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

File No. * SR 2024 - * 26

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"/>
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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 Phlx Options 2, Sections 5 and 10 and Options 3, Section 15

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 duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 06/25/2024

(Title *)

By John Zecca (Name *)

EVP and Chief Legal Officer

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: 2024.06.25 08:21:26 -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-2024-26 19b4.docx

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-2024-26 Exhibit 1.docx

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-2024-26 Exhibit 5.docx

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq Phlx LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Options 2, Sections 5 and 10 and Options 3, Section 15.

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 (the “Board”). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

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

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

a. Purpose

Phlx proposes to amend: (1) Directed Market Maker quoting obligations in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Options 2, Section 5, Electronic Market Maker Obligations and Quoting Requirements; (2) a reference to “Exchange’s best price” in Options 2, Section 10, Directed Orders; and (3) rule text related to the Acceptable Trade Range in Options 3, Section 15, Simple Order Risk Protections. Each change will be discussed below.

Options 2, Section 5

The Exchange proposes to amend the rule text within Options 2, Section 5(c)(2)(C) related to the quoting obligations applicable to a Directed Market Maker.

The current rule text states that 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. The current rule text does not reflect the way Phlx is applying the quoting obligations for a Directed Market Maker. With respect to a Directed Market Maker, Phlx currently requires that the Directed Market Maker provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, in any options series in which the Directed Market Maker has executed a Directed Order on a daily basis. Phlx requires the Market Maker to fulfill this requirement in addition to its requirement to quote as a Market Maker or a Lead Market Maker.

Below the Exchange presents examples of how the new rule text would operate.

Example 1

- Assume a Market Maker was assigned in options overlying AAPL, SPY, NFLX, ORCL and ADBE.
- Assume this Market Maker had previously executed a Directed Order and executes a

Directed Order in NFLX and ADBE on February 27, 2024.

- The Directed Market Maker obligation is a daily obligation once triggered and continues until the Directed Market Maker notifies the Exchange that it no longer desires to be a part of the Directed Order program.
- Moreover, on February 28, 2024 and each day thereafter the Directed Market Maker is required to provide two-sided quotations in 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis until a Directed Market Maker notifies the Exchange that it is no longer directed. Therefore, the Directed Market Maker would be required to quote at 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order each day, regardless of whether the Directed Market Maker executed a Directed Order that day.

Obligations

This Market Maker is 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's assigned options series are open for trading among **AAPL, SPY, and ORCL** to fulfill its Market Maker obligation.

Separately, this Market Maker would be obligated, separate and apart from its Market Maker obligations described in this example, to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, among **NFLX and ADBE** to fulfill its Directed Market Maker Obligation.

This Market Maker would not be 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 for options on equities and ETFs or with an expiration of twelve months or greater for index options in AAPL, SPY, NFLX, ORCL and ADBE when meeting its Market Maker or Directed Market Maker requirements.

Example 2

- Assume a Lead Market Maker was assigned in options overlying AAPL, SPY, NFLX, ORCL and ADBE.
- Assume this Lead Market Maker had previously executed a Directed Order and executes a Directed Order in NFLX and ADBE on February 27, 2024. The Directed Market Maker obligation is a daily obligation once triggered and continues until the Directed Market Maker notifies the Exchange that it no longer desires to be a part of the

Directed Order program.

▪The Directed Market Maker obligation is a daily obligation once triggered and continues until the Directed Market Maker notifies the Exchange that it no longer desires to be a part of the Directed Order program.

▪ Moreover, on February 28, 2024 and each day thereafter the Directed Market Maker is required to provide two-sided quotations in 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis until a Directed Market Maker notifies the Exchange that it is no longer directed. Therefore, the Directed Market Maker would be required to quote at 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order each day, regardless of whether the Directed Market Maker executed a Directed Order that day.

Obligations

This Lead Market Maker, associated with the same member, is 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, among **AAPL, SPY, and ORCL** to fulfill its Lead Market Maker obligation.³

Separately, this Lead Market Maker would be obligated, separate and apart from its Lead Market Maker obligations described in this example, to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, among **NFLX and ADBE** to fulfill its Directed Market Maker obligation.

This Market Maker would not be 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 for options on equities and ETFs or with an expiration of twelve months or greater for index options in AAPL, SPY, NFLX, ORCL and ADBE when meeting its Lead Market Maker or Directed Market Maker requirements.

The Exchange proposes to amend the rule text in Options 2, Section 5(c)(2)(C) to require Directed SQTs and Directed RSQTs, associated with the same member organization, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, among all option

³ See Options 2, Section 4(j)(1).

series in which the Directed Market Maker has executed a Directed Order on a daily basis, except that a Directed Market Maker shall not be 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 for options on equities and exchange-traded funds (“ETFs”) or with an expiration of twelve months or greater for index options. The Exchange notes that the proposed requirements are similar to requirements imposed by other options exchanges. NYSE Arca, Inc. (“NYSE Arca”) and NYSE American LLC (“NYSE American”) require that their lead market makers and market makers provide continuous two-sided quotations throughout the trading day in issues for which it receives Directed Orders for 90% of the time the Exchange is open for trading in each issue.⁴

The Exchange also proposes to relocate certain rule text within Options 2, Section 5(c)(2)(C) to make clear the requirements applicable to a Directed Market Maker and make other amendments as well. The Exchange proposes to amend the timeframe in which a Directed Market Maker is obligated to commence complying with the quoting obligations of Options 2, Section 5(c)(2)(C).⁵ Today, a Directed Market Maker must commence complying with the quoting obligations specified in Options 2, Section 5(c)(2)(C) when a Directed Market Maker **receives** a Directed Order in any option in which they are assigned until such time as the Directed Market Maker notifies the Exchange that they are no longer directed. Pursuant to Options 2, Section 10, “[w]hen

⁴ See NYSE Arca Rule 6.88-O and NYSE American Rule 964.1NY.

⁵ Options 2, Section 5(c)(2)(C) requires 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.

the Exchange's disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Lead Market Maker, SQT or RSQT is quoting at the Exchange's best price, the Directed Order shall be automatically executed and allocated in accordance with Options 3, Section 10(a)(1).” The Exchange proposes to amend this provision to instead begin requiring a Directed Market Maker to comply with the Options 2, Section 5(c)(2)(C) when the Directed Market Maker **executes** its first Directed Order in any option in which they are assigned. A Directed Market Maker has the ongoing quoting obligation from the time a Directed Market Maker executes its first Directed Order in the options in which the Directed Market Maker is assigned until a Directed Market Maker notifies the Exchange that the Directed Market Maker is no longer directed. Because a Directed SQT or Directed RSQT is unaware if an order is directed to them until such time as they execute the Directed Order and receive an allocation pursuant to Options 3, Section 10, the Exchange believes that starting the quoting obligation once a Directed Order is executed is a practical approach to ensuring that Directed Market Makers comply with their quoting obligations.

The proposed rule text would provide,

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, among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis, except that a Directed Market Maker shall not be required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any options 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. A Directed Market Maker has the ongoing quoting obligation from the time a Directed Market Maker executes its first Directed Order in the options in which the Directed Market Maker is assigned until a Directed Market Maker notifies the Exchange that the Directed Market Maker is no longer directed.

A Directed Market Maker shall not be required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any options 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 and would receive a participation entitlement in the Quarterly Options Series, the Adjusted Options Series, and an options 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 the Directed Order.

As is the case today, a Directed Market Maker must be quoting is quoting at the Exchange's best price at the time of receipt of the Directed Order to be entitled to the allocation in accordance with Options 3, Section 10. The Exchange notes that the amendment adds clarity to the Exchange's current practice⁶ and harmonizes the rules of Phlx with those of other Nasdaq affiliated markets.

Options 2, Section 10

The Exchange proposes to amend Options 2, Section 10, Directed Orders. Specifically, Options 2, Section 10(a)(ii) provides, "When the Exchange's disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Lead Market Maker, SQT or RSQT is quoting at the Exchange's best price, the Directed Order shall be automatically executed and allocated in accordance with Options 3, Section 10(a)(1)(C)." The Exchange proposes to amend this sentence to replace the words "Exchange's best price" with "better of the internal PBBO⁷ or the NBBO." The

⁶ Phlx noted in a 2018 rule change that if a member desired to become a Directed SQT that the quoting obligations specified in Rule 1081(c)(ii)(C) (now Options 2, Section 5) would commence when that Directed SQT executed an order directed to the Directed SQT. See Securities Exchange Act Release No. 82975 (March 30, 2018), 83 FR 14690, 14694 (April 5, 2018) (SR-Phlx-2018-22) (Notice of Filing of Proposed Rule Change To Create a New Rule 1081, To Amend Electronic Market Maker Obligations and Quoting Requirements for Electronic ROTs, Which Will Be Defined To Include SQTs, RSQTs, Directed SQTs, Directed RSQTs, Specialists, and Remote Specialists).

⁷ The "internal PBBO" is comprised of non-displayed and displayed orders on the Exchange's order book.

Exchange proposes this amendment to conform the rule text with language throughout the Options 3 trading rules that describe the Exchange's best price with references to the internal PBBO and NBBO. Pursuant to Options 3, Section 5, the System automatically executes eligible orders using the Exchange's displayed best bid and offer ("PBBO") or the Exchange's non-displayed order book ("internal PBBO") if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) or Options 3, Section 4(b)(6) which describes trade-through compliance and locked and crossed markets. The Exchange's amendment will bring additional clarity to current rule text and harmonize the rule text with Options 3 language.

Options 3, Section 15

Today, Options 3, Section 15(b)(1)(A) provides that , "Upon receipt of a new order/quote, the Reference Price is the better of the National Best Bid ("NBB") or internal best bid for sell orders/quotes and the National Best Offer ("NBO") or internal best offer for buy orders/quotes, excluding All-or-None Orders which cannot be satisfied, or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote." The Exchange proposes to remove the phrase "excluding All-or-None Orders which cannot be satisfied" from the rule text. The Exchange previously filed a rule change⁸ to amend All-or-None Orders so that they may only be submitted by a Public Customer as an Immediate-or-Cancel Order. As a result of this rule change, All-or-None Orders no longer rest on the order book. Upon entry, an

⁸ See Securities Exchange Act Release No. 98142 (August 16, 2023), 88 FR 57140 (August 22, 2023) (SR-Phlx-2023-34) (Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Phlx's All-or-None Order) ("SR-Phlx-2023-34").

All-or-None Order is executed in its entirety or cancelled if it cannot execute. The Exchange inadvertently did not remove the aforementioned rule text which would require an All-or-None Order to rest to be applicable. At this time, the Exchange proposes to also remove this rule text reference to All-or-None Orders in Options 3, Section 15(b)(1)(A), similar to the other rule text rule references that were removed in SR-Phlx-2023-34.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ 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.

Options 2, Section 5

The Exchange's proposal to amend the Directed Market Maker quoting obligations in Options 2, Section 5(c)(2)(C) is consistent with the Act. Other options exchanges today require Directed Market Makers, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has received a Directed Order on a daily basis. The proposed Directed Market Maker quoting obligations would require Directed Market Makers, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds or such higher percentage as Phlx may announce in advance, among all options

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

series in which the Directed Market Maker has executed a Directed Order on a daily basis in addition to their quoting requirements as Market Makers and Lead Market Makers.

The Exchange believes that these quoting requirements create a direct nexus between the allocation that would be received by a Directed Market Maker pursuant to Options 3, Section 10 and the liquidity that the Directed Market Maker would be required to provide to the market in that particular options series. The Exchange notes that any Directed Market Maker quoting at the NBBO would need to provide two-sided quotes as described herein for the entire day in which the Directed Market Maker received the Directed Order and each day thereafter, on a daily basis, until a Directed Market Maker notifies the Exchange that it is no longer directed. The Exchange believes that this quoting obligation is designed to promote just and equitable principles of trade by ensuring that Directed Market Makers quote competitively in as many series as possible to attract Directed Orders so that they may receive an enhanced allocation as a Directed Market Maker.

The proposed rule text would harmonize the Directed Market Maker's quoting obligations with other options exchanges which require its directed members to collectively quote in 90% of all option series in which the directed member receives a directed order on a daily basis. NYSE Arca, Inc. ("NYSE Arca) and NYSE American LLC ("NYSE American) require that their lead market makers and market makers provide continuous two-sided quotations throughout the trading day in issues for which it receives Directed Orders for 90% of the time the Exchange is open for trading in each issue.¹¹

¹¹ See NYSE Arca Rule 6.88-O and NYSE American Rule 964.1NY.

The Exchange's proposal to amend Options 2, Section 5(c)(2)(C) to require a Directed Market Maker to commence complying with the Options 2, Section 5(c)(2)(C) quoting obligations when the Directed Market Maker executes its first Directed Order in any option in which they are assigned is a practical approach to ensuring that Directed Market Makers comply with their quoting obligations. Directed Market Makers are unaware if an order is directed to them until such time as they execute the Directed Order and receive an allocation pursuant to Options 3, Section 10. Further, the Exchange notes that a Directed Market Maker must be quoting at the Exchange's best price at the time of receipt of the Directed Order to be entitled to the allocation in accordance with Options 3, Section 10.

Options 2, Section 10

The Exchange's proposal to amend Options 2, Section 10, Directed Orders, to replace the words "Exchange's best price" with "better of the internal PBBO or the NBBO" is consistent with the Act. The proposed amendment will conform the rule text with language throughout the Options 3 trading rules that describe the Exchange's best price with references to the internal PBBO and NBBO. Additionally, the Exchange's amendment will protect investors and the general public by adding clarity to current rule text as well as harmonizing the rule text with Options 3 language.

Options 3, Section 15

The Exchange's proposal to remove rule text within Options 3, Section 15(b)(1)(A), related to the Acceptable Trade Range, is consistent with the Act as SR-Phlx-2023-34 amended All-or-None Orders such that they may only be submitted by a Public Customer as an Immediate-or-Cancel Order. An All-Or-None Order will either

execute immediately or be cancelled back to the member or member organization. The Exchange inadvertently did not remove the aforementioned rule text which would require an All-or-None Order to rest to be applicable. This change will remove the incorrect rule text and bring greater clarity to the rules.

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 Exchange's proposal to amend the Directed Market Maker quoting obligations in Options 2, Section 5(c)(2)(C) does not impose an undue burden on competition as every Directed Market Maker would be required, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds or such higher percentage as Phlx may announce in advance, among all options series in which the Directed Market Maker has executed a Directed Order for the entire day in which the Directed Market Maker received the Directed Order, on a daily basis, until a Directed Market Maker notifies the Exchange that it is no longer directed. The proposal does not impose a burden on inter-market competition as other options markets today impose similar quoting obligations.

The Exchange's proposal to amend Options 2, Section 5(c)(2)(C) to require a Directed Market Maker to commence complying with the Options 2, Section 5(c)(2)(C) quoting obligations when the Directed Market Maker executes its first Directed Order in any option in which they are assigned does not impose an undue burden on competition

because all Directed Market Makers will be required to commence complying with Options 2, Section 5(c)(2)(C) when the Directed Market Maker executes its first Directed Order in any option in which they are assigned. The proposal does not impose a burden on inter-market competition as other options markets today impose similar quoting obligations and may amend their rules to mirror those of Phlx.

Options 2, Section 10

The Exchange's proposal to amend Options 2, Section 10, Directed Orders, to replace the words "Exchange's best price" with "better of the internal PBBO or the NBBO" does not impose an undue burden on competition because the amendment more specifically describes the Exchange's best price with references to the internal PBBO and NBBO. The Exchange's amendment will add clarity to current rule text.

Options 3, Section 15

The Exchange's proposal to remove rule text within Options 3, Section 15(b)(1)(A), related to the Acceptable Trade Range, does not impose an undue burden on competition as All-or-None Orders may only be submitted by a Public Customer as an Immediate-or-Cancel Order. An All-Or-None Order will either execute immediately or be cancelled back to the member or member organization. Removing the incorrect rule text will bring greater clarity to the rules.

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)¹² of the Act and Rule 19b-4(f)(6) thereunder¹³ 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 to amend the Directed Market Maker quoting obligations in Options 2, Section 5(c)(2)(C) does not significantly affect the protection of investors or the public interest because these quoting requirements create a direct nexus between the allocation that would be received by a Directed Market Maker pursuant to Options 3, Section 10 and the liquidity that the Directed Market Maker would be required to provide to the market in that particular options series. The obligations ensure that Directed Market Makers quote competitively in as many series as possible to attract Directed Orders so that they may receive an enhanced allocation as a Directed Market Maker. Also, other options exchanges today require Directed Market Makers, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds, among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis.¹⁴ The Exchange's proposal to amend Options 2, Section

¹² 15 U.S.C. 78s(b)(3)(A)(iii).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ See NYSE Arca Rule 6.88-O and NYSE American Rule 964.1NY.

5(c)(2)(C) to require a Directed Market Maker to commence complying with the Options 2, Section 5(c)(2)(C) quoting obligations when the Directed Market Maker executes its first Directed Order in any option in which it is assigned does not significantly affect the protection of investors or the public interest, rather it is a practical approach to ensuring that Directed Market Makers comply with their quoting obligations. Directed Market Makers are unaware if an order is directed to them until such time as they execute the Directed Order and receive an allocation pursuant to Options 3, Section 10. The Exchange notes that this proposal does not amend a Directed Market Maker's obligation, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds, among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis. Further, the Exchange notes that a Directed Market Maker must be quoting at the Exchange's best price at the time of receipt of the Directed Order to be entitled to the allocation in accordance with Options 3, Section 10. Amending Options 2, Section 10, Directed Orders, to replace the words "Exchange's best price" with "better of the internal PBBO or the NBBO" will conform the rule text with language throughout the Options 3 trading rules that describe the Exchange's best price with references to the internal PBBO and NBBO. Amending Options 3, Section 15 does not significantly affect the protection of investors or the public interest because All-or-None Orders may only be submitted by a Public Customer as an Immediate-or-Cancel Order.

The Exchange's proposal to amend the Directed Market Maker quoting obligations in Options 2, Section 5(c)(2)(C) does not impose any significant burden on competition as every Directed Market Maker would be required, collectively, to provide

two-sided quotes in 90% of the cumulative number of seconds or such higher percentage as Phlx may announce in advance, among all options series in which the Directed Market Maker has executed a Directed Order for the entire day in which the Directed Market Maker received the Directed Order on a daily basis until a Directed Market Maker notifies the Exchange that they are no longer directed. The Exchange's proposal to amend Options 2, Section 5(c)(2)(C)) to require a Directed Market Maker to commence complying with the Options 2, Section 5(c)(2)(C) quoting obligations when the Directed Market Maker executes its first Directed Order in any option in which they are assigned does not impose any significant burden on competition because all Directed Market Makers will be required to commence complying with Options 2, Section 5(c)(2)(C) when the Directed Market Maker executes its first Directed Order in any option in which they are assigned. Amending Options 2, Section 10, Directed Orders, to replace the words "Exchange's best price" with "better of the internal PBBO or the NBBO" will add clarity to current rule text. Removing rule text within Options 3, Section 15(b)(1)(A), related to the Acceptable Trade Range, does not significantly affect the protection of investors or the public interest as All-or-None Orders may only be submitted by a Public Customer as an Immediate-or-Cancel Order.

Furthermore, Rule 19b-4(f)(6)(iii)¹⁵ 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

¹⁵ 17 CFR 240.19b-4(f)(6)(iii).

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
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-2024-26)

June __, 2024

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 2, Sections 5 and 10 and Options 3, Section 15

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 25, 2024, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Options 2, Sections 5 and 10 and Options 3, Section 15.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Phlx proposes to amend: (1) Directed Market Maker quoting obligations in Options 2, Section 5, Electronic Market Maker Obligations and Quoting Requirements; (2) a reference to "Exchange's best price" in Options 2, Section 10, Directed Orders; and (3) rule text related to the Acceptable Trade Range in Options 3, Section 15, Simple Order Risk Protections. Each change will be discussed below.

Options 2, Section 5

The Exchange proposes to amend the rule text within Options 2, Section 5(c)(2)(C) related to the quoting obligations applicable to a Directed Market Maker.

The current rule text states that 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. The current rule text does not reflect the way Phlx is applying the quoting obligations for a Directed Market Maker. With respect to a Directed Market Maker, Phlx currently requires that the Directed Market Maker provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, in any options series in which the Directed Market Maker has executed a Directed Order on a daily basis. Phlx requires the Market Maker to

fulfill this requirement in addition to its requirement to quote as a Market Maker or a Lead Market Maker.

Below the Exchange presents examples of how the new rule text would operate.

Example 1

- Assume a Market Maker was assigned in options overlying AAPL, SPY, NFLX, ORCL and ADBE.
- Assume this Market Maker had previously executed a Directed Order and executes a Directed Order in NFLX and ADBE on February 27, 2024.
- The Directed Market Maker obligation is a daily obligation once triggered and continues until the Directed Market Maker notifies the Exchange that it no longer desires to be a part of the Directed Order program.
- Moreover, on February 28, 2024 and each day thereafter the Directed Market Maker is required to provide two-sided quotations in 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis until a Directed Market Maker notifies the Exchange that it is no longer directed. Therefore, the Directed Market Maker would be required to quote at 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order each day, regardless of whether the Directed Market Maker executed a Directed Order that day.

Obligations

This Market Maker is 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's assigned options series are open for trading among **AAPL, SPY, and ORCL** to fulfill its Market Maker obligation.

Separately, this Market Maker would be obligated, separate and apart from its Market Maker obligations described in this example, to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, among **NFLX and ADBE** to fulfill its Directed Market Maker Obligation.

This Market Maker would not be 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 for options on equities and ETFs or with an expiration of twelve

months or greater for index options in AAPL, SPY, NFLX, ORCL and ADBE when meeting its Market Maker or Directed Market Maker requirements.

Example 2

- Assume a Lead Market Maker was assigned in options overlying AAPL, SPY, NFLX, ORCL and ADBE.
- Assume this Lead Market Maker had previously executed a Directed Order and executes a Directed Order in NFLX and ADBE on February 27, 2024. The Directed Market Maker obligation is a daily obligation once triggered and continues until the Directed Market Maker notifies the Exchange that it no longer desires to be a part of the Directed Order program.
- The Directed Market Maker obligation is a daily obligation once triggered and continues until the Directed Market Maker notifies the Exchange that it no longer desires to be a part of the Directed Order program.
- Moreover, on February 28, 2024 and each day thereafter the Directed Market Maker is required to provide two-sided quotations in 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis until a Directed Market Maker notifies the Exchange that it is no longer directed. Therefore, the Directed Market Maker would be required to quote at 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has executed a Directed Order each day, regardless of whether the Directed Market Maker executed a Directed Order that day.

Obligations

This Lead Market Maker, associated with the same member, is 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, among **AAPL, SPY, and ORCL** to fulfill its Lead Market Maker obligation.³

Separately, this Lead Market Maker would be obligated, separate and apart from its Lead Market Maker obligations described in this example, to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, among **NFLX and ADBE** to fulfill its Directed Market Maker obligation.

This Market Maker would not be 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 for options on equities and ETFs or with an expiration of twelve

³ See Options 2, Section 4(j)(1).

months or greater for index options in AAPL, SPY, NFLX, ORCL and ADBE when meeting its Lead Market Maker or Directed Market Maker requirements.

The Exchange proposes to amend the rule text in Options 2, Section 5(c)(2)(C) to require Directed SQTs and Directed RSQTs, associated with the same member organization, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce in advance, among all option series in which the Directed Market Maker has executed a Directed Order on a daily basis, except that a Directed Market Maker shall not be 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 for options on equities and exchange-traded funds (“ETFs”) or with an expiration of twelve months or greater for index options. The Exchange notes that the proposed requirements are similar to requirements imposed by other options exchanges. NYSE Arca, Inc. (“NYSE Arca”) and NYSE American LLC (“NYSE American”) require that their lead market makers and market makers provide continuous two-sided quotations throughout the trading day in issues for which it receives Directed Orders for 90% of the time the Exchange is open for trading in each issue.⁴

The Exchange also proposes to relocate certain rule text within Options 2, Section 5(c)(2)(C) to make clear the requirements applicable to a Directed Market Maker and make other amendments as well. The Exchange proposes to amend the timeframe in which a Directed Market Maker is obligated to commence complying with the quoting

⁴ See NYSE Arca Rule 6.88-O and NYSE American Rule 964.1NY.

obligations of Options 2, Section 5(c)(2)(C).⁵ Today, a Directed Market Maker must commence complying with the quoting obligations specified in Options 2, Section 5(c)(2)(C) when a Directed Market Maker **receives** a Directed Order in any option in which they are assigned until such time as the Directed Market Maker notifies the Exchange that they are no longer directed. Pursuant to Options 2, Section 10, “[w]hen the Exchange’s disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Lead Market Maker, SQT or RSQT is quoting at the Exchange’s best price, the Directed Order shall be automatically executed and allocated in accordance with Options 3, Section 10(a)(1).” The Exchange proposes to amend this provision to instead begin requiring a Directed Market Maker to comply with the Options 2, Section 5(c)(2)(C) when the Directed Market Maker **executes** its first Directed Order in any option in which they are assigned. A Directed Market Maker has the ongoing quoting obligation from the time a Directed Market Maker executes its first Directed Order in the options in which the Directed Market Maker is assigned until a Directed Market Maker notifies the Exchange that the Directed Market Maker is no longer directed. Because a Directed SQT or Directed RSQT is unaware if an order is directed to them until such time as they execute the Directed Order and receive an allocation pursuant to Options 3, Section 10, the Exchange believes that starting the quoting obligation once a Directed Order is executed is a practical approach to ensuring that Directed Market Makers comply with their quoting obligations.

The proposed rule text would provide,

⁵ Options 2, Section 5(c)(2)(C) requires 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.

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, among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis, except that a Directed Market Maker shall not be required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any options 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. A Directed Market Maker has the ongoing quoting obligation from the time a Directed Market Maker executes its first Directed Order in the options in which the Directed Market Maker is assigned until a Directed Market Maker notifies the Exchange that the Directed Market Maker is no longer directed.

A Directed Market Maker shall not be required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any options 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 and would receive a participation entitlement in the Quarterly Options Series, the Adjusted Options Series, and an options 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 the Directed Order.

As is the case today, a Directed Market Maker must be quoting is quoting at the Exchange's best price at the time of receipt of the Directed Order to be entitled to the allocation in accordance with Options 3, Section 10. The Exchange notes that the amendment adds clarity to the Exchange's current practice⁶ and harmonizes the rules of Phlx with those of other Nasdaq affiliated markets.

⁶ Phlx noted in a 2018 rule change that if a member desired to become a Directed SQT that the quoting obligations specified in Rule 1081(c)(ii)(C) (now Options 2, Section 5) would commence when that Directed SQT executed an order directed to the Directed SQT. See Securities Exchange Act Release No. 82975 (March 30, 2018), 83 FR 14690, 14694 (April 5, 2018) (SR-Phlx-2018-22) (Notice of Filing of Proposed Rule Change To Create a New Rule 1081, To Amend Electronic Market Maker Obligations and Quoting Requirements for Electronic ROTs, Which Will Be Defined To Include SQTs, RSQTs, Directed SQTs, Directed RSQTs, Specialists, and Remote Specialists).

Options 2, Section 10

The Exchange proposes to amend Options 2, Section 10, Directed Orders. Specifically, Options 2, Section 10(a)(ii) provides, “When the Exchange’s disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Lead Market Maker, SQT or RSQT is quoting at the Exchange’s best price, the Directed Order shall be automatically executed and allocated in accordance with Options 3, Section 10(a)(1)(C).” The Exchange proposes to amend this sentence to replace the words “Exchange’s best price” with “better of the internal PBBO⁷ or the NBBO.” The Exchange proposes this amendment to conform the rule text with language throughout the Options 3 trading rules that describe the Exchange’s best price with references to the internal PBBO and NBBO. Pursuant to Options 3, Section 5, the System automatically executes eligible orders using the Exchange’s displayed best bid and offer (“PBBO”) or the Exchange’s non-displayed order book (“internal PBBO”) if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) or Options 3, Section 4(b)(6) which describes trade-through compliance and locked and crossed markets. The Exchange’s amendment will bring additional clarity to current rule text and harmonize the rule text with Options 3 language.

Options 3, Section 15

Today, Options 3, Section 15(b)(1)(A) provides that , “Upon receipt of a new order/quote, the Reference Price is the better of the National Best Bid (“NBB”) or

⁷ The “internal PBBO” is comprised of non-displayed and displayed orders on the Exchange’s order book.

internal best bid for sell orders/quotes and the National Best Offer (“NBO”) or internal best offer for buy orders/quotes, excluding All-or-None Orders which cannot be satisfied, or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.” The Exchange proposes to remove the phrase “excluding All-or-None Orders which cannot be satisfied” from the rule text. The Exchange previously filed a rule change⁸ to amend All-or-None Orders so that they may only be submitted by a Public Customer as an Immediate-or-Cancel Order. As a result of this rule change, All-or-None Orders no longer rest on the order book. Upon entry, an All-or-None Order is executed in its entirety or cancelled if it cannot execute. The Exchange inadvertently did not remove the aforementioned rule text which would require an All-or-None Order to rest to be applicable. At this time, the Exchange proposes to also remove this rule text reference to All-or-None Orders in Options 3, Section 15(b)(1)(A), similar to the other rule text rule references that were removed in SR-Phlx-2023-34.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ 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.

⁸ See Securities Exchange Act Release No. 98142 (August 16, 2023), 88 FR 57140 (August 22, 2023) (SR-Phlx-2023-34) (Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Phlx’s All-or-None Order) (“SR-Phlx-2023-34”).

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

Options 2, Section 5

The Exchange's proposal to amend the Directed Market Maker quoting obligations in Options 2, Section 5(c)(2)(C) is consistent with the Act. Other options exchanges today require Directed Market Makers, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds among all options series in which the Directed Market Maker has received a Directed Order on a daily basis. The proposed Directed Market Maker quoting obligations would require Directed Market Makers, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds or such higher percentage as Phlx may announce in advance, among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis in addition to their quoting requirements as Market Makers and Lead Market Makers.

The Exchange believes that these quoting requirements create a direct nexus between the allocation that would be received by a Directed Market Maker pursuant to Options 3, Section 10 and the liquidity that the Directed Market Maker would be required to provide to the market in that particular options series. The Exchange notes that any Directed Market Maker quoting at the NBBO would need to provide two-sided quotes as described herein for the entire day in which the Directed Market Maker received the Directed Order and each day thereafter, on a daily basis, until a Directed Market Maker notifies the Exchange that it is no longer directed. The Exchange believes that this quoting obligation is designed to promote just and equitable principles of trade by ensuring that Directed Market Makers quote competitively in as many series as possible to attract Directed Orders so that they may receive an enhanced allocation as a Directed Market Maker.

The proposed rule text would harmonize the Directed Market Maker’s quoting obligations with other options exchanges which require its directed members to collectively quote in 90% of all option series in which the directed member receives a directed order on a daily basis. NYSE Arca, Inc. (“NYSE Arca) and NYSE American LLC (“NYSE American) require that their lead market makers and market makers provide continuous two-sided quotations throughout the trading day in issues for which it receives Directed Orders for 90% of the time the Exchange is open for trading in each issue.¹¹

The Exchange’s proposal to amend Options 2, Section 5(c)(2)(C) to require a Directed Market Maker to commence complying with the Options 2, Section 5(c)(2)(C) quoting obligations when the Directed Market Maker executes its first Directed Order in any option in which they are assigned is a practical approach to ensuring that Directed Market Makers comply with their quoting obligations. Directed Market Makers are unaware if an order is directed to them until such time as they execute the Directed Order and receive an allocation pursuant to Options 3, Section 10. Further, the Exchange notes that a Directed Market Maker must be quoting at the Exchange’s best price at the time of receipt of the Directed Order to be entitled to the allocation in accordance with Options 3, Section 10.

Options 2, Section 10

The Exchange’s proposal to amend Options 2, Section 10, Directed Orders, to replace the words “Exchange’s best price” with “better of the internal PBBO or the NBBO” is consistent with the Act. The proposed amendment will conform the rule text

¹¹ See NYSE Arca Rule 6.88-O and NYSE American Rule 964.1NY.

with language throughout the Options 3 trading rules that describe the Exchange's best price with references to the internal PBBO and NBBO. Additionally, the Exchange's amendment will protect investors and the general public by adding clarity to current rule text as well as harmonizing the rule text with Options 3 language.

Options 3, Section 15

The Exchange's proposal to remove rule text within Options 3, Section 15(b)(1)(A), related to the Acceptable Trade Range, is consistent with the Act as SR-Phlx-2023-34 amended All-or-None Orders such that they may only be submitted by a Public Customer as an Immediate-or-Cancel Order. An All-Or-None Order will either execute immediately or be cancelled back to the member or member organization. The Exchange inadvertently did not remove the aforementioned rule text which would require an All-or-None Order to rest to be applicable. This change will remove the incorrect rule text and bring greater clarity to the rules.

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 Exchange's proposal to amend the Directed Market Maker quoting obligations in Options 2, Section 5(c)(2)(C) does not impose an undue burden on competition as every Directed Market Maker would be required, collectively, to provide two-sided quotations in 90% of the cumulative number of seconds or such higher percentage as Phlx may announce in advance, among all options series in which the

Directed Market Maker has executed a Directed Order for the entire day in which the Directed Market Maker received the Directed Order, on a daily basis, until a Directed Market Maker notifies the Exchange that it is no longer directed. The proposal does not impose a burden on inter-market competition as other options markets today impose similar quoting obligations.

The Exchange's proposal to amend Options 2, Section 5(c)(2)(C) to require a Directed Market Maker to commence complying with the Options 2, Section 5(c)(2)(C) quoting obligations when the Directed Market Maker executes its first Directed Order in any option in which they are assigned does not impose an undue burden on competition because all Directed Market Makers will be required to commence complying with Options 2, Section 5(c)(2)(C) when the Directed Market Maker executes its first Directed Order in any option in which they are assigned. The proposal does not impose a burden on inter-market competition as other options markets today impose similar quoting obligations and may amend their rules to mirror those of Phlx.

Options 2, Section 10

The Exchange's proposal to amend Options 2, Section 10, Directed Orders, to replace the words "Exchange's best price" with "better of the internal PBBO or the NBBO" does not impose an undue burden on competition because the amendment more specifically describes the Exchange's best price with references to the internal PBBO and NBBO. The Exchange's amendment will add clarity to current rule text.

Options 3, Section 15

The Exchange's proposal to remove rule text within Options 3, Section 15(b)(1)(A), related to the Acceptable Trade Range, does not impose an undue burden on

competition as All-or-None Orders may only be submitted by a Public Customer as an Immediate-or-Cancel Order. An All-Or-None Order will either execute immediately or be cancelled back to the member or member organization. Removing the incorrect rule text will bring greater clarity to the rules.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹² and subparagraph (f)(6) of Rule 19b-4 thereunder.¹³

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.

¹² 15 U.S.C. 78s(b)(3)(A)(iii).

¹³ 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-Phlx-2024-26 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-2024-26. This file number should be included on the subject line if email 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 website (<https://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 a.m. and 3

p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-Phlx-2024-26 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Sherry R. Haywood,

Assistant Secretary.

¹⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

* * * * *

Options Rules

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Options 2 Options Market Participants

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Section 5. Electronic Market Maker Obligations and Quoting Requirements

* * * * *

(c) Electronic Market Makers must enter bids and offers for the options to which it is registered, except in an assigned options series listed intra-day on the Exchange. On a daily basis, an electronic Market Maker must make markets consistent with the applicable quoting requirements specified below. A member organization will be required to meet each market making obligation separately. Quotes submitted through the Specialized Quote Feed interface, utilizing badges and options series assigned to a Lead Market Maker, will be counted toward the requirement to provide two-sided quotations in 90% of the cumulative number of seconds, or such higher percentage as Phlx may announce. Quotes submitted through the Specialized Quote Feed interface, utilizing badges and options series assigned to a Market Maker, will be counted toward the requirement to provide two-sided quotations in 60% of the cumulative number of seconds, or such higher percentage as Phlx may announce. A member organization that is an SQT in an options series where the member organization is also assigned as the Lead Market Maker in an options series will be held to both the Lead Market Maker and Market Maker obligations, pursuant to Options 2, Section 5(c), separately, in that options series. An SQT or RSQT who receives a Directed Order shall be held to the standard of a Directed SQT or Directed RSQT, as appropriate.

* * * * *

(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).

* * * * *

(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, among all options series in which the Directed Market Maker has executed a Directed Order on a daily basis, except that a Directed Market Maker shall not be required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any options 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. A Directed Market Maker has the ongoing quoting obligation from the time a Directed Market Maker executes its first Directed Order in the options in which the Directed Market Maker is assigned until a Directed Market Maker notifies the Exchange that the Directed Market Maker is no longer directed[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].

A Directed Market Maker shall not be required to make two-sided markets in any Quarterly Options Series, any Adjusted Options Series, and any options 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 and would receive a participation entitlement in the Quarterly Options Series, the Adjusted Options Series, and an options 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 the Directed Order.

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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.

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(ii) When the Exchange's disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Lead Market Maker, SQT or RSQT is quoting at the [Exchange's best price] better of the internal PBBO or the NBBO, the Directed Order shall be automatically executed and allocated in accordance with Options 3, Section 10(a)(1)(C).

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Options 3 Options Trading Rules

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Section 15. Simple Order Risk Protections

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(b) The following are order and quote protections on Phlx:

(1) Acceptable Trade Range.

(A) After the Opening Process, the System will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote (except an All-or-None Order) will be allowed to execute. The Acceptable Trade Range is calculated by taking the Reference Price, plus or minus a value to be determined by the Exchange. (i.e., the Reference Price - (x) for sell orders/quotes and the Reference Price + (x) for buy orders/quotes). Upon receipt of a new order/quote, the Reference Price is the better of the National Best Bid ("NBB") or internal best bid for sell orders/quotes and the National Best Offer ("NBO") or internal best offer for buy orders/quotes[, excluding All-or-None Orders which cannot be satisfied,] or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.

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