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

File No. * SR 2025 - * 05

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 *).

A proposal to adopt a new OTTO protocol and establish pricing for this new protocol.

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 01/29/2025


(Title *)

By John A. Zecca

EVP and Chief Legal Officer

(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: 2025.01.29 12:58:21 -05'00'

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-2025-05 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-2025-05 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

Add Remove View

SR-Phlx-2025-05 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 adopt a new protocol, “Ouch to Trade Options” or “OTTO” and establish pricing for this new protocol. The Exchange proposes to amend various Phlx Rules in connection with this rule change, including: Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 8 (Options Opening Process); Options 3, Section 17 (Kill Switch); Options 3, Section 18 (Detection of Loss of Communication); and Options 7, Section 9 (Other Member Fees).

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 offer a new order entry protocol called OTTO. Today, Phlx members and member organizations may enter orders into the Exchange through the “Financial Information eXchange” or “FIX.”³ The proposed new OTTO protocol is identical to the OTTO protocol offered today on 4 Nasdaq affiliated exchanges, Nasdaq BX, Inc. (“BX”), Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”).

The OTTO protocol is a proprietary protocol of Nasdaq, Inc. The Exchange continues to innovate and modernize technology so that it may continue to compete among options markets. The ability to continue to innovate with technology and offer new products to market participants allows Phlx to remain competitive in the options space which currently has eighteen options markets and potential new entrants.

OTTO Protocol

As proposed, OTTO would allow members and member organizations and their Sponsored Customers⁴ to connect, send, and receive messages related to orders, auction

³ “Financial Information eXchange” or “FIX” is an interface that allows members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(a)(i)(A).

⁴ General 2, Section 22 describes Sponsored Access arrangements.

orders, and auction responses to the Exchange. OTTO features would include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System⁵ event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; (6) risk protection triggers and cancel notifications; (7) auction notifications; (8) auction responses; and (9) post trade allocation messages. The Exchange notes that unlike FIX, which offers routing capability, OTTO does not permit routing. The Exchange proposes to include this description of OTTO in new Supplementary Material .03(b) to Options 3, Section 7.⁶

Only one order protocol is required for a Phlx member or member organization to submit orders into Phlx. Only Phlx members or member organizations may utilize ports on Phlx. Any market participant that sends orders to a Phlx member or member organization would not need to utilize a port. The Phlx member or member organization may send all orders, proprietary and agency, through one port to Phlx. Members and member organizations may elect to obtain multiple ports to organize their business,⁷

⁵ The term “System” shall mean the automated system for order execution and trade reporting owned and operated by the Exchange which comprises: (i) an order execution service that enables members to automatically execute transactions in option series; and provides members with sufficient monitoring and updating capability to participate in an automated execution environment; (ii) a trade reporting service that submits “locked-in” trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority (“OPRA”) for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a “locked-in” trading environment; and (iii) the data feeds described at Options 3, Section 23. See Phlx Options 1, Section 1(b)(57).

⁶ Phlx amended Options 3, Section 7 in SR-Phlx-2024-71. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 will become operative on the same date as this rule change as they are both part of the same technology migration.

⁷ For example, a member or member organization may desire to utilize multiple FIX or OTTO Ports for accounting purposes, to measure performance, for regulatory reasons, segregating order flow

however only one port is necessary for a member or member organization to enter orders on Phlx. Members and member organizations may elect to enter their orders through FIX, OTTO, or both protocols, although both protocols are not necessary. Members and member organizations may prefer one protocol as compared to another protocol, for example, the ability to route may cause a member or member organization to utilize FIX and a member organization that desires to execute an order locally may prefer OTTO. The OTTO Port offers lower latency as compared to the FIX Port, which may be attractive to members and member organizations depending on their trading behavior. Nasdaq believes that the addition of OTTO will provide Phlx members and member organizations with additional choice when submitting orders to Phlx.

While the Exchange has no way of predicting with certainty the amount or type of OTTO Ports market participants will in fact purchase, the Exchange anticipates that some Participants will subscribe to multiple OTTO Ports in combination with FIX Ports. The Exchange notes that Options Participants may use varying number of OTTO ports based on their business needs.

Other Amendments

In connection with offering OTTO, the Exchange proposes to amend other rules within Options 3. Each amendment is described below.

Options 3, Section 7

Phlx proposes to amend Options 3, Section 7, Types of Orders and Quote

among different trading desks, or other determinations that are specific to that member or member organization. A market participant may utilize multiple ports in some cases to send multiple orders through different ports to avoid any latency or queuing of orders. The Exchange notes that to the extent that different OTTO Ports are used to send multiple orders as compared to sending multiple orders through one OTTO Port the difference from a latency standpoint would be in nanoseconds.

Protocols.⁸ Specifically, Phlx proposes to amend Options 3, Section 7 (b)(2) that describes the Immediate-or-Cancel” or “IOC” order. Today, Options 3, Section 7(d) related to Stop Orders and Options 3, Section 7(e) related to Stop Orders to make clear that Stop Orders and Stop Limit Orders may only be entered through FIX and would not be available to be submitted through OTTO.

The Exchange also proposes to amend a “Day” Time in Force (“TIF”) at Supplementary Material .02(a) to Options 3, Section 7 to note that an order with a TIF of Day may be entered through OTTO. The Exchange also proposes to amend a “Good-Till-Cancelled” or “GTC” TIF at Supplementary Material .02(b) to Options 3, Section 7 and a Good-Till-Date”⁹ or “GTD” TIF at Supplementary Material .02(c) to Options 3, Section 7 to note that GTC and GTD orders may be entered through FIX and would not be available to be submitted through OTTO. Further, the Exchange proposes to amend an Immediate-or-Cancel or “IOC” TIF at Supplementary Material .02(d) to Options 3, Section 7 to make clear that IOC orders may be entered through OTTO in addition to FIX and SQF.¹⁰ The Exchange proposes to add “OTTO” to the list of protocols to note that an IOC order may also be entered through OTTO.

⁸ Phlx amended Options 3, Section 7 in SR-Phlx-2024-71. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 will become operative on the same date as this rule change as they are both part of the same technology migration.

⁹ Phlx adopted a GTD TIF in SR-Phlx-2024-71. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 will become operative on the same date as this rule change as they are both part of the same technology migration.

¹⁰ “Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4)

Options 3, Section 8

Phlx proposes to amend Options 3, Section 8, Options Opening Process. Specifically, Phlx proposes to amend Options 3, Section 8(1) that describes the Opening Process Cancel Timer. The Opening Process Cancel Timer represents a period of time since the underlying market has opened. If an option series has not opened before the conclusion of the Opening Process Cancel Timer, a member or member organization may elect to have orders returned by providing written notification to the Exchange. Today, these orders include all non-Good-Till Cancelled Orders and Good-Till-Dated Orders received over the FIX protocol. The Exchange proposes to add the OTTO protocol as well to the rule text language in that paragraph.

Options 3, Section 17

The Exchange proposes to amend the Kill Switch at Options 3, Section 17. The Kill Switch provides members and member organizations with an optional risk management tool to promptly cancel and restrict orders. With the introduction of OTTO, the Exchange proposes to align its Kill Switch rule text with MRX's Kill Switch.¹¹ The Exchange proposes to note in Options 3, Section 17(a) that members and member organizations may initiate a message(s) to the System to promptly cancel and restrict their order activity on the Exchange, as is the case today, as described in section (a)(1).

execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, the Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1), (a)(2) and (b)(2), respectively. See proposed Supplementary Material .03(C) to Options 3, Section 7.

¹¹ See MRX Options 3, Section 17.

This amendment simply rewords the rule text without a substantive amendment to the rule text.

Current Options 3, Section 17(a)(1) states, “If orders are cancelled by the Phlx member utilizing the Kill Switch, it will result in the cancellation of all orders requested for the Identifier(s). The Phlx member will be unable to enter additional orders for the affected Identifier(s) until re-entry has been enabled pursuant to section (a)(2).” The Exchange proposes to instead provide, “A Phlx member may submit a request to the System through FIX or OTTO to cancel all existing orders and restrict entry of additional orders for the requested Identifier(s) on a user level on Phlx.” With the addition of each order entry protocol, the Exchange notes that both FIX and OTTO orders may be cancelled.

Finally, the Exchange proposes to amend proposed Options 3, Section 17(a)(2) to align to MRX’s rule text by providing “Once a Phlx member initiates the Kill Switch pursuant to section (a)(1) above...” in the first sentence. This amendment simply rewords the rule text without a substantive amendment to the rule text.

Options 3, Section 18

The Exchange proposes to amend Options 3, Section 18, Detection of Loss of Communication. The Exchange proposes to add OTTO to Options 3, Section 18 as OTTO would also be subject to this rule. Today, when the SQF Port or the FIX Port detects the loss of communication with a member’s Client Application because the Exchange’s server does not receive a Heartbeat message for a certain time period, the Exchange will automatically logoff the member’s affected Client Application and automatically cancel all of the member’s open quotes through SQF and open orders

through FIX. Quotes and orders are cancelled across all Client Applications that are associated with the same Phlx Options Market Maker ID and underlying issues.

At this time, the Exchange proposes to permit orders entered through OTTO to be cancelled similar to FIX orders when the Exchange's server does not receive a Heartbeat message for a certain time period. The Exchange is proposing to amend Options 3, Section 18 to also rearrange the rule text to add the word "Definitions" next to "a" and move the rule text in current "a" to "b" and re-letter the other paragraphs accordingly. Also, the Exchange proposes to define "Session of Connectivity" for purposes of this rule to mean each time the member connects to the Exchange's System. Further, each new connection, intra-day or otherwise, is a new Session of Connectivity. The Exchange proposes to use the new definition throughout Options 3, Section 18.

Similar to FIX, when the OTTO Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period, the Exchange will automatically logoff the member's affected Client Application and automatically cancel all of the member's open orders through OTTO, if the member has elected to have all orders cancelled upon disconnect. Orders would be cancelled across all Client Applications that are associated with the same Phlx Options Market Maker ID and underlying issues. The Exchange proposes to update Options 3, Section 18 to provide in proposed Options 3, Section 18(a)(3) that the OTTO Port is the Exchange's proprietary System component through which members communicate their orders from the Client Application. Further, the Exchange would note in proposed Options 3, Section 18(c) that when the OTTO Port detects the loss of communication with a member's Client Application because the Exchange's server does

not receive a Heartbeat message for a certain time period (“nn” seconds), the Exchange will automatically logoff the member’s affected Client Application and if the member has elected to have its orders cancelled pursuant to proposed Section 18(f), automatically cancel all orders. Proposed Options 3, Section 18(f) would provide that the default period of “nn” seconds for OTTO Ports would be fifteen (15) seconds for the disconnect and, if elected, the removal of orders. A member may determine another time period of “nn” seconds of no technical connectivity, as required in proposed paragraph (c), to trigger the disconnect and, if so elected, the removal of orders and communicate that time to the Exchange. The period of “nn” seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for OTTO Ports prior to each Session of Connectivity to the Exchange. This feature may be disabled for the removal of orders; however, the member will be disconnected.

Proposed Options 3, Section 18(f)(1) would provide that if the member changes the default number of “nn” seconds, that new setting shall be in effect throughout the current Session of Connectivity and will then default back to fifteen seconds. The member may change the default setting prior to each Session of Connectivity. Finally, as proposed in Options 3, Section 18(f)(2), if the time period is communicated to the Exchange by calling Exchange operations, the number of “nn” seconds selected by the member will persist for each subsequent Session of Connectivity until the member either contacts Exchange operations by phone and changes the setting or the member selects another time period through the Client Application prior to the next Session of Connectivity. The trigger for OTTO Ports is event and Client Application specific. The automatic cancellation of the Phlx Options Market Maker’s open orders for OTTO Ports

entered into the respective OTTO Ports via a particular Client Application will neither impact nor determine the treatment of orders of the same or other members entered into the OTTO Ports via a separate and distinct Client Application. The proposed amendments for OTTO mirror the manner in which FIX Ports are treated when the Exchange's server does not receive a Heartbeat message for a certain time period for a FIX Port.¹²

Pricing

Phlx proposes to amend its Pricing Schedule at Options 7, Section 9B, Ports Fees, to adopt a port fee for the new OTTO protocol of \$400 per port, per month, per mnemonic. OTTO would be an additional order entry protocol for Phlx member organizations in addition to FIX, which is currently offered for order entry into Phlx.

The Exchange proposes to cap OTTO Port Fees at \$4,000 a month. These ports are available to all Phlx member organizations. To the extent that a member organization expended more than \$4,000 for OTTO Ports in a month, Phlx would not charge that member organization for additional OTTO Ports beyond the cap. The proposed Phlx OTTO Port fee is identical to the ISE OTTO Port fee at Options 7, Section 7C.

Phlx proposes to add some commas within the Options 7, Section 9B for readability.

Implementation

The Exchange will implement this rule change on or before December 20, 2025.¹³

¹² The Exchange proposes to update internal cross-references to accommodate relocated text.

¹³ See <https://www.nasdaqtrader.com/MicroNews.aspx?id=OTA2024-17>. PHLX will migrate to the new platform on a symbol-by-symbol basis over 5 week period. The Exchange notes that the amendments to the Phlx rules noted in SR-Phlx-2024-71 will be implemented as part of this same technology migration. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89

The Exchange will announce the operative date to members and member organizations in an Options Trader Alert.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ 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. Additionally, the Exchange believes that its proposal furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁶ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

OTTO Protocol

The Exchange's proposal to adopt OTTO is consistent with the Act because OTTO would provide members and member organizations with an alternative protocol to submit orders to the Exchange. With the addition of OTTO, a Phlx member or member organization may elect to enter their orders through FIX, OTTO, or both protocols, although both protocols are not necessary. Phlx member organizations may prefer one

FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See 15 U.S.C. 78f(b)(4) and (5).

order protocol as compared to another order protocol. The proposed new OTTO protocol is identical to the OTTO protocol offered today on BX, ISE, GEMX, and MRX.¹⁷

Other Amendments

In connection with offering OTTO, the Exchange proposes to amend other rules within Options 3 to make clear where the FIX and OTTO protocols may be utilized. A Stop Order or Stop Limit Orders may only be entered through FIX. A Day Order may be entered through FIX or OTTO. A GTC and GTD Order may only be entered through FIX. IOC Orders may be entered through FIX, OTTO or SQF. Other processes such the Opening Cancel Timer would impact FIX and OTTO equally.

The Exchange's proposal to amend the Kill Switch at Options 3, Section 17 to align its rule text in proposed Options 3, Section 17(a) and (a)(2) with MRX's Options 3, Section 17 is consistent with the Act because it does not substantively amend the functionality. The Exchange's proposal to amend proposed Options 3, Section 17(a)(2) to specify that FIX and OTTO orders may be cancelled is consistent with the Act as it will make clear that all orders entered on Phlx may be purged through the Kill Switch.

Finally, the Detection of Loss of Communication would apply equally to FIX and OTTO. The Exchange believes that its proposal is consistent with the Act and protects investors as the Exchange is making clear what types of order types and other mechanisms may utilize OTTO. Today, Phlx members utilize FIX to enter their orders. Despite the fact that OTTO would not be available for Stop Orders, Stop Limit Orders, or the GTC or GTD TIF modifier, the Exchange notes that one FIX Port is being provided

¹⁷ See Supplementary .03(b) to Options 3, Section 7.

to member organizations at no cost. Today, FIX is the only manner in which to enter orders into Phlx.

Pricing

Proposed Port Fees Are Reasonable, Equitable and Not Unfairly Discriminatory

The Exchange believes that its proposal furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. This belief is based on comparability, the proposed fees are comparable to, and in some cases less than, those of similarly situated exchanges.

The proposed fees for Phlx OTTO are identical to ISE OTTO Port Fees, an identical protocol.¹⁹ Additionally, the proposed fees for Phlx OTTO are comparable to those of its closest competitors, BOX Exchange, LLC (“BOX”);²⁰ Miami International Securities Exchange, LLC (“MIAX”);²¹ NYSE Arca, Inc. (“Arca”);²² NYSE American

¹⁸ See 15 U.S.C. 78f(b)(4) and (5).

¹⁹ ISE assesses \$400 per port, per month, per mnemonic and caps OTTO Port Fees at \$4,000 per month. See Options 7, Section 7C.

²⁰ For order entry, BOX assesses a fee of \$540 per month per port for 1 to 5 Ports and \$162 per month for each additional port for SAIL ports. See BOX’s Pricing Schedule.

²¹ For order entry, MIAX assesses \$550 for the first FIX Port, \$350 per month per port for 2 to 5 FIX Ports and \$150 per month for over 5 FIX Ports. A FIX Port is an interface with MIAX systems that enables the port user to submit simple and complex orders electronically to MIAX. See MIAX’s Fee Schedule.

²² For order entry, Arca assesses order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. For purpose of calculating the number of order/quote entry ports, ARCA aggregates the ports of Affiliates. See NYSE Arca Options Fees and Charges.

LLC (“Amex”);²³ and Cboe EDGX Exchange, Inc. (“EDGX”),²⁴ based on market share.

Below is a chart comparing Phlx to ISE, an affiliated Nasdaq options exchange that has an identical OTTO Port.

Exchange	Market Share	OTTO	Cap
Phlx	9.1%	\$400 per port, per month, per mnemonic,	OTTO Port subject to monthly cap of \$4,000
ISE	6.2%	\$400 per port, per month, per mnemonic,	OTTO Port subject to monthly cap of \$4,000

Below is another chart comparing Phlx to various unaffiliated options exchanges with comparable logical ports.

Exchange	Market Share	Proprietary Port	Cap
Phlx	9.1%	\$400 per port, per month, per mnemonic	OTTO Port subject to monthly cap of \$4,000
BOX	6.2%	SAIL Port fee of \$540 per month per port for 1 to 5 Ports and \$162 per month for each additional port	no
MIAX	5.7%	MIAX only offers a FIX Port and does not offer a comparable proprietary por.	no
Arca	12.6%	Order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater	no

²³ For order entry, Amex assesses order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. For purpose of calculating the number of order/quote entry ports, Amex aggregates the ports of Affiliates. See NYSE American Options Fee Schedule.

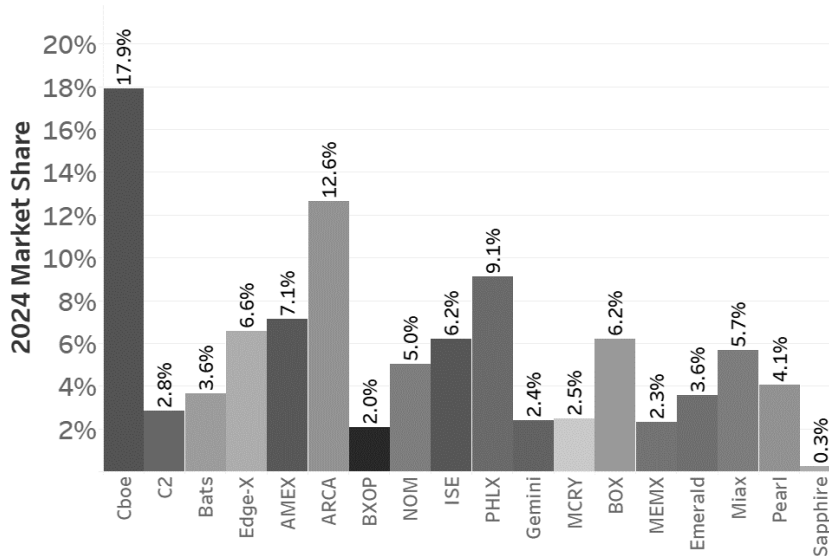
²⁴ For order entry, EDGX assesses logical ports \$750 per port, per month. See Cboe EDGX Options Fee Schedule.

Amex	7.1%	Order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater	no
EDGX	6.6%	BOE Port fee of \$750 per port, per month	no

The Exchange’s analysis utilizes the below graph representing the market share²⁵ for each of the eighteen options markets based on total options contracts traded in 2024 through October 28, 2024.

US Options Market Share

Data using total options contracts traded from start of 2024 - October 28, 2024



Source: OCC, Nasdaq Economic Research

ISE

ISE has a market share of 6.2% which is comparable to Phlx’s market share of 9.1%. The Phlx OTTO Port fee is identical to the ISE OTTO Port Fee in Options 7,

²⁵ Market share is the percentage of volume on a particular exchange relative to the total volume across all exchanges, and indicates the amount of order flow directed to that exchange. High levels of market share enhance the value of trading and ports. Total contracts include both multi-list options and proprietary options products. Proprietary options products are products with intellectual property rights that are not multi-listed. Phlx lists proprietary products.

Section 7C, namely \$400 per port, per month, per mnemonic with a monthly cap for OTTO Port Fees of \$4,000 per month.

BOX

BOX has a market share of 6.2% which is comparable to Phlx's market share of 9.1%. BOX offers a SAIL SOLA® Access Information Language (SAIL) native protocol for SOLA®, that offers functionalities required for order and quote submission.²⁶ Unlike SAIL, OTTO is only for order submission. For SAIL Ports, BOX assesses a fee of \$540 per month per port for 1 to 5 Ports and \$162 per month for each additional port. BOX does not cap port fees. BOX's SAIL Port fee is higher than the proposed Phlx OTTO Port Fee.

MIAX

MIAX has a market share of 5.7% which is comparable to Phlx's market share of 9.1%. MIAX offers a Financial Information Exchange or "FIX" Port interface to its members that enables the port user to submit simple and complex orders electronically to MIAX.²⁷ For FIX Ports, MIAX assesses \$550 for the first FIX Port, \$350 per month per port for 2 to 5 FIX Ports and \$150 per month for over 5 FIX Ports. MIAX only offers a FIX Port and does not offer a comparable proprietary port.

Arca

Arca has a market share of 12.6% which is comparable to Phlx's market share of 9.1%.²⁸ Arca assesses order/quote entry port fees of \$450 per port, per month for 1

²⁶ <https://boxoptions.com/assets/BOX-SAIL-Specifications-Guide-v2.24.pdf>

²⁷ https://www.miaxglobal.com/sites/default/files/page-files/FIX_Order_Interface_FOI_v2.6c.pdf.
Use of FIX protocol that has been adopted by most of the participants in the Options industry.

²⁸ https://www.nyse.com/publicdocs/nyse/NYSE_Pillar_Options_Gateway_Binary_Protocol_Specification.pdf.

through 40 ports and \$150 per port per month for 41 ports or greater. For purpose of calculating the number of order/quote entry ports, ARCA aggregates the ports of Affiliates. Any NYSE Arca Market Maker that executes 50% or more of their market maker volume in open outcry shall receive a discount on their monthly port fees of 60%, not to exceed a maximum dollar discount of \$10,000 per month. The proposed Phlx OTTO Port fee is higher than Arca's port fees, which are not capped but permit a discount for the port fees provided certain criteria are met.

Amex

Amex has market share of 7.1% which is comparable to Phlx's market share of 9.1%. Amex offers a proprietary, binary protocol.²⁹ The monthly port fees are \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. Order/Quote Entry Ports, Quote Takedown Ports, and Drop Copy Ports (collectively, "Port Fees") are capped based on the total number of such ports an ATP Holder or ATP Firm is billed for in the month preceding the beginning of the Exchange's migration to the Pillar platform (the "Migration Cap"). For purpose of calculating the number of order/quote entry ports, Amex aggregates the ports of Affiliates. Also, any NYSE American Options Market Maker that executes 50% or more of their market maker volume in open outcry shall receive a discount on their monthly port fees of 60%, not to exceed a maximum dollar discount of \$10,000 per month. The proposed Phlx OTTO Port fee is higher than Amex's port fees which are also capped and provide a discount for the port fees provided certain criteria are met.

²⁹. https://www.nyse.com/publicdocs/nyse/NYSE_Pillar_Options_Gateway_Binary_Protocol_Specification.pdf.

EDGX

EDGX has market share of 6.6% which is comparable to Phlx's market share of 9.1%. EDGX assesses \$750 per port, per month for its Binary Order Entry ("BOE") Logical Port, a Cboe proprietary order entry protocol.³⁰ BOE provides users the ability to enter order/quotes. Unlike BOE, OTTO is only for order submission. EDGX does not cap its fees. The proposed Phlx OTTO Port fee is lower than EDGX's port fee.

In summary, (i) the proposed OTTO Port fee is (i) identical to ISE; (ii) comparable, but less than BOX and EDGX; and (iii) comparable to Amex and Arca. MIAX offers a FIX Port but not a similar proprietary logical port.

The Proposal is equitable as the proposed fees would apply to all Phlx members in a uniform manner. The proposed Phlx OTTO fees would be assessed uniformly to each Phlx member that subscribes to OTTO. Finally, the proposed monthly cap would be applied uniformly to all Phlx members. The Proposal is not unfairly discriminatory. Phlx OTTO, a new protocol, would be an optional protocol available to all members and member organizations on a non-discriminatory basis.

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.

OTTO Protocol

The OTTO protocol is a proprietary protocol of Nasdaq, Inc. The Exchange continues to innovate and modernize technology so that it may continue to compete

³⁰

https://cdn.cboe.com/resources/membership/US_Options_BOE_Specification.pdf.

among options markets. The ability to continue to innovate with technology and offer new products to market participants allows Phlx to remain competitive in the options space which currently has eighteen options markets and potential new entrants. The Exchange's proposal to adopt an OTTO Protocol does not impose an undue burden on intra-market competition. Today, all Phlx member organizations utilize FIX to send orders to Phlx. With the addition of OTTO Ports, a Phlx member organization may elect to enter their orders through FIX, OTTO, or both protocols, although both protocols are not necessary. The Exchange's proposal to adopt an OTTO Protocol does not impose an undue burden on intermarket competition as other options exchanges offer multiple protocols today such as BX, ISE, GEMX and MRX.

Other Amendments

The Exchange's proposal to amend other rules within Options 3 to make clear where the FIX and OTTO protocols may be utilized does not impose an undue burden on intra-market competition as these rules will apply in the same manner to all Participants. The Exchange's proposal to amend other rules within Options 3 to make clear where the FIX and OTTO protocols may be utilized does not impose an undue burden on intermarket competition as other options exchanges may elect to utilize their order entry protocols in different ways.

Pricing

Nothing in the proposal burdens inter-market competition (the competition among self-regulatory organizations) because approval of the Proposal does not impose any burden on the ability of other options exchanges to compete. Phlx OTTO Port fees are comparable to, and in some cases less than, those of other exchanges, as discussed above.

Nothing in the Proposal burdens intra-market competition (the competition among consumers of exchange data) because Phlx OTTO is available to any member at the same price and any member that elects to subscribe to OTTO may do so on a non-discriminatory basis.

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)³¹ of the Act and Rule 19b-4(f)(6) thereunder³² in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange's proposal does not significantly affect the protection of investors or the public interest as it provides Phlx member organizations with another alternative to submit orders to the Exchange in addition to FIX. In connection with offering OTTO, the Exchange proposes to amend other rules within Options 3 to make clear where the FIX

³¹ 15 U.S.C. 78s(b)(3)(A)(iii).

³² 17 CFR 240.19b-4(f)(6).

and OTTO protocols may be utilized. A Stop Order or Stop Limit Orders may only be entered through FIX. A Day Order may be entered through FIX or OTTO. A GTC or GTD Order may only be entered through FIX. IOC Orders may be entered through FIX, OTTO or SQF. Other processes such the Opening Cancel Timer would impact FIX and OTTO equally. Finally, the Detection of Loss of Communication would apply equally to FIX or OTTO. The proposal makes clear what order types and other mechanisms may utilize OTTO. Today, Phlx member organizations utilize FIX to enter their orders. The Exchange's proposal does not impose any significant burden on competition as these rules will apply in the same manner to all Participants.

The Exchange's proposal does not significantly affect the protection of investors or the public because Phlx OTTO is an optional port that is not required to be utilized by Phlx member organizations who are currently utilizing FIX to enter their orders.

Furthermore, Rule 19b-4(f)(6)(iii)³³ requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

³³ 17 CFR 240.19b-4(f)(6)(iii).

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

The proposed Phlx OTTO Port is identical to the ISE OTTO Port at

Supplementary .03(b) to Options 3, Section 7.

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-2025-05)

January __, 2025

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a New OTTO Protocol

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 29, 2025, 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 adopt a new protocol, “Ouch to Trade Options” or “OTTO” and establish pricing for this new protocol. The Exchange proposes to amend various Phlx Rules in connection with this rule change, including: Options 3, Section 7 (Types of Orders and Order and Quote Protocols); Options 3, Section 8 (Options Opening Process); Options 3, Section 17 (Kill Switch); Options 3, Section 18 (Detection of Loss of Communication); and Options 7, Section 9 (Other Member Fees).

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

¹ 15 U.S.C. 78s(b)(1).

² 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

Phlx proposes to offer a new order entry protocol called OTTO. Today, Phlx members and member organizations may enter orders into the Exchange through the “Financial Information eXchange” or “FIX.”³ The proposed new OTTO protocol is identical to the OTTO protocol offered today on 4 Nasdaq affiliated exchanges, Nasdaq BX, Inc. (“BX”), Nasdaq ISE, LLC (“ISE”), Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”).

The OTTO protocol is a proprietary protocol of Nasdaq, Inc. The Exchange continues to innovate and modernize technology so that it may continue to compete among options markets. The ability to continue to innovate with technology and offer

³ “Financial Information eXchange” or “FIX” is an interface that allows members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders and responses to and from the Exchange. Features include the following: (1) execution messages; (2) order messages; and (3) risk protection triggers and cancel notifications. See Options 3, Section 7(a)(i)(A).

new products to market participants allows Phlx to remain competitive in the options space which currently has eighteen options markets and potential new entrants.

OTTO Protocol

As proposed, OTTO would allow members and member organizations and their Sponsored Customers⁴ to connect, send, and receive messages related to orders, auction orders, and auction responses to the Exchange. OTTO features would include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System⁵ event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; (6) risk protection triggers and cancel notifications; (7) auction notifications; (8) auction responses; and (9) post trade allocation messages. The Exchange notes that unlike FIX, which offers routing capability, OTTO does not permit routing. The Exchange proposes to include this description of OTTO in new Supplementary Material .03(b) to Options 3, Section 7.⁶

⁴ General 2, Section 22 describes Sponsored Access arrangements.

⁵ The term “System” shall mean the automated system for order execution and trade reporting owned and operated by the Exchange which comprises: (i) an order execution service that enables members to automatically execute transactions in option series; and provides members with sufficient monitoring and updating capability to participate in an automated execution environment; (ii) a trade reporting service that submits “locked-in” trades for clearing to a registered clearing agency for clearance and settlement; transmits last-sale reports of transactions automatically to the Options Price Reporting Authority (“OPRA”) for dissemination to the public and industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a “locked-in” trading environment; and (iii) the data feeds described at Options 3, Section 23. See Phlx Options 1, Section 1(b)(57).

⁶ Phlx amended Options 3, Section 7 in SR-Phlx-2024-71. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 will become operative on the same date as this rule change as they are both part of the same technology migration.

Only one order protocol is required for a Phlx member or member organization to submit orders into Phlx. Only Phlx members or member organizations may utilize ports on Phlx. Any market participant that sends orders to a Phlx member or member organization would not need to utilize a port. The Phlx member or member organization may send all orders, proprietary and agency, through one port to Phlx. Members and member organizations may elect to obtain multiple ports to organize their business,⁷ however only one port is necessary for a member or member organization to enter orders on Phlx. Members and member organizations may elect to enter their orders through FIX, OTTO, or both protocols, although both protocols are not necessary. Members and member organizations may prefer one protocol as compared to another protocol, for example, the ability to route may cause a member or member organization to utilize FIX and a member organization that desires to execute an order locally may prefer OTTO. The OTTO Port offers lower latency as compared to the FIX Port, which may be attractive to members and member organizations depending on their trading behavior. Nasdaq believes that the addition of OTTO will provide Phlx members and member organizations with additional choice when submitting orders to Phlx.

While the Exchange has no way of predicting with certainty the amount or type of OTTO Ports market participants will in fact purchase, the Exchange anticipates that some Participants will subscribe to multiple OTTO Ports in combination with FIX Ports. The

⁷ For example, a member or member organization may desire to utilize multiple FIX or OTTO Ports for accounting purposes, to measure performance, for regulatory reasons, segregating order flow among different trading desks, or other determinations that are specific to that member or member organization. A market participant may utilize multiple ports in some cases to send multiple orders through different ports to avoid any latency or queuing of orders. The Exchange notes that to the extent that different OTTO Ports are used to send multiple orders as compared to sending multiple orders through one OTTO Port the difference from a latency standpoint would be in nanoseconds.

Exchange notes that Options Participants may use varying number of OTTO ports based on their business needs.

Other Amendments

In connection with offering OTTO, the Exchange proposes to amend other rules within Options 3. Each amendment is described below.

Options 3, Section 7

Phlx proposes to amend Options 3, Section 7, Types of Orders and Quote Protocols.⁸ Specifically, Phlx proposes to amend Options 3, Section 7 (b)(2) that describes the “Immediate-or-Cancel” or “IOC” order. Today, Options 3, Section 7(d) related to Stop Orders and Options 3, Section 7(e) related to Stop Orders to make clear that Stop Orders and Stop Limit Orders may only be entered through FIX and would not be available to be submitted through OTTO.

The Exchange also proposes to amend a “Day” Time in Force (“TIF”) at Supplementary Material .02(a) to Options 3, Section 7 to note that an order with a TIF of Day may be entered through OTTO. The Exchange also proposes to amend a “Good-Till-Cancelled” or “GTC” TIF at Supplementary Material .02(b) to Options 3, Section 7 and a Good-Till-Date⁹ or “GTD” TIF at Supplementary Material .02(c) to Options 3, Section 7 to note that GTC and GTD orders may be entered through FIX and would not

⁸ Phlx amended Options 3, Section 7 in SR-Phlx-2024-71. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 will become operative on the same date as this rule change as they are both part of the same technology migration.

⁹ Phlx adopted a GTD TIF in SR-Phlx-2024-71. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative. SR-Phlx-2024-71 will become operative on the same date as this rule change as they are both part of the same technology migration.

be available to be submitted through OTTO. Further, the Exchange proposes to amend an Immediate-or-Cancel or “IOC” TIF at Supplementary Material .02(d) to Options 3, Section 7 to make clear that IOC orders may be entered through OTTO in addition to FIX and SQF.¹⁰ The Exchange proposes to add “OTTO” to the list of protocols to note that an IOC order may also be entered through OTTO.

Options 3, Section 8

Phlx proposes to amend Options 3, Section 8, Options Opening Process. Specifically, Phlx proposes to amend Options 3, Section 8(1) that describes the Opening Process Cancel Timer. The Opening Process Cancel Timer represents a period of time since the underlying market has opened. If an option series has not opened before the conclusion of the Opening Process Cancel Timer, a member or member organization may elect to have orders returned by providing written notification to the Exchange. Today, these orders include all non-Good-Till Cancelled Orders and Good-Till-Dated Orders received over the FIX protocol. The Exchange proposes to add the OTTO protocol as well to the rule text language in that paragraph.

¹⁰ “Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, the Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1), (a)(2) and (b)(2), respectively. See proposed Supplementary Material .03(C) to Options 3, Section 7.

Options 3, Section 17

The Exchange proposes to amend the Kill Switch at Options 3, Section 17. The Kill Switch provides members and member organizations with an optional risk management tool to promptly cancel and restrict orders. With the introduction of OTTO, the Exchange proposes to align its Kill Switch rule text with MRX's Kill Switch.¹¹ The Exchange proposes to note in Options 3, Section 17(a) that members and member organizations may initiate a message(s) to the System to promptly cancel and restrict their order activity on the Exchange, as is the case today, as described in section (a)(1). This amendment simply rewords the rule text without a substantive amendment to the rule text.

Current Options 3, Section 17(a)(1) states, "If orders are cancelled by the Phlx member utilizing the Kill Switch, it will result in the cancellation of all orders requested for the Identifier(s). The Phlx member will be unable to enter additional orders for the affected Identifier(s) until re-entry has been enabled pursuant to section (a)(2)." The Exchange proposes to instead provide, "A Phlx member may submit a request to the System through FIX or OTTO to cancel all existing orders and restrict entry of additional orders for the requested Identifier(s) on a user level on Phlx." With the addition of each order entry protocol, the Exchange notes that both FIX and OTTO orders may be cancelled.

Finally, the Exchange proposes to amend proposed Options 3, Section 17(a)(2) to align to MRX's rule text by providing "Once a Phlx member initiates the Kill Switch

¹¹ See MRX Options 3, Section 17.

pursuant to section (a)(1) above...” in the first sentence. This amendment simply rewords the rule text without a substantive amendment to the rule text.

Options 3, Section 18

The Exchange proposes to amend Options 3, Section 18, Detection of Loss of Communication. The Exchange proposes to add OTTO to Options 3, Section 18 as OTTO would also be subject to this rule. Today, when the SQF Port or the FIX Port detects the loss of communication with a member’s Client Application because the Exchange’s server does not receive a Heartbeat message for a certain time period, the Exchange will automatically logoff the member’s affected Client Application and automatically cancel all of the member’s open quotes through SQF and open orders through FIX. Quotes and orders are cancelled across all Client Applications that are associated with the same Phlx Options Market Maker ID and underlying issues.

At this time, the Exchange proposes to permit orders entered through OTTO to be cancelled similar to FIX orders when the Exchange’s server does not receive a Heartbeat message for a certain time period. The Exchange is proposing to amend Options 3, Section 18 to also rearrange the rule text to add the word “Definitions” next to “a” and move the rule text in current “a” to “b” and re-letter the other paragraphs accordingly. Also, the Exchange proposes to define “Session of Connectivity” for purposes of this rule to mean each time the member connects to the Exchange’s System. Further, each new connection, intra-day or otherwise, is a new Session of Connectivity. The Exchange proposes to use the new definition throughout Options 3, Section 18.

Similar to FIX, when the OTTO Port detects the loss of communication with a member’s Client Application because the Exchange’s server does not receive a Heartbeat

message for a certain time period, the Exchange will automatically logoff the member's affected Client Application and automatically cancel all of the member's open orders through OTTO, if the member has elected to have all orders cancelled upon disconnect. Orders would be cancelled across all Client Applications that are associated with the same Phlx Options Market Maker ID and underlying issues. The Exchange proposes to update Options 3, Section 18 to provide in proposed Options 3, Section 18(a)(3) that the OTTO Port is the Exchange's proprietary System component through which members communicate their orders from the Client Application. Further, the Exchange would note in proposed Options 3, Section 18(c) that when the OTTO Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and if the member has elected to have its orders cancelled pursuant to proposed Section 18(f), automatically cancel all orders. Proposed Options 3, Section 18(f) would provide that the default period of "nn" seconds for OTTO Ports would be fifteen (15) seconds for the disconnect and, if elected, the removal of orders. A member may determine another time period of "nn" seconds of no technical connectivity, as required in proposed paragraph (c), to trigger the disconnect and, if so elected, the removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for OTTO Ports prior to each Session of Connectivity to the Exchange. This feature may be disabled for the removal of orders; however, the member will be disconnected.

Proposed Options 3, Section 18(f)(1) would provide that if the member changes the default number of “nn” seconds, that new setting shall be in effect throughout the current Session of Connectivity and will then default back to fifteen seconds. The member may change the default setting prior to each Session of Connectivity. Finally, as proposed in Options 3, Section 18(f)(2), if the time period is communicated to the Exchange by calling Exchange operations, the number of “nn” seconds selected by the member will persist for each subsequent Session of Connectivity until the member either contacts Exchange operations by phone and changes the setting or the member selects another time period through the Client Application prior to the next Session of Connectivity. The trigger for OTTO Ports is event and Client Application specific. The automatic cancellation of the Phlx Options Market Maker’s open orders for OTTO Ports entered into the respective OTTO Ports via a particular Client Application will neither impact nor determine the treatment of orders of the same or other members entered into the OTTO Ports via a separate and distinct Client Application. The proposed amendments for OTTO mirror the manner in which FIX Ports are treated when the Exchange’s server does not receive a Heartbeat message for a certain time period for a FIX Port.¹²

Pricing

Phlx proposes to amend its Pricing Schedule at Options 7, Section 9B, Ports Fees, to adopt a port fee for the new OTTO protocol of \$400 per port, per month, per mnemonic. OTTO would be an additional order entry protocol for Phlx member organizations in addition to FIX, which is currently offered for order entry into Phlx.

¹² The Exchange proposes to update internal cross-references to accommodate relocated text.

The Exchange proposes to cap OTTO Port Fees at \$4,000 a month. These ports are available to all Phlx member organizations. To the extent that a member organization expended more than \$4,000 for OTTO Ports in a month, Phlx would not charge that member organization for additional OTTO Ports beyond the cap. The proposed Phlx OTTO Port fee is identical to the ISE OTTO Port fee at Options 7, Section 7C.

Phlx proposes to add some commas within the Options 7, Section 9B for readability.

Implementation

The Exchange will implement this rule change on or before December 20, 2025.¹³ The Exchange will announce the operative date to members and member organizations in an Options Trader Alert.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ 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. Additionally, the Exchange believes that its proposal furthers the objectives of Sections 6(b)(4) and

¹³ See <https://www.nasdaqtrader.com/MicroNews.aspx?id=OTA2024-17>. PHLX will migrate to the new platform on a symbol-by-symbol basis over 5 week period. The Exchange notes that the amendments to the Phlx rules noted in SR-Phlx-2024-71 will be implemented as part of this same technology migration. See Securities Exchange Act Release No. 101989 (December 30, 2024), 89 FR 106888 (December 30, 2024) (SR-Phlx-2024-71). SR-Phlx-2024-71 is effective but not yet operative.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

6(b)(5) of the Act,¹⁶ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

OTTO Protocol

The Exchange's proposal to adopt OTTO is consistent with the Act because OTTO would provide members and member organizations with an alternative protocol to submit orders to the Exchange. With the addition of OTTO, a Phlx member or member organization may elect to enter their orders through FIX, OTTO, or both protocols, although both protocols are not necessary. Phlx member organizations may prefer one order protocol as compared to another order protocol. The proposed new OTTO protocol is identical to the OTTO protocol offered today on BX, ISE, GEMX, and MRX.¹⁷

Other Amendments

In connection with offering OTTO, the Exchange proposes to amend other rules within Options 3 to make clear where the FIX and OTTO protocols may be utilized. A Stop Order or Stop Limit Orders may only be entered through FIX. A Day Order may be entered through FIX or OTTO. A GTC and GTD Order may only be entered through FIX. IOC Orders may be entered through FIX, OTTO or SQF. Other processes such the Opening Cancel Timer would impact FIX and OTTO equally.

The Exchange's proposal to amend the Kill Switch at Options 3, Section 17 to align its rule text in proposed Options 3, Section 17(a) and (a)(2) with MRX's Options 3,

¹⁶ See 15 U.S.C. 78f(b)(4) and (5).

¹⁷ See Supplementary .03(b) to Options 3, Section 7.

Section 17 is consistent with the Act because it does not substantively amend the functionality. The Exchange's proposal to amend proposed Options 3, Section 17(a)(2) to specify that FIX and OTTO orders may be cancelled is consistent with the Act as it will make clear that all orders entered on Phlx may be purged through the Kill Switch.

Finally, the Detection of Loss of Communication would apply equally to FIX and OTTO. The Exchange believes that its proposal is consistent with the Act and protects investors as the Exchange is making clear what types of order types and other mechanisms may utilize OTTO. Today, Phlx members utilize FIX to enter their orders. Despite the fact that OTTO would not be available for Stop Orders, Stop Limit Orders, or the GTC or GTD TIF modifier, the Exchange notes that one FIX Port is being provided to member organizations at no cost. Today, FIX is the only manner in which to enter orders into Phlx.

Pricing

Proposed Port Fees Are Reasonable, Equitable and Not Unfairly Discriminatory

The Exchange believes that its proposal furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. This belief is based on comparability, the proposed fees are comparable to, and in some cases less than, those of similarly situated exchanges.

The proposed fees for Phlx OTTO are identical to ISE OTTO Port Fees, an

¹⁸ See 15 U.S.C. 78f(b)(4) and (5).

identical protocol.¹⁹ Additionally, the proposed fees for Phlx OTTO are comparable to those of its closest competitors, BOX Exchange, LLC (“BOX”);²⁰ Miami International Securities Exchange, LLC (“MIAX”);²¹ NYSE Arca, Inc. (“Arca”);²² NYSE American LLC (“Amex”);²³ and Cboe EDGX Exchange, Inc. (“EDGX”),²⁴ based on market share.

Below is a chart comparing Phlx to ISE, an affiliated Nasdaq options exchange that has an identical OTTO Port.

Exchange	Market Share	OTTO	Cap
Phlx	9.1%	\$400 per port, per month, per mnemonic,	OTTO Port subject to monthly cap of \$4,000
ISE	6.2%	\$400 per port, per month, per mnemonic,	OTTO Port subject to monthly cap of \$4,000

Below is another chart comparing Phlx to various unaffiliated options exchanges with comparable logical ports.

Exchange	Market Share	Proprietary Port	Cap
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¹⁹ ISE assesses \$400 per port, per month, per mnemonic and caps OTTO Port Fees at \$4,000 per month. See Options 7, Section 7C.

²⁰ For order entry, BOX assesses a fee of \$540 per month per port for 1 to 5 Ports and \$162 per month for each additional port for SAIL ports. See BOX’s Pricing Schedule.

²¹ For order entry, MIAX assesses \$550 for the first FIX Port, \$350 per month per port for 2 to 5 FIX Ports and \$150 per month for over 5 FIX Ports. A FIX Port is an interface with MIAX systems that enables the port user to submit simple and complex orders electronically to MIAX. See MIAX’s Fee Schedule.

²² For order entry, Arca assesses order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. For purpose of calculating the number of order/quote entry ports, ARCA aggregates the ports of Affiliates. See NYSE Arca Options Fees and Charges.

²³ For order entry, Amex assesses order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. For purpose of calculating the number of order/quote entry ports, Amex aggregates the ports of Affiliates. See NYSE American Options Fee Schedule.

²⁴ For order entry, EDGX assesses logical ports \$750 per port, per month. See Cboe EDGX Options Fee Schedule.

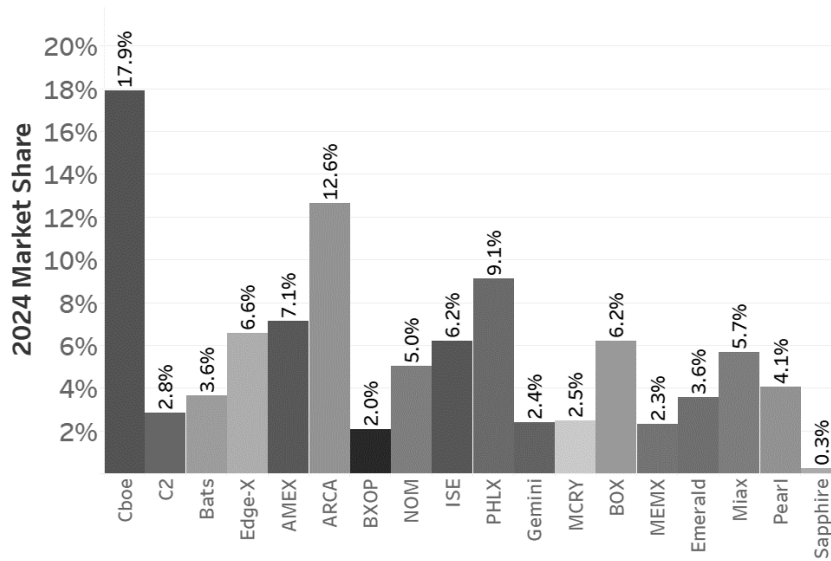
Phlx	9.1%	\$400 per port, per month, per mnemonic	OTTO Port subject to monthly cap of \$4,000
BOX	6.2%	SAIL Port fee of \$540 per month per port for 1 to 5 Ports and \$162 per month for each additional port	no
MIAX	5.7%	MIAX only offers a FIX Port and does not offer a comparable proprietary por.	no
Arca	12.6%	Order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater	no
Amex	7.1%	Order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater	no
EDGX	6.6%	BOE Port fee of \$750 per port, per month	no

The Exchange's analysis utilizes the below graph representing the market share²⁵ for each of the eighteen options markets based on total options contracts traded in 2024 through October 28, 2024.

²⁵ Market share is the percentage of volume on a particular exchange relative to the total volume across all exchanges, and indicates the amount of order flow directed to that exchange. High levels of market share enhance the value of trading and ports. Total contracts include both multi-list options and proprietary options products. Proprietary options products are products with intellectual property rights that are not multi-listed. Phlx lists proprietary products.

US Options Market Share

Data using total options contracts traded from start of 2024 - October 28, 2024



Source: OCC, Nasdaq Economic Research

ISE

ISE has a market share of 6.2% which is comparable to Phlx's market share of 9.1%. The Phlx OTTO Port fee is identical to the ISE OTTO Port Fee in Options 7, Section 7C, namely \$400 per port, per month, per mnemonic with a monthly cap for OTTO Port Fees of \$4,000 per month.

BOX

BOX has a market share of 6.2% which is comparable to Phlx's market share of 9.1%. BOX offers a SAIL SOLA® Access Information Language (SAIL) native protocol for SOLA®, that offers functionalities required for order and quote submission.²⁶ Unlike SAIL, OTTO is only for order submission. For SAIL Ports, BOX assesses a fee of \$540 per month per port for 1 to 5 Ports and \$162 per month for each

²⁶

<https://boxoptions.com/assets/BOX-SAIL-Specifications-Guide-v2.24.pdf>

additional port. BOX does not cap port fees. BOX's SAIL Port fee is higher than the proposed Phlx OTTO Port Fee.

MIAX

MIAX has a market share of 5.7% which is comparable to Phlx's market share of 9.1%. MIAX offers a Financial Information Exchange or "FIX" Port interface to its members that enables the port user to submit simple and complex orders electronically to MIAX.²⁷ For FIX Ports, MIAX assesses \$550 for the first FIX Port, \$350 per month per port for 2 to 5 FIX Ports and \$150 per month for over 5 FIX Ports. MIAX only offers a FIX Port and does not offer a comparable proprietary port.

Arca

Arca has a market share of 12.6% which is comparable to Phlx's market share of 9.1%.²⁸ Arca assesses order/quote entry port fees of \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. For purpose of calculating the number of order/quote entry ports, ARCA aggregates the ports of Affiliates. Any NYSE Arca Market Maker that executes 50% or more of their market maker volume in open outcry shall receive a discount on their monthly port fees of 60%, not to exceed a maximum dollar discount of \$10,000 per month. The proposed Phlx OTTO Port fee is higher than Arca's port fees, which are not capped but permit a discount for the port fees provided certain criteria are met.

²⁷ https://www.miaxglobal.com/sites/default/files/page-files/FIX_Order_Interface_FOI_v2.6c.pdf. Use of FIX protocol that has been adopted by most of the participants in the Options industry.

²⁸ https://www.nyse.com/publicdocs/nyse/NYSE_Pillar_Options_Gateway_Binary_Protocol_Specification.pdf.

Amex

Amex has market share of 7.1% which is comparable to Phlx's market share of 9.1%. Amex offers a proprietary, binary protocol.²⁹ The monthly port fees are \$450 per port, per month for 1 through 40 ports and \$150 per port per month for 41 ports or greater. Order/Quote Entry Ports, Quote Takedown Ports, and Drop Copy Ports (collectively, "Port Fees") are capped based on the total number of such ports an ATP Holder or ATP Firm is billed for in the month preceding the beginning of the Exchange's migration to the Pillar platform (the "Migration Cap"). For purpose of calculating the number of order/quote entry ports, Amex aggregates the ports of Affiliates. Also, any NYSE American Options Market Maker that executes 50% or more of their market maker volume in open outcry shall receive a discount on their monthly port fees of 60%, not to exceed a maximum dollar discount of \$10,000 per month. The proposed Phlx OTTO Port fee is higher than Amex's port fees which are also capped and provide a discount for the port fees provided certain criteria are met.

EDGX

EDGX has market share of 6.6% which is comparable to Phlx's market share of 9.1%. EDGX assesses \$750 per port, per month for its Binary Order Entry ("BOE") Logical Port, a Cboe proprietary order entry protocol.³⁰ BOE provides users the ability to enter order/quotes. Unlike BOE, OTTO is only for order submission. EDGX does not cap its fees. The proposed Phlx OTTO Port fee is lower than EDGX's port fee.

²⁹. https://www.nyse.com/publicdocs/nyse/NYSE_Pillar_Options_Gateway_Binary_Protocol_Specification.pdf.

³⁰ https://cdn.cboe.com/resources/membership/US_Options_BOE_Specification.pdf.

In summary, (i) the proposed OTTO Port fee is (i) identical to ISE; (ii) comparable, but less than BOX and EDGX; and (iii) comparable to Amex and Arca. MIAX offers a FIX Port but not a similar proprietary logical port.

The Proposal is equitable as the proposed fees would apply to all Phlx members in a uniform manner. The proposed Phlx OTTO fees would be assessed uniformly to each Phlx member that subscribes to OTTO. Finally, the proposed monthly cap would be applied uniformly to all Phlx members. The Proposal is not unfairly discriminatory. Phlx OTTO, a new protocol, would be an optional protocol available to all members and member organizations on a non-discriminatory basis.

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.

OTTO Protocol

The OTTO protocol is a proprietary protocol of Nasdaq, Inc. The Exchange continues to innovate and modernize technology so that it may continue to compete among options markets. The ability to continue to innovate with technology and offer new products to market participants allows Phlx to remain competitive in the options space which currently has eighteen options markets and potential new entrants. The Exchange's proposal to adopt an OTTO Protocol does not impose an undue burden on intra-market competition. Today, all Phlx member organizations utilize FIX to send orders to Phlx. With the addition of OTTO Ports, a Phlx member organization may elect to enter their orders through FIX, OTTO, or both protocols, although both protocols are

not necessary. The Exchange's proposal to adopt an OTTO Protocol does not impose an undue burden on intermarket competition as other options exchanges offer multiple protocols today such as BX, ISE, GEMX and MRX.

Other Amendments

The Exchange's proposal to amend other rules within Options 3 to make clear where the FIX and OTTO protocols may be utilized does not impose an undue burden on intra-market competition as these rules will apply in the same manner to all Participants. The Exchange's proposal to amend other rules within Options 3 to make clear where the FIX and OTTO protocols may be utilized does not impose an undue burden on intermarket competition as other options exchanges may elect to utilize their order entry protocols in different ways.

Pricing

Nothing in the proposal burdens inter-market competition (the competition among self-regulatory organizations) because approval of the Proposal does not impose any burden on the ability of other options exchanges to compete. Phlx OTTO Port fees are comparable to, and in some cases less than, those of other exchanges, as discussed above.

Nothing in the Proposal burdens intra-market competition (the competition among consumers of exchange data) because Phlx OTTO is available to any member at the same price and any member that elects to subscribe to OTTO may do so on a non-discriminatory basis.

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 Act³¹ and subparagraph (f)(6) of Rule 19b-4 thereunder.³²

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:

³¹ 15 U.S.C. 78s(b)(3)(A)(iii).

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-Phlx-2025-05 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-Phlx-2025-05. 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-2025-05 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.³³

Sherry R. Haywood,

Assistant Secretary.

³³ 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 3 Options Trading Rules

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Section 7. Types of Orders and Order and Quote Protocols

* * * * *

(d) **Stop Orders.** A Stop Order is an order that becomes a Market Order when the stop price is elected. A Stop Order to buy is elected when the option is bid or trades on the Exchange at, or above, the specified stop price. A Stop Order to sell is elected when the option is offered or trades on the Exchange at, or below, the specified stop price. A Stop Order shall be cancelled if it is immediately electable upon receipt. A Stop Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order. Stop Orders may only be entered through FIX.

(e) **Stop Limit Orders** A Stop Limit Order is an order that becomes a Limit Order when the stop price is elected. A Stop Limit Order to buy is elected when the option is bid or trades on the Exchange at, or above, the specified stop price. A Stop Limit Order to sell becomes a sell limit order when the option is offered or trades on the Exchange at, or below, the specified stop price. A Stop Limit Order shall be cancelled if it is immediately electable upon receipt. A Stop Limit Order shall not be elected by a trade that is reported late or out of sequence or by a Complex Order trading with another Complex Order. Stop Limit Orders may only be entered through FIX.

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Supplementary Material to Options 3, Section 7

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

- (a) **Day.** An order to buy or sell entered with a TIF of “DAY,” which, if not executed, expires at the end of the day on which it was entered. All orders by their terms are Day orders unless otherwise specified. Day orders may be entered through FIX or OTTO.

(b) **Good-Till-Canceled.** An order to buy or sell entered with a TIF of “GTC” remains in force until the order is filled, canceled or the option contract expires; provided, however, that GTC orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract. GTC orders may be entered through FIX.

(c) **Good-Till-Date.** An order to buy or sell entered with a TIF of “GTD,” which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the order, or the expiration of the series; provided, however, that GTD orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract. GTD orders may be entered through FIX.

* * * * *

(d) **Immediate-or-Cancel.** An order entered with a TIF of “IOC” that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled.

(1) Orders entered with a TIF of IOC are not eligible for routing.

(2) IOC orders may be entered through FIX, OTTO or SQF, provided that an IOC order entered by a Market Maker through the SQF protocol will not be subject to the (A) Order Price Protection, Market Order Spread Protection, and Size Limitation Protection as defined in Options 3, Section 15(a)(1), (a)(2), and (b)(2) respectively, for single leg orders.

* * * * *

.03 The Exchange offers members the following protocols for entering orders and quotes respectively:

* * * * *

(B) “Ouch to Trade Options” or “OTTO” is an interface that allows member organizations and their Sponsored Customers to connect, send, and receive messages related to orders, auction orders, and auction responses to the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; (6) risk protection triggers and cancel notifications; (7) auction notifications; (8) auction responses; and (9) post trade allocation messages.

([B]C) “Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3)

trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, the Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1), (a)(2) and (b)(2), respectively.

([C]D) Options Floor Based Management System or (“FBMS”) is a component of the System designed to enable members and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. The FBMS also is designed to establish an electronic audit trail for options orders negotiated, represented and executed by members on the Exchange, to the extent permissible pursuant to Options 8, Section 22(a), such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. The features of FBMS are described in Options 8, Sections 28(e) and 29. In addition, a non-member or member may utilize an FBMS FIX interface to create and send an order into FBMS to be represented by a Floor Broker for execution.

Section 8. Options Opening Process

* * * * *

(l) Opening Process Cancel Timer. The Opening Process Cancel Timer represents a period of time since the underlying market has opened, and shall be established and disseminated by Phlx on its website. If an option series has not opened before the conclusion of the Opening Process Cancel Timer, a member may elect to have orders returned by providing written notification to the Exchange. These orders include all non Good-Til-Cancel Orders and Good-Till-Date Orders received over the FIX or OTTO protocol.

* * * * *

Section 17. Kill Switch

(a) Phlx Options Kill Switch is an optional tool that enables Phlx members and member organizations (hereinafter collectively “member”) to initiate a message(s) to the Exchange’s System to promptly cancel [orders] and restrict their order activity on the Exchange, as described in section (a)(1) below. Members may submit a Kill Switch request to the System [to cancel orders based on] for certain identifier(s) (“Identifier”) on [either] a user [or group] level. [(“Identifier”). Permissible groups must reside within a single broker-dealer.] The System will send an automated message to the Phlx member when a Kill Switch request has been processed by the Exchange’s System.

(1) [If orders are cancelled by the Phlx member utilizing the Kill Switch, it will result in the cancellation of all orders requested for the Identifier(s). The Phlx member will be unable to enter additional orders for the affected Identifier(s) until re-entry has been enabled pursuant to section (a)(2).] A Phlx member may submit a request to the System through FIX or OTTO to cancel all existing orders and restrict entry of additional orders for the requested Identifier(s) on a user level on Phlx.

(2)[After orders are cancelled by the Phlx member utilizing the] Once a Phlx member initiates the Kill Switch pursuant to section (a)(1) above, the Phlx member will be unable to enter additional orders for the affected Identifier(s) until the Phlx member has made a verbal request to the Exchange and Exchange staff has set a re-entry indicator to enable re-entry. Once enabled for re-entry, the System will send a Re-entry Notification Message to the Phlx member. The applicable Clearing Member also will be notified of the re-entry into the System after orders are cancelled as a result of the Kill Switch, provided the Clearing Member has requested to receive such notification.

Section 18. Detection of Loss of Communication

(a) [When the SQF Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and automatically cancel all of the member's open quotes. Quotes will be cancelled across all Client Applications that are associated with the same Lead Market Maker or Market Maker (collectively "Market Maker") ID and underlying issues.] Definitions

(1) A "Heartbeat" message is a communication which acts as a virtual pulse between the SQF, OTTO or FIX Port and the Client Application. The Heartbeat message sent by the member and subsequently received by the Exchange allows the SQF, OTTO or FIX Port to continually monitor its connection with the member.

(2) SQF Port is the Exchange's System component through which members communicate their quotes from the Client Application.

(3) OTTO Port is the Exchange's proprietary System component through which members communicate their orders from the Client Application.

([3]4) FIX Port is the Exchange's System component through which members communicate their orders from the Client Application.

([4]5) Client Application is the System component of the member through which the Exchange member or member organization communicates its quotes and orders to the Exchange.

(6) Session of Connectivity shall mean each time the member connects to the Exchange's System. Each new connection, intra-day or otherwise, is a new Session of Connectivity.

(b) When the SQF Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and automatically cancel all of the member's open quotes. Quotes will be cancelled across all Client Applications that are associated with the same Phlx Options Market Maker ID and underlying issues.

(c) When the OTTO Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and if the member has elected to have its orders cancelled pursuant to Section 18(f), automatically cancel all orders.

([b]d) When the FIX Port detects the loss of communication with a member's Client Application because the Exchange's server does not receive a Heartbeat message for a certain time period ("nn" seconds), the Exchange will automatically logoff the member's affected Client Application and if the member has elected to have its orders cancelled pursuant to paragraph ([d]g) automatically cancel all open orders posted.

([c]e) The default time period ("nn" seconds) for SQF Ports shall be fifteen (15) seconds. A Phlx member may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph ([i]b) above, to trigger the disconnect and must communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for SQF Ports prior to each [s]Session of [c]Connectivity to the Exchange. This feature is enabled for each member and may not be disabled.

(1) If the member systemically changes the default number of "nn" seconds, that new setting shall be in effect throughout the current [s]Session of [c]Connectivity and will then default back to fifteen seconds. The member may change the default setting systemically prior to each [s]Session of [c]Connectivity.

(2) If a time period is communicated to the Exchange by calling Exchange operations, the number of "nn" seconds selected by the member shall persist for each subsequent [s]Session of [c]Connectivity until the member either contacts Exchange operations and changes the setting or the member systemically selects another time period prior to the next [s]Session of [c]Connectivity.

(f) The default period of "nn" seconds for OTTO Ports shall be fifteen (15) seconds for the disconnect and, if elected, the removal of orders. A member may determine another time period of "nn" seconds of no technical connectivity, as required in paragraph (c) above, to trigger the disconnect and, if so elected, the removal of orders and communicate that time to the Exchange. The period of "nn" seconds may be modified to a number between one hundred (100) milliseconds and 99,999 milliseconds for OTTO Ports prior to each Session of Connectivity to the Exchange. This feature may be disabled for the removal of orders, however the member will be disconnected.

(1) If the member changes the default number of “nn” seconds, that new setting shall be in effect throughout the current Session of Connectivity and will then default back to fifteen seconds. The member may change the default setting prior to each Session of Connectivity.

(2) If the time period is communicated to the Exchange by calling Exchange operations, the number of “nn” seconds selected by the member shall persist for each subsequent Session of Connectivity until the member either contacts Exchange operations by phone and changes the setting or the member selects another time period through the Client Application prior to the next Session of Connectivity.

([d]g) The default period of “nn” seconds for FIX Ports shall be thirty (30) seconds for the disconnect and, if elected, the removal of orders. If the Phlx member elects to have its orders removed, in addition to the disconnect, the Phlx member may determine another time period of “nn” seconds of no technical connectivity, as required in paragraph ([ii]d) above, to trigger the disconnect and removal of orders and communicate that time to the Exchange. The period of “nn” seconds may be modified to a number between one (1) second and thirty (30) seconds for FIX Ports prior to each [s]Session of [c]Connectivity to the Exchange. This feature may be disabled for the removal of orders, however the member will be disconnected.

(1) If the member systemically changes the default number of “nn” seconds, that new setting shall be in effect throughout the current [s]Session of [c]Connectivity and will then default back to thirty seconds. The member may change the default setting systemically prior to each [s]Session of [c]Connectivity.

(2) If the time period is communicated to the Exchange by calling Exchange operations, the number of “nn” seconds selected by the member shall persist for each subsequent [s]Session of [c]Connectivity until the member either contacts Exchange operations and changes the setting or the member systemically selects another time period prior to the next [s]Session of [c]Connectivity.

([e]h) The trigger for the SQF, OTTO and FIX Ports is event and Client Application specific. The automatic cancellation of the Market Maker's quotes for SQF Ports and open orders for OTTO and FIX Ports entered into the respective SQF, OTTO or FIX Ports via a particular Client Application will neither impact nor determine the treatment of the quotes of other Market Makers entered into SQF Ports or orders of the same or other members entered into the OTTO or FIX Ports via a separate and distinct Client Application.

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Options 7 Pricing Schedule

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Section 9. Other Member Fees

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B. Port Fees

A port is a logical connection or session that enables a market participant to send inbound messages and/or receive outbound messages from the Exchange using various communication

protocols. Port Fees are prorated for the first month of service under this section. Upon cancellation, market participants are required to pay for service for the remainder of the month, regardless of whether it is the first month of service.

(i) The following order and quote protocols are available on Phlx:

(1) FIX Port Fee \$650 per month, per mnemonic

The FIX Port Fee will be waived for mnemonics that are used exclusively for complex orders where one of the components of the complex order is the underlying security.

Member organizations will not be assessed a FIX Port Fee for additional ports acquired for ten business days for the purpose of transitioning technology. The member organization is required to provide the Exchange with written notification of the transition and all additional ports, provided at no cost, will be removed at the end of the ten business days.

(2) OTTO Port Fee¹ \$400 per port, per month, per mnemonic

¹ OTTO Port Fees are subject to a monthly cap of \$4,000.

~~(2)~~(3) SQF Port Fee for ports that receive inbound quotes at any time within that month (“active port”) \$1,375 per port, per month up to a maximum of \$46,200 per month

Member organizations will not be assessed an active SQF Port Fee for additional ports acquired for ten business days for the purpose of transitioning technology. An active port shall mean that the port was utilized to submit a quote to the System during a given month. The member organization is required to provide the Exchange with written notification of the transition and all additional ports, provided at no cost, will be removed at the end of the ten business days.

~~(3)~~(4) SQF Purge Port Fee \$550 per port, per month for each of the first 5 SQF Purge Ports, and \$110 per port, per month for each port thereafter.

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(iv) Other Ports:

Disaster Recovery Port Fee for ports in subsections (i) - (iii) \$0 per port, per month

Nasdaq Testing Facility Port Fee^{[1]2} \$0 per port, per month

^{[1]2}The Nasdaq Testing Facility Port Fee is applicable to all ports within this Section 9B.

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