

Required fields are shown with yellow backgrounds and asterisks.

Filing by Nasdaq PHLX LLC  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			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 \*).

Amend Phlx Rules at Options 8 Section 34 FLEX Index Equity and Currency Options

**Contact Information**

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

First Name \* Angela Last Name \* Dunn  
 Title \* Principal Associate General Counsel  
 E-mail \* angela.dunn@nasdaq.com  
 Telephone \* (215) 496-5692 Fax

**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 08/13/2021  
 By John Zecca  
 (Name \*)

EVP and Chief Legal Officer

john.zecca@nasdaq.com

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Phlx Rules at Options 8, Section 34, “FLEX Index, Equity and Currency Options,” to extend the expiration term for FLEX index and equity options to a maximum expiration term of 15 years.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on 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

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

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

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

a. Purpose

The Exchange proposes to amend Phlx Rules at Options 8, Section 34, “FLEX Index, Equity, and Currency Options.” Today, Phlx permits members and member organizations to transact FLEX options on its Trading Floor. FLEX options provide investors with the ability to customize basic option features including expiration date, exercise style, and certain exercise prices. FLEX options may be FLEX index, equity, or currency options. The Exchange proposes to amend the expiration term for FLEX index and equity options to remain competitive with other options exchanges as described below in greater detail.

Currently, the expiration date for a FLEX index option is any month, business day and year within 5 years. The expiration date for FLEX equity and currency options is any month, business day and year within 3 years.<sup>3</sup> Further, with respect to FLEX equity options, a member or member organization may request a longer term up to a maximum of five years, and upon the assessment of the Regulatory staff that sufficient liquidity exists among FLEX equity participants, such a request may be granted. Regulatory staff are Exchange employees responsible for, among other things, assessing that sufficient liquidity exists among FLEX equity participants requesting a term exceeding three years to a maximum of five years.<sup>4</sup>

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<sup>3</sup> See Options 8, Section 34(b)(6)(A).

<sup>4</sup> The Exchange may also designate other qualified Exchange employees to assist the Regulatory staff as the need arises. See Options 8, Section 34(b)(6)(B).

The Exchange proposes to increase the maximum term for FLEX index and equity options to 15 years similar to Cboe Exchange, Inc. (“Cboe”), NYSE Arca, Inc. (“NYSE Arca”), and NYSE American LLC (“NYSE American”). Today, Cboe, NYSE Arca, and NYSE American permit a maximum term of fifteen years for FLEX equity and index options.<sup>5</sup> With this amendment, the Exchange would eliminate the requirement applicable to equity options that Regulatory staff make a liquidity assessment. The expiration date for FLEX currency options will remain within 3 years. The amendment is proposed for the below reasons.

First, the proposal is intended to simplify the process and permit Phlx members and member organizations to transact FLEX index and equity options with the same expiration terms as Cboe, NYSE Arca, and NYSE American members. This amendment would permit all FLEX equity and index options to have the same maximum 15 year term as other options markets that offer FLEX.<sup>6</sup>

Second, expanding the maximum expiration terms to 15 years uniformly for FLEX index and equity options will permit transactions which currently trade over-the-counter (“OTC”) to be conducted within an exchange environment. Phlx believes that expanding the eligible term for FLEX equity and index options, as proposed, is important and necessary to the Exchange’s efforts to create products and markets that provide members, member organizations, and investors interested in FLEX-type options with an

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<sup>5</sup> See Cboe Rule 4.21(b)(4). See Securities Exchange Act Release No. 58890 (October 30, 2008), 73 FR 66085 (November 6, 2008) (SR-CBOE-2008-98) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Increase the Maximum Term for FLEX Options). See also NYSE Arca 5.32-O and NYSE American Rule 903G.

<sup>6</sup> See Cboe’s Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

improved but comparable alternative to the OTC market in customized options, which can take on contract characteristics similar to FLEX options, but are not subject to the same maximum term restriction. By expanding the eligible term for FLEX index and equity options, market participants will now have greater flexibility in determining whether to execute their customized options in an exchange environment or in the OTC market, similar to Cboe, NYSE Arca, and NYSE American. The Exchange believes market participants benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation (“OCC”) as issuer and guarantor of FLEX options.

Third, the Exchange believes that the proposed rule change will allow investors to use longer expiration FLEX equity and index options to hedge longer-term issuances of structured products linked to returns of an individual stock. Specifically, the proposal will allow institutions to use longer-term FLEX index options to protect portfolios from long-term market moves with a known and limited cost. The proposal will better serve the long-term hedging needs of institutional investors and provide those investors with an alternative to hedging their portfolios with off-exchange customized options and warrants.

Fourth, the Exchange proposes to eliminate rule text that describes Regulatory staff’s discretionary authority to extend the maximum term of FLEX options that expire within three years pursuant to Options 8, Section 34(b)(6)(B) after having performed a liquidity assessment, and also renumber current Options 8, Section 34(b)(6)(C) to new

“B” because the process by which FLEX options are transacted already requires floor members to seek liquidity in open outcry. Today, FLEX options transactions are exposed in open outcry on the Trading Floor similar to other options. Specifically, today, a Requesting Member<sup>7</sup> initiates a Request-For-Quote (“RFQ”)<sup>8</sup> by announcing certain contracts terms<sup>9</sup> in open outcry and submitting an RFQ ticket, which includes the open outcry BBO as identified in accordance with the price and time priority principles set forth by the Exchange, to the Market Operations post on the Trading Floor. On receipt of an RFQ in proper form, Market Operations disseminates the terms of the RFQ along with the open outcry BBO as an administrative message through the Options Price Reporting Authority (“OPRA”).<sup>10</sup> At the expiration of the Request Response Time, the Requesting Member may re-enter the trading crowd and proceed with announcing his FLEX order and negotiating the terms of the execution in open outcry. Once the FLEX order is executed in open outcry, the FLEX trade is disseminated to OPRA by the Exchange.<sup>11</sup>

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<sup>7</sup> A Requesting Member is a member of the Exchange qualified to trade FLEX options pursuant to Options 3, Section 34(d) who initiates an RFQ for a FLEX option. See Options 3, Section 34(b)(11).

<sup>8</sup> The term “Request for Quotes” means the initial request supplied by a Requesting Member to initiate FLEX bidding and offering. See Options 3, Section 34(b)(10).

<sup>9</sup> A Request Member must announce: (1) underlying index, security or foreign currency; (2) type, size, and crossing intention; (3) in the case of FLEX index options and FLEX equity options, exercise style; (4) expiration date; (5) exercise price; and (6) respecting index options, the settlement value. See Options 8, Section 34(c)(1). See Options 3, Section 34(c)(1).

<sup>10</sup> FLEX Quotes must be entered during the Request Response Time of 15 seconds. All FLEX Quotes may be entered, modified or withdrawn at any point during the request response time. See Options 8, Section 34(c)(2).

<sup>11</sup> If the Requesting Member has not indicated an intention to cross or act as principal with respect to any part of the FLEX trade, the member shall promptly accept or reject the displayed BBO: provided, however, that if such a Requesting

Requesting Members may indicate an intention to cross,<sup>12</sup> permitting participation with all other FLEX-participating members in attempting to improve or match the BBO during the BBO Improvement Interval.<sup>13</sup> At expiration of the BBO Improvement Interval, the Requesting Member must promptly accept or reject the BBO(s); the Requesting Member has no obligation to accept any FLEX bid or offer.<sup>14</sup> RFQs, responsive quotes and completed trades are promptly reported to OPRA and disseminated as an administrative message by the Exchange. As the foregoing process demonstrates, Phlx seeks to maintain a competitive Trading Floor through the administration of its rules which

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Member either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX participating members other than the Requesting Member will have an opportunity during the BBO Improvement Interval in which to match, or improve, (as applicable), the BBO. At the expiration of any such BBO Improvement Interval, the Requesting Member must promptly accept or reject the BBO(s). See Options 8, Section 34(c)(3).

<sup>12</sup> If the Requesting Member has indicated an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Requesting Member must indicate at the post the price at which the member expects to trade. In the case of FLEX equity options only whenever the Requesting Member has indicated an intention to cross or act as principal on the trade and has matched or improved the BBO during the BBO Improvement Interval, the Requesting Member will be permitted to execute the contra side of the trade that is the subject of the RFQs, to the extent of at least 40% of the trade, provided the order is a Public Customer order or an order respecting the Requesting Member's firm proprietary account. Notwithstanding the foregoing, all market participants may effect crossing transactions. See Options 8, Section 34(c)(5).

<sup>13</sup> The BBO Improvement Interval means the minimum period of time, to be established by the Exchange, during which members may submit FLEX Quotes to meet or improve the BBO established during the Request Response Time. See Options 8, Section 34(b)(15).

<sup>14</sup> Whenever, following the completion of FLEX bidding and offering responsive to a given RFQs, the Requesting Member rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the RFQs, members may accept the entire order or the unfilled balance of the BBO. See Options 8, Section 34(c)(3).

contain processes to ensure that options transactions are exposed in such a way as to permit other floor members an opportunity to participate in price discovery by requiring floor members to seek liquidity in open outcry. For example, the Options 8 rules require one Floor Market Maker to be present in the trading crowd prior to representing an order for execution as a means to expose orders to potential liquidity. As such, separate liquidity assessments by Regulatory staff are not needed.

Fifth, similar to Cboe, the proposed rule change incorporates the concept that the expiration date is the date on which an executed FLEX option is submitted to the System, which, on Phlx, is the date the FLEX option is reported to OPRA and disseminated as an administrative message through the System<sup>15</sup> by Market Operations staff. A FLEX option series is available for trading only when exposed in open outcry and, after completion of the RFQ process, thereafter, Exchange staff manually submits the executed FLEX option to the System through which it is promptly reported to OPRA and disseminated as an administrative message. For purposes of the definition of the System pursuant to Phlx Rules, the date of submission to the Phlx System is the date on which the executed FLEX option is reported to OPRA.

#### Technical Amendments

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<sup>15</sup> The term “System” shall mean the automated system for order execution and trade reporting owned and operated by the Exchange which comprises: (i) an order execution service that enables members to automatically execute transactions in option series; and provides members with sufficient monitoring and updating capability to participate in an automated execution environment; (ii) a trade reporting service that submits “locked-in” trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority (“OPRA”) for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a “locked-in” trading environment; and (iii) the data feeds described at Options 3, Section 23. See Options 1, Section 1(b)(57).

The Exchange proposes to amend the rule text utilized to describe the maximum expiration for a FLEX currency option to conform that language to the terminology proposed herein to describe maximum expirations for FLEX index and equity options. The Exchange would delete the rule text which states, “within three years for FLEX currency options,” and replace that rule text with the phrase “no more than 3 years from the date on which a FLEX currency option is submitted to the System.” The Exchange is not amending the term for FLEX currency options.

The Exchange also proposes to add a “,” after the word “Equity” in the title of Options 8, Section 34 and amend the term “FLEX Order” within Options 8, Section 34(b)(6)(B) to “FLEX option order” to conform the usage of the term throughout Options 8, Section 34. The Exchange proposes to remove “; or” within Options 8, Section 34(b)(6)(A).

Finally, the Exchange proposes two amendments within Options 8, Section 34(c) to update the name of the post and identify the message sent by the Exchange. To that end, the term “FLEX post” is proposed to be changed to “Market Operations post” and the phrase “administrative text message” is proposed to be change to “administrative message.” These proposed changes will update the rule to the current terminology. These proposed amendments do not represent substantive changes to the current FLEX option process, rather these changes are merely wording changes which continue to reflect the current process without substantive change.

#### Implementation

The Exchange intends to begin implementation of the proposed rule change no earlier than September 13, 2021 and no later than September 30, 2021. The Exchange

will issue an Options Trader Alert to Participants to provide notification of the implementation date.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>17</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

This proposal is intended to simplify the process and permit Phlx members and member organizations to transact FLEX index and equity options with the same expiration terms as Cboe, NYSE Arca, and NYSE American members. This amendment would permit all FLEX equity and index options to have the same maximum 15 year term as other options markets that offer FLEX.<sup>18</sup> For the reasons Phlx has articulated below, the Exchange believes this proposal is consistent with the Act.

Expanding the maximum expiration terms to 15 years uniformly for FLEX index and equity options is consistent with the Act as it will permit transactions which currently trade OTC to be conducted within an exchange environment. Phlx believes that expanding the eligible term for FLEX equity and index options, as proposed, is important and necessary to the Exchange's efforts to create products and markets that provide members, member organizations, and investors interested in FLEX-type options with an

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<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

<sup>18</sup> See Cboe's Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

improved but comparable alternative to the OTC market in customized options, which can take on contract characteristics similar to FLEX options, but are not subject to the same maximum term restriction. By expanding the eligible term for FLEX index and equity options, market participants will now have greater flexibility in determining whether to execute their customized options in an exchange environment or in the OTC market, similar to Cboe, NYSE Arca, and NYSE American. Specifically, Market participants benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of FLEX options.

The proposal will allow investors to use longer expiration FLEX equity and index options to hedge longer-term issuances of structured products linked to returns of an individual stock. Specifically, the proposal is consistent with the Act because it will allow institutions to use longer-term FLEX index options to protect portfolios from long-term market moves with a known and limited cost, thereby better serving the long-term hedging needs of institutional investors and provide those investors with an alternative to hedging their portfolios with off-exchange customized options and warrants.

The Exchange's proposal to eliminate rule text that describes Regulatory staff's discretionary authority to extend the maximum term of FLEX options that expire within three years pursuant to Options 8, Section 34(b)(6)(B) after having performed a liquidity assessment and also renumber current Options 8, Section 34(b)(6)(C) to new "B" is consistent with the Act because the process by which the FLEX options are transacted

already require floor members to seek liquidity in open outcry. The Exchange details its process above for seeking liquidity in open outcry when transacting FLEX options today on the Trading Floor. As the above-referenced process demonstrates, Phlx seeks to maintain a competitive Trading Floor through the administration of its rules which contain processes to ensure that options transactions are exposed in such a way as to permit other floor members an opportunity to participate in price discovery by requiring floor members to seek liquidity in open outcry. For example, the Options 8 rules require one Floor Market Maker to be present in the trading crowd prior to representing an order for execution as a means to expose orders to potential liquidity. As such, separate liquidity assessments by Regulatory staff are not needed.

Similar to Cboe, the proposed rule change incorporates the concept that the expiration date is the date on which an executed FLEX option is submitted to the System, which, on Phlx, is the date the FLEX option is reported to OPRA and disseminated as an administrative message through the System by Market Operations staff. A FLEX option series is available for trading only when exposed in open outcry and, after completion of the RFQ process, thereafter, Exchange staff manually submits the executed FLEX option to the System through which it is promptly reported to OPRA and disseminated as an administrative message. For purposes of the definition of the System pursuant to Phlx Rules, the date of submission to the Phlx System is the date on which the executed FLEX option is reported to OPRA.

#### Technical Amendments

The Exchange's proposal to amend the rule text utilized to describe the maximum expiration for a FLEX currency option is consistent with the Act because it conforms that

language to the terminology proposed herein to describe maximum expirations for FLEX index and equity options. The proposal to delete the rule text which states, “within three years for FLEX currency options,” and replace that rule text with the phrase “no more than 3 years from the date on which a FLEX currency option is submitted to the System” is non-substantive.

The Exchange’s proposals to add a “,” after the word “Equity” in the title of Options 8, Section 34, amend the term “FLEX Order” within Options 8, Section 34(b)(6)(B) to “FLEX option order,” and remove “; or” within Options 8, Section 34(b)(6)(A) are non-substantive rule changes. Finally, the proposals to update the name of the post and identify the message sent by the Exchange are also non-substantive rule changes. These proposed amendments do not represent substantive changes to the current FLEX option process, rather these changes are merely wording changes which continue to reflect the current process without substantive change.

#### 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. All floor participants are able to transact FLEX options. As noted herein, this amendment will provide Phlx with a comparable alternative to the OTC market in customized options. Finally, Cboe, NYSE Arca, and NYSE American permit expirations of up to 15 years for FLEX index and equity options.<sup>19</sup>

#### Technical Amendments

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<sup>19</sup> See Cboe’s Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

The Exchange's proposal to amend the rule text utilized to describe the maximum expiration for a FLEX currency option does not impose an undue burden on competition because it conforms that language to the terminology proposed herein to describe maximum expirations for FLEX index and equity options. The proposal to delete the rule text which states, "within three years for FLEX currency options," and replace that rule text with the phrase "no more than 3 years from the date on which a FLEX currency option is submitted to the System" is non-substantive.

The Exchange's proposals to add a "," after the word "Equity" in the title of Options 8, Section 34, amend the term "FLEX Order" within Options 8, Section 34(b)(6)(B) to "FLEX option order," and remove "; or" within Options 8, Section 34(b)(6)(A) are non-substantive rule changes. Finally, the proposals to update the name of the post and identify the message sent by the Exchange are also non-substantive rule changes. These proposed amendments do not represent substantive changes to the current FLEX option process, rather these changes are merely wording changes which continue to reflect the current process without substantive change.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section

19(b)(3)(A)(iii)<sup>20</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>21</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange's proposal does not significantly affect the protection of investors or the public interest. The proposed rule change will provide members, member organizations and investors with additional opportunities to trade customized options in an exchange environment, and investors will benefit as a result. The proposal will offer Phlx members and member organizations the ability to transact FLEX index and equity options subject to the same maximum term restriction as are available today on Cboe, NYSE Arca, and NYSE American.<sup>22</sup> The Exchange's proposal does not impose any significant burden on competition. All floor market participants are able to transact FLEX options. As noted herein, this amendment will provide Phlx with a comparable alternative to the OTC market in customized options. Finally, Cboe, NYSE Arca and NYSE American permit expirations of up to 15 years. The remaining amendments are non-substantive changes which continue to reflect the current process without substantive change.

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

<sup>22</sup> See Cboe's Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

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

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

This proposal is similar to Cboe's Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G. Unlike Phlx, Cboe, NYSE Arca and NYSE American do not transact FLEX currency options. Phlx is not proposing to amend the term of FLEX currency options with this proposal.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2021-45)

August \_\_, 2021

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx Rules at Options 8, Section 34, FLEX Index, Equity and Currency Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 13, 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 8, Section 34, “FLEX Index, Equity and Currency Options,” to extend the expiration term for FLEX index and equity options to a maximum expiration term of 15 years.

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.

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

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Phlx Rules at Options 8, Section 34, "FLEX Index, Equity, and Currency Options." Today, Phlx permits members and member organizations to transact FLEX options on its Trading Floor. FLEX options provide investors with the ability to customize basic option features including expiration date, exercise style, and certain exercise prices. FLEX options may be FLEX index, equity, or currency options. The Exchange proposes to amend the expiration term for FLEX index and equity options to remain competitive with other options exchanges as described below in greater detail.

Currently, the expiration date for a FLEX index option is any month, business day and year within 5 years. The expiration date for FLEX equity and currency options is any month, business day and year within 3 years.<sup>3</sup> Further, with respect to FLEX equity options, a member or member organization may request a longer term up to a maximum of five years, and upon the assessment of the Regulatory staff that sufficient liquidity

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<sup>3</sup> See Options 8, Section 34(b)(6)(A).

exists among FLEX equity participants, such a request may be granted. Regulatory staff are Exchange employees responsible for, among other things, assessing that sufficient liquidity exists among FLEX equity participants requesting a term exceeding three years to a maximum of five years.<sup>4</sup>

The Exchange proposes to increase the maximum term for FLEX index and equity options to 15 years similar to Cboe Exchange, Inc. (“Cboe”), NYSE Arca, Inc. (“NYSE Arca”), and NYSE American LLC (“NYSE American”). Today, Cboe, NYSE Arca, and NYSE American permit a maximum term of fifteen years for FLEX equity and index options.<sup>5</sup> With this amendment, the Exchange would eliminate the requirement applicable to equity options that Regulatory staff make a liquidity assessment. The expiration date for FLEX currency options will remain within 3 years. The amendment is proposed for the below reasons.

First, the proposal is intended to simplify the process and permit Phlx members and member organizations to transact FLEX index and equity options with the same expiration terms as Cboe, NYSE Arca, and NYSE American members. This amendment would permit all FLEX equity and index options to have the same maximum 15 year term as other options markets that offer FLEX.<sup>6</sup>

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<sup>4</sup> The Exchange may also designate other qualified Exchange employees to assist the Regulatory staff as the need arises. See Options 8, Section 34(b)(6)(B).

<sup>5</sup> See Cboe Rule 4.21(b)(4). See Securities Exchange Act Release No. 58890 (October 30, 2008), 73 FR 66085 (November 6, 2008) (SR-CBOE-2008-98) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Increase the Maximum Term for FLEX Options). See also NYSE Arca 5.32-O and NYSE American Rule 903G.

<sup>6</sup> See Cboe’s Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

Second, expanding the maximum expiration terms to 15 years uniformly for FLEX index and equity options will permit transactions which currently trade over-the-counter (“OTC”) to be conducted within an exchange environment. Phlx believes that expanding the eligible term for FLEX equity and index options, as proposed, is important and necessary to the Exchange’s efforts to create products and markets that provide members, member organizations, and investors interested in FLEX-type options with an improved but comparable alternative to the OTC market in customized options, which can take on contract characteristics similar to FLEX options, but are not subject to the same maximum term restriction. By expanding the eligible term for FLEX index and equity options, market participants will now have greater flexibility in determining whether to execute their customized options in an exchange environment or in the OTC market, similar to Cboe, NYSE Arca, and NYSE American. The Exchange believes market participants benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of The Options Clearing Corporation (“OCC”) as issuer and guarantor of FLEX options.

Third, the Exchange believes that the proposed rule change will allow investors to use longer expiration FLEX equity and index options to hedge longer-term issuances of structured products linked to returns of an individual stock. Specifically, the proposal will allow institutions to use longer-term FLEX index options to protect portfolios from long-term market moves with a known and limited cost. The proposal will better serve the long-term hedging needs of institutional investors and provide those investors with an

alternative to hedging their portfolios with off-exchange customized options and warrants.

Fourth, the Exchange proposes to eliminate rule text that describes Regulatory staff's discretionary authority to extend the maximum term of FLEX options that expire within three years pursuant to Options 8, Section 34(b)(6)(B) after having performed a liquidity assessment, and also renumber current Options 8, Section 34(b)(6)(C) to new "B" because the process by which FLEX options are transacted already requires floor members to seek liquidity in open outcry. Today, FLEX options transactions are exposed in open outcry on the Trading Floor similar to other options. Specifically, today, a Requesting Member<sup>7</sup> initiates a Request-For-Quote ("RFQ")<sup>8</sup> by announcing certain contracts terms<sup>9</sup> in open outcry and submitting an RFQ ticket, which includes the open outcry BBO as identified in accordance with the price and time priority principles set forth by the Exchange, to the Market Operations post on the Trading Floor. On receipt of an RFQ in proper form, Market Operations disseminates the terms of the RFQ along with the open outcry BBO as an administrative message through the Options Price Reporting

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<sup>7</sup> A Requesting Member is a member of the Exchange qualified to trade FLEX options pursuant to Options 3, Section 34(d) who initiates an RFQ for a FLEX option. See Options 3, Section 34(b)(11).

<sup>8</sup> The term "Request for Quotes" means the initial request supplied by a Requesting Member to initiate FLEX bidding and offering. See Options 3, Section 34(b)(10).

<sup>9</sup> A Request Member must announce: (1) underlying index, security or foreign currency; (2) type, size, and crossing intention; (3) in the case of FLEX index options and FLEX equity options, exercise style; (4) expiration date; (5) exercise price; and (6) respecting index options, the settlement value. See Options 8, Section 34(c)(1). See Options 3, Section 34(c)(1).

Authority (“OPRA”).<sup>10</sup> At the expiration of the Request Response Time, the Requesting Member may re-enter the trading crowd and proceed with announcing his FLEX order and negotiating the terms of the execution in open outcry. Once the FLEX order is executed in open outcry, the FLEX trade is disseminated to OPRA by the Exchange.<sup>11</sup> Requesting Members may indicate an intention to cross,<sup>12</sup> permitting participation with all other FLEX-participating members in attempting to improve or match the BBO during the BBO Improvement Interval.<sup>13</sup> At expiration of the BBO Improvement Interval, the

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<sup>10</sup> FLEX Quotes must be entered during the Request Response Time of 15 seconds. All FLEX Quotes may be entered, modified or withdrawn at any point during the request response time. See Options 8, Section 34(c)(2).

<sup>11</sup> If the Requesting Member has not indicated an intention to cross or act as principal with respect to any part of the FLEX trade, the member shall promptly accept or reject the displayed BBO: provided, however, that if such a Requesting Member either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX participating members other than the Requesting Member will have an opportunity during the BBO Improvement Interval in which to match, or improve, (as applicable), the BBO. At the expiration of any such BBO Improvement Interval, the Requesting Member must promptly accept or reject the BBO(s). See Options 8, Section 34(c)(3).

<sup>12</sup> If the Requesting Member has indicated an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Requesting Member must indicate at the post the price at which the member expects to trade. In the case of FLEX equity options only whenever the Requesting Member has indicated an intention to cross or act as principal on the trade and has matched or improved the BBO during the BBO Improvement Interval, the Requesting Member will be permitted to execute the contra side of the trade that is the subject of the RFQs, to the extent of at least 40% of the trade, provided the order is a Public Customer order or an order respecting the Requesting Member's firm proprietary account. Notwithstanding the foregoing, all market participants may effect crossing transactions. See Options 8, Section 34(c)(5).

<sup>13</sup> The BBO Improvement Interval means the minimum period of time, to be established by the Exchange, during which members may submit FLEX Quotes to meet or improve the BBO established during the Request Response Time. See Options 8, Section 34(b)(15).

Requesting Member must promptly accept or reject the BBO(s); the Requesting Member has no obligation to accept any FLEX bid or offer.<sup>14</sup> RFQs, responsive quotes and completed trades are promptly reported to OPRA and disseminated as an administrative message by the Exchange. As the foregoing process demonstrates, Phlx seeks to maintain a competitive Trading Floor through the administration of its rules which contain processes to ensure that options transactions are exposed in such a way as to permit other floor members an opportunity to participate in price discovery by requiring floor members to seek liquidity in open outcry. For example, the Options 8 rules require one Floor Market Maker to be present in the trading crowd prior to representing an order for execution as a means to expose orders to potential liquidity. As such, separate liquidity assessments by Regulatory staff are not needed.

Fifth, similar to Cboe, the proposed rule change incorporates the concept that the expiration date is the date on which an executed FLEX option is submitted to the System, which, on Phlx, is the date the FLEX option is reported to OPRA and disseminated as an administrative message through the System<sup>15</sup> by Market Operations staff. A FLEX

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<sup>14</sup> Whenever, following the completion of FLEX bidding and offering responsive to a given RFQs, the Requesting Member rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the RFQs, members may accept the entire order or the unfilled balance of the BBO. See Options 8, Section 34(c)(3).

<sup>15</sup> The term “System” shall mean the automated system for order execution and trade reporting owned and operated by the Exchange which comprises: (i) an order execution service that enables members to automatically execute transactions in option series; and provides members with sufficient monitoring and updating capability to participate in an automated execution environment; (ii) a trade reporting service that submits “locked-in” trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority (“OPRA”) for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a

option series is available for trading only when exposed in open outcry and, after completion of the RFQ process, thereafter, Exchange staff manually submits the executed FLEX option to the System through which it is promptly reported to OPRA and disseminated as an administrative message. For purposes of the definition of the System pursuant to Phlx Rules, the date of submission to the Phlx System is the date on which the executed FLEX option is reported to OPRA.

#### Technical Amendments

The Exchange proposes to amend the rule text utilized to describe the maximum expiration for a FLEX currency option to conform that language to the terminology proposed herein to describe maximum expirations for FLEX index and equity options. The Exchange would delete the rule text which states, “within three years for FLEX currency options,” and replace that rule text with the phrase “no more than 3 years from the date on which a FLEX currency option is submitted to the System.” The Exchange is not amending the term for FLEX currency options.

The Exchange also proposes to add a “,” after the word “Equity” in the title of Options 8, Section 34 and amend the term “FLEX Order” within Options 8, Section 34(b)(6)(B) to “FLEX option order” to conform the usage of the term throughout Options 8, Section 34. The Exchange proposes to remove “; or” within Options 8, Section 34(b)(6)(A).

Finally, the Exchange proposes two amendments within Options 8, Section 34(c) to update the name of the post and identify the message sent by the Exchange. To that end, the term “FLEX post” is proposed to be changed to “Market Operations post” and

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“locked-in” trading environment; and (iii) the data feeds described at Options 3, Section 23. See Options 1, Section 1(b)(57).

the phrase “administrative text message” is proposed to be change to “administrative message.” These proposed changes will update the rule to the current terminology.

These proposed amendments do not represent substantive changes to the current FLEX option process, rather these changes are merely wording changes which continue to reflect the current process without substantive change.

### Implementation

The Exchange intends to begin implementation of the proposed rule change no earlier than September 13, 2021 and no later than September 30, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>17</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

This proposal is intended to simplify the process and permit Phlx members and member organizations to transact FLEX index and equity options with the same expiration terms as Cboe, NYSE Arca, and NYSE American members. This amendment would permit all FLEX equity and index options to have the same maximum 15 year

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<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

term as other options markets that offer FLEX.<sup>18</sup> For the reasons Phlx has articulated below, the Exchange believes this proposal is consistent with the Act.

Expanding the maximum expiration terms to 15 years uniformly for FLEX index and equity options is consistent with the Act as it will permit transactions which currently trade OTC to be conducted within an exchange environment. Phlx believes that expanding the eligible term for FLEX equity and index options, as proposed, is important and necessary to the Exchange's efforts to create products and markets that provide members, member organizations, and investors interested in FLEX-type options with an improved but comparable alternative to the OTC market in customized options, which can take on contract characteristics similar to FLEX options, but are not subject to the same maximum term restriction. By expanding the eligible term for FLEX index and equity options, market participants will now have greater flexibility in determining whether to execute their customized options in an exchange environment or in the OTC market, similar to Cboe, NYSE Arca, and NYSE American. Specifically, Market participants benefit from being able to trade these customized options in an exchange environment in several ways, including, but not limited to the following: (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of FLEX options.

The proposal will allow investors to use longer expiration FLEX equity and index options to hedge longer-term issuances of structured products linked to returns of an individual stock. Specifically, the proposal is consistent with the Act because it will

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<sup>18</sup> See Cboe's Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

allow institutions to use longer-term FLEX index options to protect portfolios from long-term market moves with a known and limited cost, thereby better serving the long-term hedging needs of institutional investors and provide those investors with an alternative to hedging their portfolios with off-exchange customized options and warrants.

The Exchange's proposal to eliminate rule text that describes Regulatory staff's discretionary authority to extend the maximum term of FLEX options that expire within three years pursuant to Options 8, Section 34(b)(6)(B) after having performed a liquidity assessment and also renumber current Options 8, Section 34(b)(6)(C) to new "B" is consistent with the Act because the process by which the FLEX options are transacted already require floor members to seek liquidity in open outcry. The Exchange details its process above for seeking liquidity in open outcry when transacting FLEX options today on the Trading Floor. As the above-referenced process demonstrates, Phlx seeks to maintain a competitive Trading Floor through the administration of its rules which contain processes to ensure that options transactions are exposed in such a way as to permit other floor members an opportunity to participate in price discovery by requiring floor members to seek liquidity in open outcry. For example, the Options 8 rules require one Floor Market Maker to be present in the trading crowd prior to representing an order for execution as a means to expose orders to potential liquidity. As such, separate liquidity assessments by Regulatory staff are not needed.

Similar to Cboe, the proposed rule change incorporates the concept that the expiration date is the date on which an executed FLEX option is submitted to the System, which, on Phlx, is the date the FLEX option is reported to OPRA and disseminated as an administrative message through the System by Market Operations staff. A FLEX option

series is available for trading only when exposed in open outcry and, after completion of the RFQ process, thereafter, Exchange staff manually submits the executed FLEX option to the System through which it is promptly reported to OPRA and disseminated as an administrative message. For purposes of the definition of the System pursuant to Phlx Rules, the date of submission to the Phlx System is the date on which the executed FLEX option is reported to OPRA.

#### Technical Amendments

The Exchange's proposal to amend the rule text utilized to describe the maximum expiration for a FLEX currency option is consistent with the Act because it conforms that language to the terminology proposed herein to describe maximum expirations for FLEX index and equity options. The proposal to delete the rule text which states, "within three years for FLEX currency options," and replace that rule text with the phrase "no more than 3 years from the date on which a FLEX currency option is submitted to the System" is non-substantive.

The Exchange's proposals to add a "," after the word "Equity" in the title of Options 8, Section 34, amend the term "FLEX Order" within Options 8, Section 34(b)(6)(B) to "FLEX option order," and remove "; or" within Options 8, Section 34(b)(6)(A) are non-substantive rule changes. Finally, the proposals to update the name of the post and identify the message sent by the Exchange are also non-substantive rule changes. These proposed amendments do not represent substantive changes to the current FLEX option process, rather these changes are merely wording changes which continue to reflect the current process without substantive change.

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. All floor participants are able to transact FLEX options. As noted herein, this amendment will provide Phlx with a comparable alternative to the OTC market in customized options. Finally, Cboe, NYSE Arca, and NYSE American permit expirations of up to 15 years for FLEX index and equity options.<sup>19</sup>

Technical Amendments

The Exchange's proposal to amend the rule text utilized to describe the maximum expiration for a FLEX currency option does not impose an undue burden on competition because it conforms that language to the terminology proposed herein to describe maximum expirations for FLEX index and equity options. The proposal to delete the rule text which states, "within three years for FLEX currency options," and replace that rule text with the phrase "no more than 3 years from the date on which a FLEX currency option is submitted to the System" is non-substantive.

The Exchange's proposals to add a "," after the word "Equity" in the title of Options 8, Section 34, amend the term "FLEX Order" within Options 8, Section 34(b)(6)(B) to "FLEX option order," and remove "; or" within Options 8, Section 34(b)(6)(A) are non-substantive rule changes. Finally, the proposals to update the name of the post and identify the message sent by the Exchange are also non-substantive rule changes. These proposed amendments do not represent substantive changes to the

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<sup>19</sup> See Cboe's Rule 4.21(b)(4), NYSE Arca 5.32-O and NYSE American Rule 903G.

current FLEX option process, rather these changes are merely wording changes which continue to reflect the current process without substantive change.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>20</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>21</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>21</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2021-45 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-2021-45. 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-2021-45 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>22</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**Nasdaq PHLX LLC Rules**

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**Options Rules**

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**Options 8 Floor Trading**

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**Section 34. FLEX Index, Equity, and Currency Options**

(a) A Requesting Member shall obtain quotes and execute trades in certain non-listed FLEX options at the post of the non-FLEX option on the Exchange. The term "FLEX option" means a FLEX option contract that is traded subject to this Rule. Although FLEX options are generally subject to the Rules in this section, to the extent that the provisions of this Rule are inconsistent with other applicable Exchange Rules, this Rule takes precedence with respect to FLEX options.

**(b) Characteristics:**

(1) – (5) No change.

(6) Expiration date—

(A) any month, business day and year no more than 15 years from the date on which an executed FLEX equity and index option is submitted to the System[within five years for FLEX index options] and no more than 3 years from the date on which an[within three years for] executed FLEX currency option[s] is submitted to the System, except that (i) a FLEX index option that expires on or within two business days prior or subsequent to a third Friday-of-the-month expiration day for a non-FLEX option (except quarterly expiring index options) or underlying currency may only have an exercise settlement value on the expiration date determined by reference to the reported level of the index as derived from the opening prices of the component securities ("a.m. settlement") and (ii) all FLEX currency options will expire at 11:59 p.m. eastern time on their designated expiration date[; or].

[(B) any month, business day and year within three years for FLEX equity options, provided, however, that a Requesting Member may request a longer term to a maximum of five years, and upon the assessment of the Regulatory staff that sufficient liquidity exists among FLEX equity participants, such request may be granted. Regulatory staff are Exchange employees responsible for, among other

things, assessing that sufficient liquidity exists among FLEX equity participants requesting a term exceeding three years to a maximum of five years. The Exchange may also designate other qualified Exchange employees to assist the Regulatory staff as the need arises.]

([C]B) Provided the options on an underlying security or index are otherwise eligible for FLEX trading, FLEX options shall be permitted in puts and calls that do not have the same exercise style, same expiration date and same exercise price as non-FLEX options that are already available for trading on the same underlying security or index. FLEX options shall also be permitted before the options are listed for trading as non-FLEX options. Once and if the option series are listed for trading as non-FLEX options, then (i) all existing open positions established under the FLEX trading procedures shall be fully fungible with transactions in the respective non-FLEX option series, and (ii) any further trading in the series would be as non-FLEX options subject to the non-FLEX trading procedures and Rules. However, in the event the Non-FLEX series is added intra-day, a position established under the FLEX trading procedures would be permitted to be closed using the FLEX trading procedures for the balance of the trading day on which the Non-FLEX series is added against another closing only FLEX position. For such FLEX series, the Exchange will make an announcement that the FLEX series is now restricted to closing transactions; a FLEX Request for Quotes ("RFQ") may not be disseminated for any order representing a FLEX series having the same terms as a Non-FLEX series, unless such FLEX [Order]option order is a closing order (and it is the day the Non-FLEX series has been added); and only responses that close out an existing FLEX position are permitted. Any transactions in a restricted series that occur that do not conform to these requirements will be nullified by the Exchange.

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(c) **Procedure for Quoting and Trading FLEX Options.** FLEX options will not be continuously quoted and series are not pre-established. The Exchange's electronic quoting and trading system will not be available for FLEX options. The variable terms of FLEX options shall be established through the process described in this Rule. All transactions must be in compliance with Section 11(a) of the Securities Exchange Act of 1934 and the rules promulgated thereunder, which may include yielding priority to Public Customer orders.

(1) **Requesting Quotations.** The Requesting Member may initiate a Request-for-Quote ("RFQ") by first announcing all of the following contract terms to the trading crowd of the non-FLEX option and then submitting an RFQ ticket to the post: (1) underlying index, security or foreign currency; (2) type, size, and crossing intention; (3) in the case of FLEX index options and FLEX equity options, exercise style; (4) expiration date; (5) exercise price; and (6) respecting index options, the settlement value. Thereafter, on receipt of an RFQ in proper form, the assigned Lead Market Maker or the Requesting Member shall cause the terms of the RFQ to be

disseminated as an administrative [text] message through the Options Price Reporting Authority ("OPRA").

(2) **Responses.** Members may enter at the [FLEX]Market Operations post FLEX Quotes responsive to each Request for Quotes. FLEX Quotes must be entered during the Request Response Time. Each FLEX Quote shall refer to a reference indicator as the Exchange determines appropriate from time to time. All FLEX Quotes may be entered, modified or withdrawn at any point during the request response time. At the expiration of the Request Response Time, the BBO shall be identified in accordance with the price and time priority principles set forth by the Exchange.

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(6) **Reporting Requirements.** RFQs, responsive quotes and completed trades will be promptly reported to OPRA and disseminated as an administrative [text] message.

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