

³⁷ Cboe Rule 5.6(b) provides, "...An "All-or-None" or "AON" order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON."

³⁸ See Section 4.5 of this specification.
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTI_CAST_PITCH_SPECIFICATION.pdf.

triggered,³⁹ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation.

Options 8, Section 2

The Exchange's proposal to add a new defined term, "Floor Lead Market Maker" is consistent with the Act and will bring greater clarity to the Options 8 rules. This term is currently utilized within the Options 8 rules.

The Exchange's proposal to add an introductory sentence within Options 8, Section 2(a) is a non-substantive amendment which will bring greater clarity to the rule text. The addition of the word "Organization" within Options 8, Section 2(a)(5) will correct the rule text to provide for a defined term.

Options 8, Section 32

The Exchange's proposal to amend Options 8, Section 32 to add "FLEX Option" to the list of order types that are available on Phlx is consistent with the Act because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22B.⁴⁰

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.

³⁹ See note 24 above.

⁴⁰ See note 25 above.

Options 1, Section 1

The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46) and make other grammatical amendments within Options 1, Section 1 does not impose an undue burden on competition as these amendments are non-substantive.

Options 2, Section 4

The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day does not impose an undue burden on competition because it will bring greater clarity to the rule text.

The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment" within Options 2, Section 4(c)(1) does not impose an undue burden on competition. This is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange's proposal to update certain terms within Options 2, Section 6 conform the rule with the use of terms in the Rulebook⁴¹ and does not impose an undue burden on competition. These changes are non-substantive.

Options 3, Section 6

The Exchange's proposal to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx's rule structure, update rule citations, and add spacing where necessary does not impose an undue burden on competition as these amendments

⁴¹ See note 3 above.

are non-substantive.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) does not impose an undue burden on competition as this proposal will correct the rule text within Options 3, Section 6, and provide market participants with the expected outcome in this scenario. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing and time in force. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁴² A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace "cancelled immediately" with the term "rejected" conforms the rule text to other uses of the word rejected within the Rulebook. This amendment is non-substantive.

The Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 does not impose an undue burden on competition as this amendment corrects out of date rule text. The System does not disseminate locked quotations, rather the System re-prices orders. The amendment will remove an inaccurate statement and bring greater clarity to the Rulebook.

⁴² See note 5 above.

Options 3, Section 7

The Exchange's proposal to update certain terms within Options 3, Section 7 to conform to a prior rule change⁴³ does not impose an undue burden on competition. These changes are non-substantive.

The Exchange's proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order does not impose an undue burden on competition because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, "All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed." This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, "If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met." This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

⁴³Id.

The Exchange’s proposal to amend Options 3, Section 7(c)(3), “Opening Only,” to amend incorrect rule text, and also add a clarifying sentence does not impose an undue burden on competition. An OPG Only Order may be executed by any market participant in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be not valid outside of the Opening Process.

Removing the phrase “except for Automated Quotation Adjustments” does not impose an undue burden on competition because, today, an OPG Order is not subject to Automated Quotation Adjustments. The Opening Process itself has boundaries within which orders will be executed. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange’s proposal to note that OPG orders may not route will bring greater transparency to the rule.

Options 3, Section 10

The Exchange’s proposal to make a grammatical correction to Options 3, Section 10 is non-substantive.

Options 3, Section 13

The Exchange’s proposal to update certain rule references within Options 3, Section 13 is non-substantive.

The Exchange’s proposal to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders are treated by the System within a PIXL Auction does not impose an undue burden on competition as this rule text

will bring greater clarity to the current System operation. All market participants will be treated in a uniform manner when they enter an All-Or-None Order into PIXL.

The Exchange's proposal to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-Or-None Orders that can be satisfied are included within the Reference BBO does not impose an undue burden on competition. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs.

The Exchange's proposal to make clear where the Reference BBO is specified within this rule, or the Reference cPBBO, that All-or-None Orders are excluded does not impose an undue burden on competition. The Exchange proposes to note "including Reference BBO" within Options 3, Section 13(b)(2)(C) and 13(f) to conform the rule text. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs. This represents current System operation.

The Exchange's proposal to amend Options 3, Section 13 in various places to replace "one minimum price improvement increment," with "\$0.01" is a non-substantive amendment.

The Exchange's proposed amendments to Options 3, Section 13(b)(7) and (8) do not impose an undue burden on competition because they clarify current rule text without any substantive amendment.

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange's proposal to note that the Automated Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders does not impose an undue burden on competition. Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Market Maker is assigned to quote in throughout the trading day. Market Makers and Lead Market Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended.

The Exchange believes its proposal to clarify that Anti-Internalization will not apply during an Opening Process does not impose an undue burden on competition as it would provide more specificity on how this functionality currently operates. During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. Market Makers are sophisticated market participants that have their own tools and other protections to manage risk during the Opening Process.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the PHLX Orders data feed, does not impose an undue burden on competition. The

proposed amendments represent current information contained in the PHLX Orders feed. This proprietary data feed displays all orders on the Order Book with original information, whereas the Exchange's the Top of PHLX Options feed, which is not being amended by this proposal, only provides information as to the displayed order book. The Exchange does not disseminate non-displayed order information to the OPRA data feed, rather only non-displayed prices are submitted. The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders. The proposed amendments are simply clarifying in nature and intended to add more description to the rule.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a), and make some technical amendments, does not impose an undue burden on competition. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, "which cannot be satisfied" when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only

available once triggered,⁴⁴ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation and will bring greater clarity to the rule.

Options 8, Section 2

The Exchange's proposal to add a new defined term, "Floor Lead Market Maker" does not impose an undue burden on competition. This defined term, which is currently utilized within the Options 8 rules, will bring greater clarity to the Options 8 rules.

The Exchange's proposal to add an introductory sentence within Options 8, Section 2(a) that provides context to the information that follows is a non-substantive amendment. The addition of the word "Organization" within Options 8, Section 2(a)(5) will make clear the reference to the defined term "member organization."

Options 8, Section 32

The Exchange's proposal to amend Options 8, Section 32 to add "FLEX Option" to the list of order types that are available on Phlx does not impose an undue burden on competition because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22B.⁴⁵

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.

⁴⁴ See note 24 above.

⁴⁵ See note 23 above.

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 Act⁴⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁴⁷

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:

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴⁷ 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.

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-2021-05 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-2021-05. 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-2021-05 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.⁴⁸

J. Matthew DeLesDernier
Assistant Secretary

⁴⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

* * * * *

Options Rules**Options 1 General Provisions****Section 1. Applicability, Definitions and References**

* * * * *

(b) **Definitions.** The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified:

* * * * *

(45) The term “[p]**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.

* * * * *

(46) The term “**Public Customer**” means a person or entity that is not a broker or dealer in securities and is not a Professional as defined within Options 1, Section (b)([46]45).

* * * * *

(49) A “**Remote Streaming Quote Trader**” or “**RSQT**” means a Market Maker that is a member affiliated with an Remote Streaming Quote Trader Organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A qualified RSQT may function as a Remote Lead Market Maker upon Exchange approval. An RSQT is also known as a Remote Market Maker (“RMM”) pursuant to Options 2, Section 11. A Remote Streaming Quote Organization (“RSQTO”) or Remote Market Maker Organization (“RMO”) are Exchange member organizations that have qualified pursuant to Options 2, Section 1.

* * * * *

(54) A “**Streaming Quote Trader**” or “**SQT**” means a Market Maker who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the trading floor of the Exchange. An SQT may only submit quotes in classes of options in which the SQT is assigned.

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Options 2 Options Market Participants

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Section 4. Obligations of Market Makers

* * * * *

(c) **Appointment.** Without limiting the foregoing, a Lead Market Maker and a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market. The following bid/ask differentials only apply to electronic quotations following the Opening Process.

(1) **Intra-Day Bid/Ask Differentials (Quote Spread Parameters)**. Options on equities (including Exchange-Traded Fund Shares), index options and options on U.S. dollar-settled FCOs may be quoted electronically with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid, provided that the foregoing bid/ask differentials shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security[, or its decimal equivalent rounded down to the nearest minimum increment]. The Exchange may establish differences other than the above for one or more series or classes of options.

(d) No change.

* * * * *

Section 6. Market Maker Orders

(a) [ROTs and Specialists]Market Makers and Lead Market Makers may enter all order types defined in Options 3, Section 7(b) in the options classes to which they are appointed and non-appointed, except for Market Orders as provided in Options 3, Section 7(b)(1), Stop Orders as provided in Options 3, Section 7(b)(4), All-or-None Orders as provided in Options 3, Section 7(b)(5), Directed Orders as provided for in Options 2, Section 10, and Public Customer-to-Public Customer Cross Orders subject to Options 3, Section 13(a) and (f). The total number of contracts executed during a quarter by a [ROTs and Specialists]Market Maker and Lead Market Maker in options series to which it is not appointed may not exceed twenty-five percent (25%) of the total number of contracts executed by the [ROTs and Specialists]Market Maker and Lead Market Maker in options series.

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Options 3 Options Trading Rules

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Section 6. Firm Quotations*(a) Definitions.*

(i)1) The term "disseminated price" shall mean the bid (or offer) price for an options series that is made available by the Exchange and displayed by a quotation vendor on a terminal or other display device.

(ii)2) The term "disseminated size" shall mean with respect to the disseminated price for any quoted options series:

(A) Except as provided in sub-paragraph (a)(ii)(C)(3) below, at least the sum of the size associated with Limit Orders, Lead Market Makers' quotations, SQTs' quotations, and RSQTs' (as defined in Options 1, Sections 1(b)(54) and (49), respectively) quotations.

(B)

(1) If an SQT or RSQT's (other than a Directed SQT or RSQT) quotation size in a particular series in a Streaming Quote Option is exhausted or removed by the Automated Quotation Adjustments pursuant to Options 3, Section 15(c)(2), such SQT or RSQT's quotation shall be deleted from the Exchange's disseminated quotation until the time the SQT or RSQT revises his/her quotation.

(2) Quote Exhaust. Respecting options that are traded on the System, Quote Exhaust occurs when the Exchange's disseminated market at a particular price level includes a quote, and such market is exhausted by an inbound contra-side quote or order ("initiating quote or order"), and following such exhaustion, contracts remain to be executed from the initiating quote or order through the initial execution price. The initial execution price that gives rise to Quote Exhaust is known as the "reference price." Under Quote Exhaust, any order volume that is routed to away markets will be marked as an ISO.

(a) – (f) No change.

(g) Quote Exhaust Resolution. The System will first determine whether to trade at the next available Phlx price by comparing it to the Acceptable Range price (defined as, with respect to an initiating buy order, the highest price of the Acceptable Range, and, with respect to an initiating sell order, the lowest price of the Acceptable Range) and the Away Best Bid/Offer ("ABBO") price to establish a "Best Price."

(i)1) With respect to an initiating buy order, the Best Price is the lowest price of: (A) the next available Exchange offer; (B) the ABBO offer; or

(C) the Acceptable Range price on the offer side of the market. With respect to an initiating sell order, the Best Price is the highest price of (D) the next available Exchange bid; (E) the ABBO bid; or (F) the Acceptable Range price on the bid side of the market.

([ii]2) Initiating quote or order does not lock or cross Best Price. If the price of the initiating quote or order (if a Limit Order) does not lock or cross the Best Price, the System will post the remaining portion of the initiating quote or order at its limit price and normal trading will resume.

([iii]3) Initiating quote or order locks Best Price. If the initiating quote or order locks the Best Price, the system will execute, route if a routable order, and/or post, the initiating quote or order as follows:

(A) and (B) No change.

([iv]4) Initiating quote or order crosses Best Price. If the initiating quote or order crosses the Best Price, the System will execute, route order volume, and/or post the initiating quote or order as set forth below:

(A) If the Best Price is the Exchange's next available price

(1) – (3) No change.

(4) and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the unexecuted contracts would post to the Order Book at their Limit Order price, with a new timestamp, subject to order entry price checks[the remainder will be posted on the Phlx at the Acceptable Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.]

(B) and (C) No change.

([v]5) Non-routable orders. If the initiating order is non-routable when the order would otherwise be routed according to the process described above, the order will be posted on the Exchange at a price that is one minimum

trading increment inferior to the Best Price so as not to lock an away market.

([vi]6) If, after trading at the Phlx and/or routing, there is a remainder of the initiating order, and such remainder is still marketable, the entire process of evaluating the Best Phlx price and the ABBO will be repeated until: (A) the order size is exhausted, or (B) the order reaches its limit price. If there still remain unexecuted contracts after routing but the order has reached its limit price, the remainder will be posted at the order's limit price, except that, when the limit price crosses the Acceptable Range Price, the remainder will be posted at the Acceptable Range Price for a period of time not to exceed ten seconds. During this up to ten second period, the System will disseminate on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer. After such time period, the Acceptable Range Price becomes the Reference Price and Acceptable Trade Range (pursuant to Options 3, Section 15) is applied to the remaining size of the order.

([4]3)

(a) If there are no offers both on the Exchange and on away markets in the affected series, Market Orders to buy in the affected series will be [cancelled immediately]rejected, and an electronic report of such cancellation will be transmitted to the sender.

(b) No change.

(c) If there are no bids or a zero priced bid on the Exchange and there are no bids on away markets in the affected series, the Exchange will disseminate a bid price of zero, and Market Orders to sell will be handled pursuant to Options 3, Section [7]10(b).

(d) No change.

(C) No change.

([iii]3) The term "SEC Quote rule" shall mean rule 602 of Regulation NMS under the Exchange Act, as amended.

([iv]4) The terms "customer," "responsible broker or dealer," and "specified persons" shall have the meaning set forth in the SEC Quote rule.

(b) ([i]1) Except as provided in paragraph (c) of this Rule, all quotations made available by the Exchange and displayed by quotation vendors shall be firm for customer and broker-dealer orders at the disseminated price in an amount up to the disseminated size. If the responsible broker or dealer is representing (as agent) a Limit Order, such responsible broker or dealer shall be responsible (as agent) up to the size of such Limit Order, but may be responsible as principal for all or a portion of the excess of the disseminated size over the size of such Limit Order to the extent provided in General 2, Section 17.

([ii]2) In the event an SQT, RSQT or Lead Market Maker in a Streaming Quote Option has electronically submitted on the Exchange bids or offers for a Streaming Quote Option, each such SQT, RSQT or Lead Market Maker member shall be considered a "responsible broker or dealer" for that bid or offer, up to the size associated with such responsible broker or dealer's bid or offer.

(c) and (d) No change.

* * * * *

Supplementary Material to Options 3, Section 6

.01 For purposes of this Rule, the term "broker-dealer orders" includes orders for the account(s) of market makers on another exchange and Market Makers on the Exchange.

.02 Locked Markets. In the event that an SQT, RSQT, and/or Lead Market Maker's electronically submitted quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the Lead Market Maker, [resulting in the dissemination of a "locked" quotation (e.g., \$1.00 bid - 1.00 offer),] the locked quotations will automatically execute against each other in accordance with the allocation algorithm set forth in Options 3, Section 10.

* * * * *

Section 7. Types of Orders and Order and Quote Protocols

The Exchange may determine to make certain order types and time-in-force, respectively, available on a class or System basis.

(a) No change.

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

(1) **Market Order.** A Market Order is an order to buy or sell a stated number of options contracts that is to be executed at the best price obtainable when the order reaches the Exchange. [Specialists, ROTs]Lead Market Makers, Market Makers and Off-Floor Broker-Dealers may not submit Market Orders.

(2) and (3) No change.

(4) **Stop Order.** A Stop Order is a Limit Order or Market Order to buy or sell at a limit price when interest on the Exchange for a particular option contract reaches a specified price. A Stop Order shall be cancelled if it is immediately electable upon receipt. A Stop Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order. [Specialists and ROTs]Lead Market Makers and Maker Makers may not submit a Stop Order. Off-Floor Broker-Dealers may not enter a Stop Market Order.

(A) and (B) No change.

(5) **All-or-None Order.** An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or-None Order may only be submitted by a Public Customer. All-or-None Orders are [non-displayed and] non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and Top of PHLX Options feed however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed. All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met. The Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders.

(i) **Non-Displayed Contingency Orders.** A Non-Displayed Contingency Order shall be defined to include the following non-displayed order types: (1) Stop Orders; and (2) All-or-None Orders.

(6) **Opening Sweep.** An Opening Sweep is a one-sided order entered by a [Specialist or ROT]Lead Market Maker or Market Maker through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed.

(7) – (13) No change.

(c) **Time in Force** or “**TIF.**” The term “Time in Force” shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1) No change.

(2) **Immediate-or-Cancel.** An Immediate-or-Cancel (“IOC”) Order entered with a TIF of "IOC" is a Market Order or Limit Order to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.

(A) No change.

(B) IOC orders may be entered through FIX or SQF, provided that an IOC Order entered by a [ROT or Specialist] Market Maker or Lead Market Maker through SQF is not subject to the Order Price Protection or the Market Order Spread Protection in Options 3, Section 15(a).

(C) No change.

(3) **Opening Only.** An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15[, except for Automated Quotation Adjustments]. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route.

* * * * *

Section 10. Electronic Execution Priority and Processing in the System

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(B) **Enhanced Lead Market Maker Priority:** A Lead Market Maker may be assigned by the Exchange in each option class in accordance with Options 2, Section 12. After all Public Customer orders have been fully executed, provided the Lead Market Maker's quote is at the better of the internal PBBO, excluding All-or-None Orders[s] that cannot be satisfied, or the NBBO the Lead Market Maker may be afforded a participation entitlement. The Lead Market Maker shall not be entitled to receive a number of contracts that is greater than the displayed size associated with such Lead Market Maker. The Lead Market Maker shall be entitled to receive the allocation described in this paragraph (a)(1)(B)(i), unless the order is a Directed Order and the Lead Market Maker is not the Directed Market Maker.

* * * * *

Section 13. Price Improvement XL (“PIXL”)

A member may electronically submit for execution an order it represents as agent on behalf of a Public Customer, broker-dealer, or any other entity (“PIXL Order”) against principal interest or against any other order (except as provided in sub-paragraph (a)(6) below) it represents as agent (an “Initiating Order”) provided it submits the PIXL Order for electronic execution into the PIXL Auction (“Auction”) pursuant to this Rule. The execution of a PIXL Order that is comprised of a Public Customer order to buy and a Public Customer to sell at the same price and for the same quantity will be governed by [Rule 1087] Options 3, Section 13(a) and (f) (“Public Customer-to-Public Customer Cross Order”).

- (a) Auction Eligibility Requirements. All options traded on the Exchange are eligible for PIXL. A member (the "Initiating Member") may initiate an Auction provided all of the following are met:
- (1) If the PIXL Order (except if it is a Complex Order) is for less than 50 option contracts, and if the difference between the National Best Bid and National Best Offer ("NBBO") is \$0.01, the Initiating Member must stop the entire PIXL Order at \$0.01 [one minimum price improvement increment] better than the NBBO on the opposite side of the market from the PIXL Order, and better than any Limit Order on the Limit Order book on the same side of the market as the PIXL Order.
 - (2) If the PIXL Order (except if it is a Complex Order) is for the account of a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is equal to or better than the NBBO and the internal market PBBO (the "Reference BBO,"²[³]) which excludes All-or-None Orders) on the opposite side of the market from the PIXL Order, provided that such price must be at least \$0.01[one minimum price improvement increment (as determined by the Exchange but not smaller than one cent)] better than any Limit Order on the Limit Order book on the same side of the market as the PIXL Order.
 - (3) If the PIXL Order (except if it is a Complex Order) is for the account of a broker dealer or any other person or entity that is not a Public Customer and such order is for 50 option contracts or more, or if the difference between the NBBO is greater than \$0.01, the Initiating Member must stop the entire PIXL Order (except if it is a Complex Order) at a price that is the better of: (A) the Reference BBO price improved by at least \$0.01[one minimum price improvement increment] on the same side of the market as the PIXL Order, or (B) the PIXL Order's limit price (if the order is a Limit Order), provided in either case that such price is at or better than the NBBO and the Reference BBO.

* * * * *

- (b) Auction Process. Only one Auction may be conducted at a time in the same series or same strategy, otherwise the orders will be rejected. Once commenced, an Auction may not be cancelled and shall proceed as follows:

(1) Auction Period and PIXL Auction Notification ("PAN").

- (A) To initiate the Auction (except if it is a Complex Order), the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (i) a single price at which it seeks to execute the PIXL Order (a "stop price"); (ii) that it is willing to automatically match as principal or as agent

on behalf of an Initiating Order the price and size of all PAN responses, and trading interest ("auto-match") in which case the PIXL Order will be stopped at the better of the NBBO or the Reference BBO on the Initiating Order side; or (iii) that it is willing to either: a) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT" price); b) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price; or c) stop the entire order at the better of the NBBO or Reference BBO on the Initiating Order side, and auto-match PAN responses and trading interest at a price or prices that improve the stop price up to the NWT price. In all cases, if the PBBO on the same side of the market as the PIXL Order represents a Limit Order on the book, the stop price must be at least \$0.01[one minimum price improvement increment] better than the booked Limit Order's limit price. Once the Initiating Member has submitted a PIXL Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in subparagraphs (i)-(iii) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled. Under no circumstances will the Initiating Member receive an allocation percentage, at the final price point, of more than 50% with one competing quote, order or PAN response or 40% with multiple competing quotes, orders or PAN responses, when competing quotes, orders or PAN responses have contracts available for execution.

When starting an Auction, the Initiating Member may submit the Initiating Order with a designation of "surrender" to the other PIXL participants ("Surrender") which will result in the Initiating Member forfeiting the priority and trade allocation privileges which he is otherwise entitled to as per paragraph (b)(5)(B)(i). If Surrender is specified the Initiating Order will only trade if there is not enough interest available to fully execute the PIXL Order at prices which are equal to or improve upon the stop price. The Surrender function will never result in more than the maximum allowable allocation percentage to the Initiating Member than that which the Initiating Member would have otherwise received in accordance with the allocation procedures set forth in this Rule. Surrender will not be applied if both the Initiating Order and PIXL Order are Public Customer orders. Surrender information will not be available to other market participants and may not be modified.

(B) To initiate the PIXL Complex Order Auction, the Initiating Member must mark the PIXL Order for Auction processing, and specify either: (i) a single price at which it seeks to execute the PIXL Order (a "stop price"); or (ii) that it is willing to either: a) stop the entire order at a single stop price and auto-match PAN responses and trading interest at a price or prices that improve the stop price to a specified price (a "Not Worse Than" or "NWT"

price); or (b) stop the entire order at a single stop price and auto-match all PAN responses and trading interest at or better than the stop price. Once the Initiating Member has submitted a PIXL Complex Order for processing pursuant to this subparagraph, such PIXL Order may not be modified or cancelled. Under any of the circumstances described in sub-paragraphs (i)-(ii) above, the stop price or NWT price may be improved to the benefit of the PIXL Order during the Auction, but may not be cancelled.

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- (G) (i) The minimum price increment for PAN responses and for an Initiating Member's stop price and/or NWT price (except if it is a Complex Order) shall be \$0.01.
- (ii) The minimum price increment for PAN responses and for an Initiating Member's stop price and/or NWT price in the case of a Complex Order shall be \$0.01.
- (H) A PAN response size at any given price point may not exceed the size of the PIXL Order. A PAN response with a size greater than the size of the PIXL Order will be immediately cancelled.
- (I) A PAN response (except if it is a Complex Order) must be equal to or better than the NBBO and the Reference BBO at the time of receipt of the PAN response. A Complex Order PAN response must be equal to or better than the cPBBO, as defined in Options 3, Section 14(a) at the time of receipt of the PAN response. PAN responses may be modified or cancelled during the Auction. A PAN response (except if it is a Complex Order) submitted with a price that is outside the better of the NBBO or Reference BBO will be immediately cancelled. A Complex Order PAN response submitted with a price that is outside the cPBBO will be rejected. A PAN or Complex Order PAN response which is inferior to the stop price of the PIXL order will be cancelled.

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- (2) Conclusion of Auction. The PIXL Auction shall conclude at the earlier to occur of (A) through (D) below, with the PIXL Order executing pursuant to paragraph (2)(A) through (D) below.
 - (A) The end of the Auction period;
 - (B) For a PIXL Auction (except if it is a Complex Order), any time the Reference BBO crosses the PIXL Order stop price on the same side of the market as the PIXL Order;

(C) For a Complex Order PIXL Auction, any time the cPBBO including Reference BBO or the Complex Order book crosses the PIXL Order stop price on the same side of the market as the PIXL Order (defined for these purposes as a "Complex PIXL Order" or, as the context requires, a "PIXL Order"); or

(D) Any time there is a trading halt on the Exchange in the affected series.

(3) If the situations described in sub-paragraphs (2)(B), (C), or (D) above occur, the entire PIXL Order will be executed at: (A) in the case of the Reference BBO crossing the PIXL Order stop price, the best response price(s) or, if the stop price is the best price in the Auction, at the stop price, unless the best response price is equal to or better than the price of a Limit Order resting on the PHLX book on the same side of the market as the PIXL Order, in which case the PIXL Order will be executed against that response, but at a price that is at least \$0.01 [one minimum price improvement increment] better than the price of such Limit Order at the time of the conclusion of the Auction; (B) in the case of the cPBBO or the Complex Order book crossing the Complex PIXL Order stop price on the same side of the market as the Complex PIXL Order, the stop price against executable PAN responses and executable Complex Orders using the allocation algorithm in subparagraph (5)(B)(iv)(a) through d); or (C) in the case of a trading halt on the Exchange in the affected series, the stop price, in which case the PIXL Order will be executed solely against the Initiating Order. Any unexecuted PAN responses will be cancelled.

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(5) **Order Allocation.** At the conclusion of the Auction, the PIXL Order will be allocated at the best price(s) as follows:

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(B) After Public Customer interest at a particular price level has been satisfied, remaining contracts will be allocated among all Exchange quotes, orders and PAN responses as follows:

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(iii) In the case of a PIXL (except if it is a Complex Order), if the Initiating Member selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

a. first to quotes, orders and PAN responses at prices better than the NWT price (if any), beginning with the best price, pursuant to the algorithm set forth in Options 3, Section 10(a)(1)(A) and (E) – (G) at each price point;

- b. next, to quotes, orders and PAN responses at prices at the Initiating Member's NWT price and better than the Initiating Member's stop price, beginning with the NWT price. The Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at each price point, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price) after Public Customer interest has been satisfied but before remaining interest. In the case of an Initiating Order with a NWT price at the market, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and PAN responses at all price points, except that the Initiating Member shall be entitled to receive up to 40% (if there are multiple competing quotes, orders or PAN responses) or 50% (if there is only one competing quote, order or PAN response) of the contracts remaining at the final price point (including situations where the final price is the stop price) after Public Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and PAN responses at the final price point the contracts will be allocated to such interest pursuant to the algorithm set forth in paragraph Options 3, Section 10(a)(1)(E) – (G). Any remaining contracts shall be allocated to the Initiating Member.

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- (v) In the case of a Complex Order PIXL, if the Initiating Member selected the "stop and NWT" option of the PIXL Auction, contracts shall be allocated as follows:

- a. First to Complex Orders and PAN responses at prices better than the NWT price, as well as to quotes and orders which comprise the cPBBO at the end of the Auction, if such cPBBO is better than the NWT price, pursuant to the algorithm set forth above in (b)(5)(B)(iv)(a) through d) of this rule;

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- (7) If the execution PIXL Auction price (except if it is a Complex Order) would be[is] the same or better [as that of] than an order on the Limit Order book represented in the PBBO on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least \$0.01[one minimum price improvement increment] better than the resting order's limit price. [or, i]If such resting order's limit price is equal to or crosses

the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

(8) If the execution Complex Order PIXL Auction price [is]would be the same or better [as that of a]than a Complex Order on the Complex Order Book on the same side of the market as the PIXL Order, the PIXL Order may only be executed at a price that is at least \$0.01[one minimum price improvement increment] better than the resting order's limit price.]; or i]If such resting order's limit price is equal to or crosses the stop price, then the entire PIXL Order will trade at the stop price with all better priced interest being considered for execution at the stop price.

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(f) In lieu of the procedures in paragraphs (a) - (b) above, an Initiating Member may enter a PIXL Order for the account of a Public Customer paired with an order for the account of a Public Customer and such paired orders will be automatically executed without a PIXL Auction, provided there is not currently an Auction in progress in the same series or same strategy, in which case the orders will be rejected. The execution price for such a PIXL Order (except if it is a Complex Order) must be expressed in the quoting increment applicable to the affected series. Such an execution may not trade through the better of the NBBO or Reference BBO, including All-or-None Orders that can be satisfied, or at the same price as any resting Public Customer order. The execution price for such a Complex Order PIXL may be in .01 increments and may not trade at a price equal to or through the cPBBO including Reference BBO or at the same price as a resting Public Customer Complex Order including All-or-None Orders that can be satisfied.

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Section 15. Simple Order Risk Protections

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(c) The following protections apply to Lead Market Makers and Market Makers on Phlx:

(1) **Anti-Internalization** - Quotes and orders entered by Lead Market Makers and Market Makers (as defined in Options 2, Section 4) using the same market participant identifier will not be executed against quotes and orders entered on the opposite side of the market by the same Lead Market Maker or Market Maker using the same identifier. In such a case, the System will cancel the resting quote or order back to the entering party prior to execution. This functionality shall not apply in any auction, [or] with respect to complex order transactions or during an Opening Process.

(2) Automated Quotation Adjustments.

(A) A Lead Market Maker, Streaming Quote Trader or Remote Streaming Quote Trader (collectively "Market Maker") may provide a specified time period and a specified percentage (as these terms are defined below) by which the Exchange's System ("System") will automatically remove a Market Maker's quotes and SQF interest in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds ("Percentage-Based Specified Time Period"). For each series in an option, the System will determine: (i) the percentage that the number of contracts executed in that series represents relative to the disseminated size, the original size quoted by the Market Maker, of each side in that series ("Series Percentage"); and (ii) the sum of the Series Percentage in the option issue ("Issue Percentage"). The System tracks and calculates the net impact of positions in the same option issue; long call percentages are offset by short call percentages, and long put percentages are offset by short put percentages in the Issue Percentage. If the Issue Percentage, rounded to the nearest integer, equals or exceeds a percentage established by a Market Maker, not less than 1% ("Specified Percentage"), the System will automatically remove a Market Maker's quotes and SQF interest in all series of the underlying security submitted through designated Phlx protocols, as specified by the Exchange, during the Percentage-Based Specified Time Period ("Percentage- Based Threshold"). A Percentage-Based Specified Time Period will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and SQF interest as described in (iv) or (v) or the Percentage-Based Specified Time Period expires. A Percentage -Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Percentage-Based Specified Time Periods occurring simultaneously and such Percentage-Based Specified Time periods may overlap.

(B) A Lead Market Maker, Streaming Quote Trader or Remote Streaming Quote Trader (collectively "Market Maker") may provide a specified time period and a volume threshold by which the Exchange's System will automatically remove a Market Maker's quotes and SQF interest in all series of an underlying security submitted through designated Phlx protocols, as specified by the Exchange, during a specified time period established by the Market Maker not to exceed 15 seconds ("Volume-Based Specified Time Period") when the Market Maker executes a number of contracts which equals or exceeds the designated number of contracts in all options series in an underlying security ("Volume-Based Threshold"). The Market Maker's Volume-Based Specified Time Period must be the same length of time as designated for purposes of the Percentage-Based Threshold. A Volume- Based Specified Time Period

will commence for an option every time an execution occurs in any series in such option and will continue until the System removes quotes and SQF interest as described in (iv) or (v) or the Volume-Based Specified Time Period expires. A Volume-Based Specified Time Period operates on a rolling basis among all series in an option in that there may be multiple Volume- Based Specified Time Periods occurring simultaneously and such Volume-Based Specified Time periods may overlap.

(C) A Market Maker or Market Maker Group (multiple affiliated Market Makers is a "Group" as defined by a Phlx member and provided by such member to the Exchange) may provide a Specified Time Period and number of allowable triggers by which the Exchange will automatically remove quotes and SQF interest in all options series in all underlying issues submitted through designated Phlx protocols, as specified by the Exchange ("Multi-Trigger Threshold"). During a specified time period(s) established by the Market Maker not to exceed 15 seconds ("Multi-Trigger Specified Time Period"), the number of times the System automatically removes the Market Maker's or Group's quotes and SQF interest in all options series will be based on the number of triggers of the Percentage-Based Threshold, described in (i) above, as well as the Volume-Based Threshold described in (ii) above. Once the System determines that the number of triggers equals or exceeds a number established by either the Market Maker or Group, during a Multi-Trigger Specified Time Period, the System will automatically remove all quotes and SQF interest in all options series in all underlying issues for that Market Maker or Group. A trigger is defined as the event which causes the System to automatically remove in all options series in an underlying issue. A Multi- Trigger Specified Time Period will commence after every trigger of either the Percentage-Based Threshold or the Volume-Based Threshold and will continue until the System removes quotes and SQF interest as described in (iv) or the Multi-Trigger Specified Time Period expires. The System counts triggers within the Multi-Trigger Specified Time Period across all triggers for the Market Maker or Group. A Multi-Trigger Specified Time Period operates on a rolling basis in that there may be multiple Multi-Trigger Specified Time Periods occurring simultaneously and such Multi-Trigger Specified Time Periods may overlap.

(D) The System will automatically remove quotes and SQF interest in all options in an underlying security when the Percentage-Based Threshold or Volume-Based Threshold has been reached. The System will automatically remove quotes and SQF interest in all options in all underlying securities when the Multi-Trigger Threshold has been reached. The System will send a Purge Notification Message to the Market Maker for all affected options when the above thresholds have been reached.

(i) The Percentage-Based Threshold or Volume-Based Threshold and Multi-Trigger Threshold, are considered independently of each other.

(ii) Quotes and SQF interest will be automatically executed up to the Market Maker's size regardless of whether the execution exceeds the Percentage-Based Threshold or Volume-Based Threshold.

(E) If a Market Maker requests the System to remove quotes and SQF interest in all options series in an underlying issue, the System will automatically reset the Percentage-Based Specified Time Period(s) or Volume-Based Specified Time Period(s). The Multi-Trigger Specified Time Period(s) will not automatically reset for the Multi-Trigger Threshold.

(F) When the System removes quotes and SQF interest as a result of the Percentage-Based Threshold or Volume-Based Threshold, the Market Maker must send a re-entry indicator to re-enter the System. When the System removes quotes and SQF interest as a result of the Multi-Trigger Threshold, the System will not accept quotes and SQF interest through designated protocols until the Market Maker manually requests re-entry. After quotes and SQF interest are removed as a result of the Multi-Trigger Threshold, Exchange staff must set a re-entry indicator in this case to enable re-entry, which will cause the System to send a Reentry Notification Message to the Market Maker for all options series in all underlying issues. The Market Maker's Clearing Firm will be notified regarding the trigger and re-entry into the System after quotes and SQF interest are removed as a result of the Multi-Trigger Threshold, provided the Market Maker's Clearing Firm has requested to receive such notification.

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Section 23. Data Feeds and Trade Information

(a) The following data feeds are offered by Phlx:

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(2) **PHLX Orders** is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX [Limit] Order book for displayed order types and All-or-None Orders, as well as market participant capacity. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s)[, single and Complex Orders, and Complex Order Live Auction ("COLA") for all symbols listed on Phlx]. The data provided for each options series includes the symbols (series and underlying security), put or call

indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance).

(3) **PHLX Depth of Market** is a data product that provides: (i) order and quotation information for individual quotes and orders on the [PHLX] order book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. The feed also provides order imbalances on opening/reopening (size of matched contracts and size of the imbalance) and exposure notifications, with market participant capacity.

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Options 5 Order Protection and Locked and Crossed Markets

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Section 4. Order Routing

(a) Phlx offers two routing strategies, FIND and SRCH. Each of these routing strategies will be explained in more detail below. An order may in the alternative be marked Do Not Route or “DNR”. The Exchange notes that for purposes of this rule the System will route FIND and SRCH Orders with no other contingencies. Immediate or Cancel (“IOC”) Orders will be cancelled immediately if not executed, and will not be routed. The System checks the Order Book for available contracts for potential execution against the FIND or SRCH orders. After the System checks the Order Book for available contracts, orders are sent to other available market centers for potential execution. For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or Stop Orders which have not been triggered. [and t]The “internal PBBO” shall refer to the actual better price of an order resting on Phlx’s Order Book, which is not displayed, but available for execution, excluding Stop Orders which have not been triggered and All-or-None Orders which cannot be satisfied. For purposes of this rule, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer. Finally, for purposes of this rule, "exposure" or "exposing" an order shall mean a notification sent to participants with the price, size, and side of interest that is available for execution. An order exposure alert is sent if the order size is modified. Exposure notifications will be sent to participants in accordance with the routing procedures described in Options 5, Section 4(a)(iii) below except if an incoming order is joining an

already established PBBO price when the ABBO is locked or crossed with the PBBO, in which case such order will join the established PBBO price and no exposure notification will be sent. For purposes of this rule Phlx's opening process is governed by Options 3, Section 8 and includes an opening after a trading halt ("Opening Process").

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Options 8 Floor Trading

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Section 2. Definitions

(a) The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified:

(1) – (4) No change.

(5) **Permit.** The term "Permit" shall refer to the description in Rule 1(z). Additionally, notwithstanding applicable By-Laws and Rules conditioning membership, a Series A-1 permit holder on the Exchange's Trading Floor may be affiliated with up to two (2) member organizations (a primary and a secondary member organization) that are under common ownership. Both the primary and secondary member organizations shall notify the Membership Department of such an affiliation. This notification shall include: (i) an attestation of common ownership; (ii) the names of the individuals responsible for supervision of the permit holder; and (iii) the Exchange account numbers for billing purposes. For purposes of this Rule, "common ownership" shall be defined as at least 75% common ownership between the member organizations. A permit may not be transferred by lease, sale, gift, involuntary transfer, or any other means or as collateral to secure any obligation, except that a permit may be transferred within the Permit Holder's Member Organization or to an "Inactive Nominee" who is registered as such with the Exchange, subject to the provisions of the By-Laws and Rules relating to an "Inactive Nominee".

(6) No change.

(7) **Floor Lead Market Maker.** The term "*Floor Lead Market Maker*" is a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a) and has a physical presence on the Exchange's trading floor.

([7]8) **Floor Market Maker.** The term "*Floor Market Maker*" is a Market Maker who is neither an SQT or an RSQT. A Floor Market Maker may provide a quote in open outcry

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Section 32. Types of Floor-Based (Non-System) Orders

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The Exchange may determine to make certain order types and time-in-force, respectively, available on a class or System basis.

(g) FLEX Option. A FLEX Option is as described in Options 8, Section 34. FLEX Options are not eligible for entry by a member for execution through FBMS.

([g]h) Routing order types. In the System, the following order types will be available and governed by Options 5, Section 4: DNR (do not route), FIND and SRCH.

([h]i) For options on foreign currencies, a multi-spread transaction consisting of spread, straddle or combination orders may be executed. A multi-spread transaction combines any two spread type orders for the same account as defined in Options 8, Section 32(e), a permissible multi-spread transaction combines any of the following: a two-way transaction with another two-way transaction of the same spread type; a three-way transaction with another three-way transaction of the same spread type; or a two-way transaction with a three-way transaction of the same spread type. In addition, a multi-spread transaction includes the combination of a spread type order with a ratio spread type order. The ratio between the spread type order and the ratio spread type order comprising the multi-spread transaction may range from one-to-one to three-to-one, which will be determined by the Exchange.

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