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

File No. \* SR 2021 - \* 48

Amendment No. (req. for Amendments \*)

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

**Description**

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

Amend Options 2 and Options 3 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 \* 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 of 1934, Nasdaq PHLX LLC has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 08/23/2021

(Title \*)

By John Zecca

EVP and Chief Legal Counsel

(Name \*)

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

 Date: 2021.08.23 17:21:02 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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SR-Phlx-2021-48 19b-4.doc

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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SR-Phlx-2021-48 Exhibit 1.doc

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 Advanced 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 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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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 Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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 Sent As Paper Document

**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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SR-Phlx-2021-48 Exhibit 5.doc

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 (“Commission”) a proposal to amend Phlx Options 2, Section 5, Electronic Market Maker Obligations and Quoting Requirements, Options 2, Section 10, Directed Orders, Options 3, Section 13, Price Improvement XL (“PIXL”), and Options 3, Section 26, Message Traffic Mitigation.

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.

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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 2, Section 5, Electronic Market Maker Obligations and Quoting Requirements, Options 2, Section 10, Directed Orders, Options 3, Section 13, Price Improvement XL (“PIXL”), and Options 3, Section 26, Message Traffic Mitigation. Each change is described below.

Options 2, Section 5

The Exchange proposes to amend Options 2, Section 5, which describes quoting obligations for Market Makers<sup>3</sup> and Lead Market Makers,<sup>4</sup> to conform the description of a LEAP for index options with Options 4A, Section 12(b)(2). Today, SQTs and RSQTs

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<sup>3</sup> A “Market Maker” means a Streaming Quote Trader or a Remote Streaming Quote Trader who enters quotations for his own account electronically into the System. See Options 1, Section 1(b)(28). 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. See Options 1, Section 1(b)(54). 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. See Options 1, Section 1(b)(49).

<sup>4</sup> A “Lead Market Maker” means a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a). A Lead Market Maker includes a Remote Lead Market Maker which is defined as a Lead Market Maker in one or more classes that does not have a physical presence on an Exchange's trading floor and is approved by the Exchange pursuant to Options 2, Section 11. See Options 1, Section 1(b)(27).

are not required to make two-sided markets in any Quarterly Option Series, any adjusted option series, and any option series with an expiration of nine months or greater, otherwise known as long-term options series or “LEAPs.” Current Options 2, Section 5(c)(2)(A) describes a LEAP as any option series with an expiration of nine months or greater, while Options 4A, Section 12(b)(2) describes a LEAP on an index option as a series of options having not less than twelve and up to 60 months to expiration.<sup>5</sup> The Exchange proposes to amend Options 2, Section 5(c)(2)(A) to explicitly define a LEAP by product. Specifically, the Exchange proposes to add the following phrase to end of the paragraph, “for options on equities and exchange-traded funds (“ETFs”) or with an expiration of twelve months or greater for index options” to distinguish LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months. This proposal is non-substantive as Options 4A, Section 12(b)(2) already defines a LEAP on an index option. The Exchange is simply conforming Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2).

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<sup>5</sup> Phlx previously amended its Options 4A, Section 12, Terms of Option Contracts, to change the number of expirations that the Exchange may open for trading in series of options related to Long-Term Options Series of index options. See Securities Exchange Act Release No. 88460 (March 23, 2020), 85 FR 17146 (March 26, 2020) (SR-Phlx-2020-10) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 4A, Section 12, Terms of Option Contracts). This proposal amended Phlx’s current expiration for long-term index options from those series not having less than nine and up to 60 months to expirations to a number of expirations not having less than twelve and up to 60 months to expiration with respect to Long-Term Options Series.

Similar changes to distinguish terms for LEAPs on index options are proposed for Options 2, Section 5(c)(2)(B) and (C) which are applicable to Lead Market Makers,<sup>6</sup> and Directed SQTs and Directed RSQTs.<sup>7</sup> Also, a similar change is proposed to be added to Options 2, Section 5(c)(2)(D) which generally describes the manner in which the Exchange calculates quoting obligations. This amendment will bring greater clarity to the Exchange's rules.

#### Options 2, Section 10

The Exchange proposes to correct an improper citation within Options 2, Section 10(a)(iii) to Options 10, Section 11(a)(1)(C). The citation should refer to the allocation rule at Options 3, Section 10(a)(1).

#### Options 3, Section 13

The Exchange proposes to amend Options 3, Section 13, Price Improvement XL (“PIXL”). Specifically, the Exchange proposes to update rule citations within Options 3, Section 13(c) – (e) to Options 9. The rule citations to “Options 9, Section 1” and “Options 9, Section” are being replaced with “General 9, Section 1(c).” The Exchange previously relocated Options 9, Section 1, Conduct Inconsistent with Just and Equitable Principles of Trade, to General 9, Section 1(c).<sup>8</sup> Certain citations were missing the

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<sup>6</sup> Lead Market Makers are required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any LEAP. See Options 2, Section 5(c)(2)(B).

<sup>7</sup> Directed SQTs and Directed RSQTs are not required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any LEAP. See Options 2, Section 5(c)(2)(C).

<sup>8</sup> See Securities Exchange Act Release No. 91058 (February 4, 2021), 86 FR 8966 (February 10, 2021) (SR-Phlx-2021-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Its PSX Equity and General

Section “1” as well. The Exchange also proposes to make “exceed” plural within Options 3, Section 13(d).

Options 3 Section 26

The Exchange proposes to amend Options 3, Section 26, Message Traffic Mitigation. Specifically, the Exchange proposes to amend Options 3, Section 26(a)(3) which currently provides, “The Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when: . . . the size associated with the Exchange's bid (offer) increases by an amount greater than or equal to a percentage (never to exceed 20%) of the size associated with previously disseminated bid (offer). Such percentage, which shall never exceed 20%, shall be determined on an issue-by-issue basis by the Exchange and announced to membership via Exchange circular.” The Exchange proposes to make some non-substantive amendments to the sentence, such as changing “shall” to “will” and moving the phrase “by the Exchange”. The Exchange also proposes to amend the practice of issuing a circular to announce the percentage specified in Options 3, Section 26(a)(3) to instead posting the percentage on the Exchange’s website. The Exchange believes that posting the information on the Exchange’s website will provide members and member organizations a reference to the current percentage provided for within Options 3, Section 26(a)(3) without the need to locate a notice that was previously issued. Further, this practice will continue to provide transparency to members and member organizations.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

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Rules From Its Current Rulebook Into Its New Rulebook Shell and Make Other Changes to the Phlx Rules).

Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 2, Section 5

The proposed amendment to Options 2, Section 5 is consistent with the Act because it will distinguish LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months. This proposal is non-substantive as Options 4A, Section 12(b)(2) already defines a LEAP on an index option. The Exchange is simply conforming Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2). This amendment will bring greater clarity to the Exchange's rules.

Options 2, Section 10

The Exchange's proposal to correct an improper citation within Options 2, Section 10(a)(iii) is consistent with the Act and will bring greater clarity to the Exchange's rules.

Options 3, Section 13

The Exchange's proposal to update rule citations within Options 3, Section 13(c) – (e) from “Options 9” or “Options 9, Section 1” to “General 9, Section 1(c)” is consistent with the Act and will bring greater clarity to the Exchange's Rulebook.

Options 3 Section 26

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

The Exchange's proposal to amend Options 3, Section 26(a)(3) to make some non-substantive amendments, such as changing "shall" to "will" and moving the phrase "by the Exchange" and amending the practice of issuing a circular to instead posting the percentage on the Exchange's website are consistent with the Act. The Exchange believes that posting the information on the Exchange's website will provide members and member organizations a reference to the current percentage within Options 3, Section 26(a)(3) without the need to locate a notice that was previously issued. Further, this practice will continue to provide transparency to members and member organizations.

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 2, Section 5

The proposed amendment to Options 2, Section 5 does not impose an undue burden on competition because the proposal is a non-substantive amendment to add specificity to the rule by distinguishing LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months. This proposal will conform Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2).

Options 2, Section 10

The Exchange's proposal to correct an improper citation within Options 2, Section 10(a)(iii) does not impose an undue burden on competition, rather it will bring greater clarity to the Exchange's rules.

Options 3, Section 13

The Exchange's proposal to update rule citations within Options 3, Section 13(c) – (e) from "Options 9" or "Options 9, Section 1" to "General 9, Section 1(c)" does not impose an undue burden on competition, rather the proposal will bring greater clarity to the Exchange's Rulebook.

Options 3 Section 26

The Exchange's proposal to amend Options 3, Section 26(a)(3) to make some non-substantive amendments, such as changing "shall" to "will" and moving the phrase "by the Exchange" and amending the practice of issuing a circular to instead posting the percentage within Options 3, Section 26(a)(3) on the Exchange's website does not impose an undue burden on competition. The Exchange believes that posting the information on the Exchange's website will continue to provide transparency to members and member organizations.

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>11</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>12</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii)

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

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 proposed amendment to Options 2, Section 5 will distinguish LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months. The amendment to Options 2, Section 5 does not impose any significant burden on competition as this proposal will conform Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2). Updating citations within Options 2, Section 10 and Options 3, Section 13 will bring greater clarity to the Exchange's Rulebook. Amending Options 3, Section 26(a)(3) to make some non-substantive amendments, and amending the practice of issuing a circular to instead posting the percentage within Options 3, Section 26(a)(3) on the Exchange's website does not significantly affect the protection of investors or the public interest. Posting the information on the Exchange's website will provide members and member organizations a reference to the current percentage without the need to locate a notice that was previously issued. Amending Options 3, Section 26 does not impose any significant burden on competition, rather it will continue to provide transparency to members and member organizations.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>13</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

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<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

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 operative delay to permit the Exchange to immediately amend Options 2, Section 5 to distinguish LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months, thereby conforming Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2). Also, amending Options 3, Section 26(a)(3) will continue to provide transparency to members and member organizations with respect to the manner in which the Exchange manages quote traffic.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2021-48)

August \_\_, 2021

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

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 23, 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 Options 2, Section 5, Electronic Market Maker Obligations and Quoting Requirements, Options 2, Section 10, Directed Orders, Options 3, Section 13, Price Improvement XL (“PIXL”), and Options 3, Section 26, Message Traffic Mitigation.

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 2, Section 5, Electronic Market Maker Obligations and Quoting Requirements, Options 2, Section 10, Directed Orders, Options 3, Section 13, Price Improvement XL (“PIXL”), and Options 3, Section 26, Message Traffic Mitigation. Each change is described below.

Options 2, Section 5

The Exchange proposes to amend Options 2, Section 5, which describes quoting obligations for Market Makers<sup>3</sup> and Lead Market Makers,<sup>4</sup> to conform the description of

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<sup>3</sup> A “Market Maker” means a Streaming Quote Trader or a Remote Streaming Quote Trader who enters quotations for his own account electronically into the System. See Options 1, Section 1(b)(28). 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. See Options 1, Section 1(b)(54). 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

a LEAP for index options with Options 4A, Section 12(b)(2). Today, SQTs and RSQTs are not required to make two-sided markets in any Quarterly Option Series, any adjusted option series, and any option series with an expiration of nine months or greater, otherwise known as long-term options series or “LEAPs.” Current Options 2, Section 5(c)(2)(A) describes a LEAP as any option series with an expiration of nine months or greater, while Options 4A, Section 12(b)(2) describes a LEAP on an index option as a series of options having not less than twelve and up to 60 months to expiration.<sup>5</sup> The Exchange proposes to amend Options 2, Section 5(c)(2)(A) to explicitly define a LEAP by product. Specifically, the Exchange proposes to add the following phrase to end of the paragraph, “for options on equities and exchange-traded funds (“ETFs”) or with an expiration of twelve months or greater for index options” to distinguish LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS

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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. See Options 1, Section 1(b)(49).

- <sup>4</sup> A “Lead Market Maker” means a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a). A Lead Market Maker includes a Remote Lead Market Maker which is defined as a Lead Market Maker in one or more classes that does not have a physical presence on an Exchange's trading floor and is approved by the Exchange pursuant to Options 2, Section 11. See Options 1, Section 1(b)(27).
- <sup>5</sup> Phlx previously amended its Options 4A, Section 12, Terms of Option Contracts, to change the number of expirations that the Exchange may open for trading in series of options related to Long-Term Options Series of index options. See Securities Exchange Act Release No. 88460 (March 23, 2020), 85 FR 17146 (March 26, 2020) (SR-Phlx-2020-10) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 4A, Section 12, Terms of Option Contracts). This proposal amended Phlx’s current expiration for long-term index options from those series not having less than nine and up to 60 months to expirations to a number of expirations not having less than twelve and up to 60 months to expiration with respect to Long-Term Options Series.

for index options, which have an opening month of 12 months. This proposal is non-substantive as Options 4A, Section 12(b)(2) already defines a LEAP on an index option. The Exchange is simply conforming Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2).

Similar changes to distinguish terms for LEAPs on index options are proposed for Options 2, Section 5(c)(2)(B) and (C) which are applicable to Lead Market Makers,<sup>6</sup> and Directed SQTs and Directed RSQTs.<sup>7</sup> Also, a similar change is proposed to be added to Options 2, Section 5(c)(2)(D) which generally describes the manner in which the Exchange calculates quoting obligations. This amendment will bring greater clarity to the Exchange's rules.

#### Options 2, Section 10

The Exchange proposes to correct an improper citation within Options 2, Section 10(a)(iii) to Options 10, Section 11(a)(1)(C). The citation should refer to the allocation rule at Options 3, Section 10(a)(1).

#### Options 3, Section 13

The Exchange proposes to amend Options 3, Section 13, Price Improvement XL ("PIXL"). Specifically, the Exchange proposes to update rule citations within Options 3, Section 13(c) – (e) to Options 9. The rule citations to "Options 9, Section 1" and "Options 9, Section" are being replaced with "General 9, Section 1(c)." The Exchange previously relocated Options 9, Section 1, Conduct Inconsistent with Just and Equitable

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<sup>6</sup> Lead Market Makers are required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any LEAP. See Options 2, Section 5(c)(2)(B).

<sup>7</sup> Directed SQTs and Directed RSQTs are not required to make two-sided markets in any Quarterly Option Series, any Adjusted Option Series, and any LEAP. See Options 2, Section 5(c)(2)(C).

Principles of Trade, to General 9, Section 1(c).<sup>8</sup> Certain citations were missing the Section “1” as well. The Exchange also proposes to make “exceed” plural within Options 3, Section 13(d).

#### Options 3 Section 26

The Exchange proposes to amend Options 3, Section 26, Message Traffic Mitigation. Specifically, the Exchange proposes to amend Options 3, Section 26(a)(3) which currently provides, “The Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when:… the size associated with the Exchange's bid (offer) increases by an amount greater than or equal to a percentage (never to exceed 20%) of the size associated with previously disseminated bid (offer). Such percentage, which shall never exceed 20%, shall be determined on an issue-by-issue basis by the Exchange and announced to membership via Exchange circular.” The Exchange proposes to make some non-substantive amendments to the sentence, such as changing “shall” to “will” and moving the phrase “by the Exchange”. The Exchange also proposes to amend the practice of issuing a circular to announce the percentage specified in Options 3, Section 26(a)(3) to instead posting the percentage on the Exchange’s website. The Exchange believes that posting the information on the Exchange’s website will provide members and member organizations a reference to the current percentage provided for within Options 3, Section 26(a)(3) without the need to

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<sup>8</sup> See Securities Exchange Act Release No. 91058 (February 4, 2021), 86 FR 8966 (February 10, 2021) (SR-Phlx-2021-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Its PSX Equity and General Rules From Its Current Rulebook Into Its New Rulebook Shell and Make Other Changes to the Phlx Rules).

locate a notice that was previously issued. Further, this practice will continue to provide transparency to members and member organizations.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

### Options 2, Section 5

The proposed amendment to Options 2, Section 5 is consistent with the Act because it will distinguish LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months. This proposal is non-substantive as Options 4A, Section 12(b)(2) already defines a LEAP on an index option. The Exchange is simply conforming Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2). This amendment will bring greater clarity to the Exchange's rules.

### Options 2, Section 10

The Exchange's proposal to correct an improper citation within Options 2, Section 10(a)(iii) is consistent with the Act and will bring greater clarity to the Exchange's rules.

### Options 3, Section 13

The Exchange's proposal to update rule citations within Options 3, Section 13(c) – (e) from “Options 9” or “Options 9, Section 1” to “General 9, Section 1(c)” is

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

consistent with the Act and will bring greater clarity to the Exchange's Rulebook.

#### Options 3 Section 26

The Exchange's proposal to amend Options 3, Section 26(a)(3) to make some non-substantive amendments, such as changing "shall" to "will" and moving the phrase "by the Exchange" and amending the practice of issuing a circular to instead posting the percentage on the Exchange's website are consistent with the Act. The Exchange believes that posting the information on the Exchange's website will provide members and member organizations a reference to the current percentage within Options 3, Section 26(a)(3) without the need to locate a notice that was previously issued. Further, this practice will continue to provide transparency to members and member organizations.

#### 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.

#### Options 2, Section 5

The proposed amendment to Options 2, Section 5 does not impose an undue burden on competition because the proposal is a non-substantive amendment to add specificity to the rule by distinguishing LEAPs for options on equities and ETFs, which have an opening month of 9 months, from LEAPS for index options, which have an opening month of 12 months. This proposal will conform Options 2, Section 5(c)(2)(A) to Options 4A, Section 12(b)(2).

#### Options 2, Section 10

The Exchange's proposal to correct an improper citation within Options 2, Section 10(a)(iii) does not impose an undue burden on competition, rather it will bring

greater clarity to the Exchange's rules.

Options 3, Section 13

The Exchange's proposal to update rule citations within Options 3, Section 13(c) – (e) from “Options 9” or “Options 9, Section 1” to “General 9, Section 1(c)” does not impose an undue burden on competition, rather the proposal will bring greater clarity to the Exchange's Rulebook.

Options 3 Section 26

The Exchange's proposal to amend Options 3, Section 26(a)(3) to make some non-substantive amendments, such as changing “shall” to “will” and moving the phrase “by the Exchange” and amending the practice of issuing a circular to instead posting the percentage within Options 3, Section 26(a)(3) on the Exchange's website does not impose an undue burden on competition. The Exchange believes that posting the information on the Exchange's website will continue to provide transparency to members and member organizations.

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>11</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>12</sup>

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

#### IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2021-48 on the subject line.

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>12</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2021-48. 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-2021-48 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>13</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>13</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 2 Options Market Participants**

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**Section 5. Electronic Market Maker Obligations and Quoting Requirements**

For purposes of this rule an "electronic Market Maker" shall mean an SQT, RSQT, Lead Market Maker (including Remote Lead Market Maker), Directed SQT and Directed RSQT who enters electronic quotations into the Exchange's System.

(a) and (b) No change.

(c) No change.

(1) No change.

(2) Two-Sided Quotes. An electronic Market Maker that enters a bid (offer) in a series of an option in which he is registered on Phlx must enter an offer (bid). These quotations must meet the legal quote width requirements specified in Options 2, Section 4(c).

(A) SQTs and RSQTs, associated with the same member organization, are collectively required to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, for which that member organization's assigned options series are open for trading. Notwithstanding the foregoing, a member organization shall not be required to make two-sided markets pursuant to this paragraph (c)(2) above in any Quarterly Option Series, any adjusted option series, and any option series with an expiration of nine months or greater for options on equities and exchange-traded funds ("ETFs") or with an expiration of twelve months or greater for index options.

(i) An adjusted option series is defined as an option series wherein one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange-Traded Fund Shares ("Adjusted Options Series").

(B) Lead Market Makers (including Remote Lead Market Makers), associated with the same member organization, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may

announce in advance, for which that member organization's assigned options series are open for trading. Lead Market Makers shall be required to make two-sided markets pursuant to this rule in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options.

(C) Directed SQTs and Directed RSQTs, associated with the same member organization, are collectively required to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, for which that member organization's assigned options series are open for trading. A member organization shall be considered directed in all assigned options once the member organization receives a Directed Order in any option in which they are assigned and shall be considered a Directed SQT or Directed RSQT until such time as the member organization notifies the Exchange that they are no longer directed. Notwithstanding the foregoing, a member organization shall not be required to make two-sided markets pursuant to this paragraph (c)(2) above in any Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options.

(D) Specifically, the Exchange will calculate subparagraphs (A) - (C) above by (i) taking the total number of seconds the member organization disseminates quotes in each assigned options series, excluding Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater for options on equities and ETFs or with an expiration of twelve months or greater for index options for SQTs, RSQTs, Directed SQTs and Directed RSQTs; and (ii) dividing that time by the eligible total number of seconds each assigned option series is open for trading that day. Quoting is not required in every assigned options series. Compliance with this requirement is determined by reviewing the aggregate of quoting in assigned options series for the member organization.

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## Section 10. Directed Orders

(a) Lead Market Makers, RSQTs and SQTs may receive Directed Orders (as defined in this Rule) in accordance with the provisions of this rule.

(i) and (ii) No change.

(iii) When the Exchange's disseminated price is the NBBO, and the quotation disseminated by the Directed Lead Market Maker, RSQT, or SQT on the opposite side of the market from the Directed Order is inferior to the NBBO at the time of receipt of the Directed Order, the Directed Order shall be automatically executed and allocated to those quotations and orders at the NBBO in accordance with Options [10]3, Section 1[1]0(a)(1)[(C)].

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### Options 3 Options Trading Rules

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#### 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 Options 3, Section 13(a) and (f) ("Public Customer-to-Public Customer Cross Order").

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(c) The PIXL Auction may be used only where there is a genuine intention to execute a bona fide transaction. It will be considered a violation of this Rule and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of [Options]General 9, Section 1(c) if an Initiating Member submits a PIXL Order (initiating an Auction) and also submits its own PAN response in the same Auction.

(d) A pattern or practice of submitting multiple orders in response to a PAN at a particular price point that exceeds, in the aggregate, the size of the PIXL Order, will be deemed conduct inconsistent with just and equitable principles of trade and a violation of [Options]General 9, Section 1(c).

(e) A pattern or practice of submitting unrelated orders or quotes that cross the stop price, causing a PIXL Auction to conclude before the end of the PIXL Auction period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of [Options]General 9, Section 1(c). It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of [Options]General 9, Section 1(c) to engage in a pattern of conduct where the Initiating Member breaks up a PIXL Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Member would have otherwise received in accordance with the allocation procedures contained in subparagraph (b)(5) above.

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#### Section 26. Message Traffic Mitigation

(a) The Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when:

- (1) the Exchange's disseminated bid or offer price increases or decreases;
- (2) the size associated with the Exchange's disseminated bid or offer decreases; or
- (3) the size associated with the Exchange's bid (offer) increases by an amount greater than or equal to a percentage (never to exceed 20%) of the size associated with previously disseminated bid (offer). Such percentage, which shall never exceed 20%, [~~shall~~will] be determined by the Exchange on an issue-by-issue basis [by the Exchange ]and posted on the Exchange's website[announced to membership via Exchange circular].

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