

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 55

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

File No. \* SR 2025 - \* 13

Amendment No. (req. for Amendments \*)

Filing by Nasdaq PHLX LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
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Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>
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Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

A proposal to amend Phlx's Pricing Schedule at Options 7, Section 4, Multiply Listed Options Fees, to amend (1) Qualified Contingent Cross (QCC) Rebates; and (2) the Floor Transaction (Open Outcry) Floor Broker Incentive Program.

**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 03/10/2025	(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: 2025.03.10  
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-Phlx-2025-13 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-2025-13 Exhibit 1.docx

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

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

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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SR-Phlx-2025-13 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Phlx’s Pricing Schedule at Options 7, Section 4, Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed) (Excludes SPY and broad-based index options symbols listed within Options 7, Section 5.A), to amend (1) Qualified Contingent Cross (“QCC”) Rebates; and (2) the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange proposes to decrease certain criteria to qualify for QCC Rebates. Additionally, the Exchange proposes to amend Floor Transaction (Open Outcry) Floor Broker Incentive Program to expand the qualifying volume criteria, Qualifying Contract tiers, and rebates.<sup>3</sup>

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable portion of the Pricing Schedule is attached hereto 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

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

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

<sup>3</sup> Phlx filed SR-Phlx-2025-12 on March 3, 2025. On March 10, 2025, the Exchange withdrew SR-Phlx-2025-12 and filed this rule proposal.

will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

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

a. Purpose

Phlx proposes to amend Phlx's Pricing Schedule at Options 7, Section 4, Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed) (Excludes SPY and broad-based index options symbols listed within Options 7, Section 5.A), to amend (1) Qualified Contingent Cross ("QCC") Rebates; and (2) the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange proposes to decrease certain criteria to qualify for QCC Rebates. Additionally, the Exchange proposes to amend Floor Transaction (Open Outcry) Floor Broker Incentive Program to expand the qualifying volume criteria, Qualifying Contract tiers, and rebates.

### QCC Transaction Fees

Today, the Exchange assesses a \$0.20 per contract QCC Transaction Fee for a Lead Market Maker,<sup>4</sup> Market Maker,<sup>5</sup> Firm<sup>6</sup> and Broker-Dealer.<sup>7</sup> Customers<sup>8</sup> and Professionals<sup>9</sup> are not assessed a QCC Transaction Fee. QCC Transaction Fees apply to electronic QCC Orders<sup>10</sup> and Floor QCC Orders.<sup>11</sup>

### QCC Rebates

Today, Options 7, Section 4 describes QCC Rebates that are offered by Phlx. Today, Phlx pays a QCC Rebate of \$0.12 per contract on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section

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<sup>4</sup> The term “Lead Market Maker” applies to transactions for the account of a Lead Market Maker (as defined in Options 2, Section 12(a)). A Lead Market Maker is an Exchange member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a). An options Lead Market Maker includes a Remote Lead Market Maker which is defined as an options Lead Market Maker in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Options 2, Section 11. See Options 7, Section 1(c). The term “Floor Lead Market Maker” is a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a) and has a physical presence on the Exchange’s trading floor. See Options 8, Section 2(a)(3).

<sup>5</sup> The term “Market Maker” is defined in Options 1, Section 1(b)(28) as a Streaming Quote Trader or a Remote Streaming Quote Trader who enters quotations for his own account electronically into the System. A Market Maker includes SQTs and RSQTs as well as Floor Market Makers. See Options 7, Section 1(c). The term “Floor Market Maker” is a Market Maker who is neither an SQT or an RSQT. A Floor Market Maker may provide a quote in open outcry. See Options 8, Section 2(a)(4).

<sup>6</sup> The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation. See Options 7, Section 1(c).

<sup>7</sup> The term “Broker-Dealer” applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category. See Options 7, Section 1(c).

<sup>8</sup> The term “Customer” applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of a broker or dealer or for the account of a “Professional” (as that term is defined in Options 1, Section 1(b)(45)). See Options 7, Section 1(c).

<sup>9</sup> The term “Professional” applies to transactions for the accounts of Professionals, as defined in Options 1, Section 1(b)(45) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Options 7, Section 1(c).

<sup>10</sup> Electronic QCC Orders are described in Options 3, Section 12.

<sup>11</sup> Floor QCC Orders are described in Options 8, Section 30(e).

30(e), when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate is \$0.17 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. Additionally, Phlx pays a rebate of \$0.22 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions<sup>12</sup> in excess of 2,500,000 contracts in a given month, **and** (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Today, Phlx also pays a QCC Rebate of \$0.14 per contract on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate is \$0.19 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. Additionally, Phlx pays a rebate of \$0.27 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 2,500,000 contracts in a given month, **and** (3) at least 40% of the

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<sup>12</sup> Floor Originated Strategy Executions are defined as a dividend, merger, short stock interest, reversal and conversion, jelly roll or box spread strategy as described in Options 7, Section 4.

member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Today, these QCC rebates are paid on all qualifying executed electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), except where the transaction is either: (i) Customer-to-Customer; (ii) Customer-to-Professional; (iii) Professional-to-Professional or (iv) a dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions (as defined in Options 7, Section 4). Further, today, volume resulting from all executed electronic QCC Orders and Floor QCC Orders, including Customer-to-Customer, Customer-to-Professional, and Professional-to-Professional transactions and excluding dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions, will be aggregated in determining the applicable member or member organization qualifying QCC contract volume in a given month.

At this time, the Exchange proposes to amend the qualifications on two of the QCC Rebates to lower the second qualification for Floor Originated Strategy Executions from "in excess of 2,500,000 contracts" to "in excess of 1,250,000."

Therefore, the Exchange proposes to continue to pay a rebate of \$0.22 per contract, when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization executes (1) greater than 750,000 qualifying QCC contracts in a given month; (2) Floor Originated Strategy Executions in excess of **1,250,000** contracts in a given month; and (3) at least 40% of the

member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Additionally, the Exchange proposes to continue to pay a rebate of \$0.27 per contract, when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month; (2) Floor Originated Strategy Executions in excess of **1,250,000** contracts in a given month and (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

The Exchange would continue to pay QCC Rebates on all qualifying executed electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), except where the transaction is either: (i) Customer-to-Customer; (ii) Customer-to-Professional; (iii) Professional-to-Professional; or (iv) a dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions (as defined in Options 7, Section 4). Also, the Exchange would continue to aggregate volume resulting from all executed electronic QCC Orders and Floor QCC Orders, including Customer-to-Customer, Customer-to-Professional, and Professional-to-Professional transactions and excluding dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions, in



determining the applicable member or member organization qualifying QCC contract volume in a given month.

The Exchange believes that the proposed amendments to decrease certain qualifications will encourage Phlx members and member organizations to continue to transact qualifying QCC contracts and Floor Originated Strategy Executions on Phlx. By lowering the number of Floor Originated Strategy Executions as part of the qualifications, Phlx believes additional members and member organizations may achieve these QCC rebates.

### **Floor Transaction (Open Outcry) Floor Broker Incentive Program**

The Exchange proposes to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program at Options 7, Section 4. This incentive program for Floor Brokers<sup>13</sup> is designed to attract order flow to Phlx's trading floor for execution in open outcry. Currently, the Exchange pays Floor Broker certain rebates for transaction they execute on Phlx's trading floor in open outcry. Today, the following floor transactions are excluded from the rebates offered within the Floor Transaction (Open Outcry) Floor Broker Incentive Program: (1) Floor QCC Orders, as defined in Options 8, Section 30(e)<sup>14</sup>; (2) dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions as defined in this Options 7, Section 4; (3) Firm Floor Options Transactions Charges for members executing facilitation orders pursuant to

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<sup>13</sup> The term "Floor Broker" means an individual who is registered with the Exchange for the purpose, while on the Options Floor, of accepting and handling options orders. See Phlx Options 7, Section 1(c).

<sup>14</sup> Today, Floor QCC Orders are not transacted in open outcry. The Exchange proposes to include Floor QCC Orders in the list of exclusions to remind members and member organizations that Floor QCC Orders will not be paid the Floor Transaction (Open Outcry) Floor Broker Incentive Program rebate.

Options 8, Section 30 when such members are trading in their own proprietary account (including Cabinet Options Transaction Charges); and (4) Customer-to-Customer transactions.

Today, the Exchange pays Floor Transaction (Open Outcry) Floor Broker Incentive Program rebates on qualifying volume at each of 3 threshold levels per the below schedule.

<b>Qualifying Contracts</b>	<b>Per Contract Rebate</b>
0 -5,000,000	\$0.05
5,000,001-10,000,000	\$0.08
Greater than 10,000,000	\$0.11

By way of example, today, a Floor Broker that executes floor transactions in a given month totaling 10,500,000 contracts will be paid \$0.05 for the first 5,000,000 floor transaction contracts (\$250,000), \$0.08 for the next 5,000,000 floor transaction contracts (\$400,000), and \$0.11 for the final 500,000 floor transaction contracts (\$55,000) for a total rebate of \$705,000 for that month. Further, as an additional clarifying example, if a Floor Broker executes a floor transaction in the amount of 1,000,000 contracts, represents both sides of the floor transaction, and executes the floor transaction as a crossing transaction pursuant to Options 8, Section 30(a) for 700,000 of the 1,000,000 contracts, then trades the remaining 300,000 contracts with the trading crowd, the Floor Transaction (Open Outcry) Floor Broker Incentive Program rebate for this transaction will be paid on the qualifying floor transaction volume of 1,000,000 contracts.

Finally, today, rebates for the Floor Transaction (Open Outcry) Floor Broker Incentive Program are capped at \$1,000,000 per member or member organization in a given month.

At this time, the Exchange proposes to amend the Floor Transaction (Open Outcry) Floor Broker Incentive Program in several ways. First, with respect to qualifying volume, the Exchange proposes to amend the current rule text in Options 7, Section 4, concerning the incentive program to provide, “Floor Brokers will be paid the below rebates for transactions executed on the trading floor in open outcry. The below transactions are considered qualifying volume:”.<sup>15</sup> This proposed new rule text does not substantively amend the current rule text, rather it breaks the current rule text into two sentences and notes more clearly that the list contains exclusions to qualifying volume.

Next, the Exchange proposes to remove Floor QCC Orders from the list of qualifying volume and renumber the subsequent excluded volume descriptions. The Exchange proposes to add a new sentence to note that as proposed, Floor QCC Orders, as defined in Options 8, Section 30(e), will be considered qualifying volume but would not be paid rebates based on the below schedule, rather Floor QCC Order would be paid the QCC Rebates noted in Options 7, Section 4 above. This proposed change would allow Phlx members and member organizations to count Floor QCC Orders toward their qualifying volume to achieve the Qualifying Contracts necessary to be paid a rebate.

The Exchange proposes to amend the current rebate schedule which consists of 3 tiers. The Exchange proposes to expand the rebate schedule to 4 tiers and add a column numbering each tier. In expanding the tiers, the Exchange proposes to also amend existing rebate tiers. The Exchange proposes to amend the current Tier 1 Qualifying Contracts criteria from “0 – 5,000,000” to “0 – 500,000.” The Exchange proposes to

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<sup>15</sup> The current rule text at Options 7, Section 4 provides, “Floor Brokers will be paid the below rebates for transactions executed on the trading floor, in open outcry, excluding the following transactions:”.

lower the current Tier 2 Qualifying Contracts criteria from “5,000,001-10,000,000” to “500,001-5,000,000.” The Exchange proposes to add a new Tier 3 Qualifying Contracts criteria of “5,000,001-10,000,000.” Finally, the current 3<sup>rd</sup> tier will be Tier 4 and continue to require Qualifying Contracts criteria of “Greater than 10,000,000.”

The Exchange proposes to amend the current per contract rebate for floor transactions to require a Customer on one side of the transaction. Today, there is no criteria describing the type of market participant required to participate on either side of the Floor Transaction. As amended the proposal requires one side of the Floor Transaction to be a Public Customer. For the per contract Rebate with a Customer on one side of the transaction, the Exchange would decrease the Tier 1 rebate with the proposed lower Qualifying Contracts (0-500,000) from \$0.05 to \$0.02 per contract. For the per contract Rebate with a Customer on one side of the transaction, the Exchange would decrease the Tier 2 rebate with the proposed lower Qualifying Contracts (500,000 – 5,000,000) from \$0.08 to \$0.05 per contract. For the new Tier 3 per contract Rebate with a Customer on one side of the transaction, the Exchange would pay \$0.07 per contract for the proposed lower Qualifying Contracts (5,000,001-10,000,000), which contracts currently qualify for a Tier 2 rebate of \$0.08 per contract. Finally, for the per contract Rebate with a Customer on one side of the transaction, the Exchange would decrease the Tier 4 rebate with the proposed lower Qualifying Contracts (Greater than 10,000,000) from \$0.11 to \$0.08 per contract.

Further, the Exchange will create an additional per contract rebate that will require both sides of the Floor Transaction to be Non-Customers.<sup>16</sup> The Exchange proposes to pay a Tier 1 rebate of \$0.08 per contract for proposed Qualifying Contracts (0-500,000), provided both sides of the Floor Transaction are Non-Customers. The Exchange proposes to pay a Tier 2 rebate of \$0.12 per contract for the proposed Qualifying Contracts (500,000 – 5,000,000), provided both sides of the Floor Transaction are Non-Customers. The Exchange proposes to pay a Tier 3 rebate of \$0.16 per contract for the proposed Qualifying Contracts of (5,000,001-10,000,000), provided both sides of the Floor Transaction are Non-Customers. Finally, the Exchange proposes to pay a Tier 4 rebate of \$0.20 per contract for the proposed Qualifying Contracts (Greater than 10,000,000), provided both sides of the Floor Transaction are Non-Customers.

The Exchange believes that the Floor Transaction (Open Outcry) Floor Broker Incentive Program will attract greater order flow to Phlx's trading floor. The Exchange would remove the current example in Options 7, Section 4 that would not apply with the proposed changes to the Floor Transaction (Open Outcry) Floor Broker Incentive Program.<sup>17</sup> The Exchange proposes to add a few new examples to the rule text at Options 7, Section 4 that explain how the rebate is paid, as shown below.

- **Example 1:** A Floor Broker that executes a total of 2,000,000 qualified contracts in a month comprised of (1) Floor QCC Order volume of 600,000 contracts; (2) Floor Transaction Open Outcry Customer volume of 400,000 contracts; and (3) Floor Transaction Open Outcry volume with Non-Customers on both sides of 1,000,000 contracts, will be paid \$0.05 per contract for the 400,000 or \$20,000 for

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<sup>16</sup> The term “Non-Customer” applies to transactions for the accounts of Lead Market Makers, Market Makers, Firms, Professionals, Broker-Dealers and JBOs. See Options 7, Section 1(c).

<sup>17</sup> The current example at Options 7, Section 4, states, A Floor Broker that executes floor transactions in a given month totaling 10,500,000 contracts will be paid \$0.05 for the first 5,000,000 floor transaction contracts (\$250,000), \$0.08 for the next 5,000,000 floor transaction contracts (\$400,000), and \$0.11 for the final 500,000 floor transaction contracts (\$55,000) for a total rebate of \$705,000 for that month.

the Floor Transaction Open Outcry Customer volume and \$0.12 per contract for the 1,000,000 contracts or \$120,000 for the Floor Transaction Open Outcry volume with Non-Customers on both sides, equaling a total Floor Broker Incentive Program Rebate of \$140,000 for that month. The 600,000 contracts of executed Floor QCC Orders would be paid the applicable QCC Rebate as described in Options 7, Section 4 above.

▪ **Example 2:** A Floor Broker that executes floor transactions with a mix of Customer on one side and Non-Customer on both sides in a given month totaling 2,000,000 contracts (with no Floor QCC volume) will be paid a rebate tied to the requisite rebate schedule based on timestamp of the execution. Utilizing Example 1, assume: (1) 100,000 contracts had a Customer on one side, those transactions would be paid at \$0.02 per contract (\$2,000); (2) 400,000 contracts had a Non-Customer on both sides, those transactions would be paid at \$0.08 per contract (\$32,000); (3) 400,000 contracts had a Customer on one-side, those transactions would be paid at \$0.05 per contract (\$20,000); and (4) 1,100,000 contracts had a Non-Customer on both sides, those transaction would be paid at \$0.12 per contract (\$132,000), for a total rebate of \$186,000 for that month.

▪ **Example 3:** A Floor Broker that executes floor transactions with a Customer on one side in a given month totaling 10,500,000 contracts (with no Floor QCC volume) will be paid \$0.02 per contract for the first 500,000 contracts (\$10,000), \$0.05 per contract for the next 4,500,000 floor transaction contracts (\$225,000), \$0.07 per contract for the next 5,000,000 floor transaction contracts (\$350,000), and \$0.08 per contract for the final 500,000 floor transaction contracts (\$40,000), for a total rebate of \$625,000 for that month.

▪ **Example 4:** A Floor Broker that executes floor transactions with Non-Customer on both sides in a given month totaling 10,500,000 contracts (with no Floor QCC volume) will be paid \$0.08 per contract for the first 500,000 contracts (\$40,000), \$0.12 per contract for the next 4,500,000 floor transaction contracts (\$540,000), \$0.16 per contract for the next 5,000,000 floor transaction contracts (\$800,000), and \$0.20 per contract for the final 500,000 floor transaction contracts (\$100,000) for a total rebate of \$1,480,000 for that month.

The Exchange proposes to add these examples to the rule text at Options 7, Section 4 and label them with example numbers, including the remaining current example. The Exchange proposes these examples to make clear how the proposed rebates will be paid. Where rebates are paid across multiple tiers and include transactions with a Customer on one side and Non-Customers on both sides of the transaction, the rebates paid would be based on timestamp of the execution as explained in Example 2 above.

Finally, the Exchange will amend the current cap for Floor Transaction (Open Outcry) Floor Broker Incentive Program rebates from \$1,000,000 to \$2,000,000 per member or member organization in a given month.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>18</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>19</sup> 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.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>20</sup>

Likewise, in NetCoalition v. Securities and Exchange Commission<sup>21</sup> (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that

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<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>20</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

<sup>21</sup> NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

Congress mandated a cost-based approach.<sup>22</sup> As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”<sup>23</sup>

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”<sup>24</sup> Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

### **QCC Rebates**

The Exchange’s proposal to amend the qualifications for two QCC Rebates in Options 7, Section 4<sup>25</sup> by lowering the second qualification for Floor Originated Strategy

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<sup>22</sup> See NetCoalition, at 534 - 535.

<sup>23</sup> Id. at 537.

<sup>24</sup> Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

<sup>25</sup> The Exchange proposes to amend the qualification where it is currently paying a rebate of \$0.22 per contract, when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization both executes: (1) greater than 750,000 qualifying QCC contracts in a given month; (2) Floor Originated Strategy Executions in excess of 3,500,000 contracts in a given month, and (3) at least 40% of the member or member organization’s QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. Additionally, the Exchange proposes to amend the qualification where it is currently paying a \$0.27 per contract, when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization both executes (1) greater than 750,000 qualifying QCC contracts in a



Executions “in excess of 2,500,000 contracts” to “in excess of 1,250,000” in a given month is reasonable because the proposed amendments to the qualifications will encourage Phlx members and member organizations to continue to transact qualifying QCC contracts and Floor Originated Strategy Executions on Phlx. By lowering the number of Floor Originated Strategy Executions as part of the qualifications, Phlx believes additional members and member organizations may achieve the QCC rebates. Floor Originated Strategy Executions are defined as a dividend, merger, short stock interest, reversal and conversion, jelly roll or box spread strategy as described in Options 7, Section 4.

The Exchange’s proposal to amend the qualifications for two QCC Rebates in Options 7, Section 4 by lowering the second qualification for Floor Originated Strategy Executions “in excess of 2,500,000 contracts” to “in excess of 1,250,000” in a given month is equitable and not unfairly discriminatory because all members and member organizations may qualify for QCC Rebates, provided they transact the requisite volume.

#### **Floor Transaction (Open Outcry) Floor Broker Incentive Program**

The Exchange’s proposal to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program to permit Floor QCC Orders, as defined in Options 8, Section 30(e), to be considered qualifying volume for purposes of the program and not pay rebates for transactions executed on the trading floor pursuant to the incentive program is

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given month, (2) Floor Originated Strategy Executions in excess of 3,500,000 contracts in a given month, and (3) at least 40% of the member or member organization’s QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

reasonable because, as is the case today, Floor QCC Orders are paid rebates based on the schedule in Options 7, Section 4 for QCC Rebates.<sup>26</sup>

The Exchange's proposal to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program to permit Floor QCC Orders, as defined in Options 8, Section 30(e), to be considered qualifying volume for purposes of the program and not pay rebates for transactions executed on the trading floor pursuant to the incentive program is equitable and not unfairly discriminatory as all Phlx Floor Broker Floor QCC Order flow entered on Phlx will be counted as qualifying volume for the Floor Transaction (Open Outcry) Floor Broker Incentive Program and those Floor QCC Order will uniformly be paid rebates based on the schedule in Options 7, Section 4 for QCC Rebates.

The Exchange's proposal to amend the current rebate schedule which consists of 3 tiers to expand it to 4 tiers, amend the existing tiers, and amend the current rebates is reasonable. While the Exchange is lowering the current Tier 1 rebate for Qualifying

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<sup>26</sup> Pursuant to Options 7, Section 4, a QCC Rebate of \$0.12 per contract will be paid on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate will be \$0.17 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. This rebate will be \$0.22 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 2,500,000 contracts in a given month, and (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. A QCC Rebate of \$0.14 per contract will be paid on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate will be \$0.19 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. This rebate will be \$0.27 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 2,500,000 contracts in a given month, and (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Contracts up to 500,000 contracts from \$0.05 to \$0.02 per contract, and requiring that there be a Customer on side, the Exchange would continue to permit Phlx Floor Brokers a rebate starting with the first Floor Qualifying Contract, provided now that a Customer is one side of the floor transaction. The Exchange's proposal retains the current Tier 2 rebate of \$0.05 per contract for current Tier Qualifying Contracts from 500,001 to 5,000,000, provided that a Customer is one side of the floor transaction. The Exchange is proposing a new Tier 3 that would pay \$0.07 per contract for Qualifying Contracts from 5,000,001 – 10,000,000, provided that a Customer is one side of the floor transaction. Today, a Floor Broker would have received the higher rebate of \$0.08 rebate per contract. New Tier 4 is the same as today's tier 3, Qualifying Contracts greater than 10,000,000, and would pay a decreased rebate of \$0.08 per contract (as compared to the current \$0.11 per contract rebate), provided that a Customer is one side of the floor transaction. The Exchange's proposal is reasonable as the Exchange continues to believe that the revised incentive program will continue to attract order flow to Phlx's trading floor for execution in open outcry. While the Exchange is requiring that one side of the transaction be a Customer, the Exchange notes that other Phlx floor members<sup>27</sup> may interact with the orders exposed in open outcry on the Exchange's trading floor.

The Exchange's proposal to commence paying rebates on Qualifying Contracts for floor transactions provided there is a Non-Customer on both sides is reasonable because this proposal continues to pay a rebate where there is a Customer on one side of the transaction. Rebates will continue to be paid on all qualifying volume however the rebates are different depending on whether a Customer is on one side of the trade or both

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<sup>27</sup> Floor members include all members who have acquired a permit to trade on Phlx's trading floor.

sides of the trade are Non-Customers. Specifically, the Exchange proposes to pay higher rebates for Qualifying Contracts with Non-Customers on both sides as compared to the rebates for floor transactions where there is a Customer on one side. The Exchange would pay a Tier 1 rebate of \$0.02 per contract where there is a Customer on one side vs. \$0.08 per contract where there are Non-Customers on both sides. The Exchange would pay a Tier 2 rebate of \$0.05 per contract where there is a Customer on one side vs. \$0.12 per contract where there are Non-Customers on both sides. The Exchange would pay a Tier 3 rebate of \$0.07 per contract where there is a Customer on one side vs. \$0.16 per contract where there are Non-Customers on both sides. Finally, the Exchange would pay a Tier 4 of \$0.08 per contract where there is a Customer on one side vs. \$0.20 per contract where there are Non-Customers on both sides. The proposed rebates are intended to attract order flow to Phlx's open outcry. Other Phlx floor members may interact with the orders exposed in open outcry on the Exchange's trading floor.

The Exchange's proposal to amend the current rebate schedule which consists of 3 tiers to expand it to 4 tiers, amend the existing tiers, and amend the current rebates is equitable and not unfairly discriminatory as all Floor Brokers would be subject to the revised tier structure and rebates and would be uniformly paid a rebate based on their Qualifying Contracts provided the transactions had a Customer on one side. The Exchange's proposal to pay the rebate provided one side of the transaction is Customer or both sides are Non-Customer is equitable and not unfairly discriminatory because the Exchange would uniformly calculate all qualifying volume and uniformly pay rebates associated with the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange believes its proposed floor transaction rebates for Customer on one side

and Non-Customer on both sides are equitable and not unfairly discriminatory because, today, Customers are not assessed a Floor Options Transaction Charge for Penny and Non-Penny Symbols. In contrast, the Exchange notes that Non-Customers, except Professionals,<sup>28</sup> are assessed Floor Options Transaction Charges in Penny and Non-Penny Symbols.<sup>29</sup> The Exchange proposes to pay higher rebates where there is a Non-Customer on both sides of a trade because a Floor Broker attracting Customer order flow can more easily attract Customer orders which are not assessed a floor transaction fee as compared to attracting a Non-Customer order which would pay a transaction fee to execute on Phlx's trading floor.

The Exchange believes that it is reasonable to pay rebates on qualifying volume for transactions executed on the trading floor, because it is necessary from a competitive standpoint to offer this rebate to the executing Floor Broker to attract order flow to the trading floor. The rebate is meant to assist Floor Brokers to recruit business on an agency basis. The Floor Broker may use all or part of the rebate to offset its fees. The Exchange expects that the rebate offered to executing Floor Brokers will allow them to price their services at a level that will enable them to attract order flow from market participants who would otherwise enter these orders electronically from off the floor. To the extent that Floor Brokers are able to attract these qualifying volume, other floor participants may interact with this order flow in open outcry. The Exchange believes that it is

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<sup>28</sup> The term "Professional" applies to transactions for the accounts of Professionals, as defined in Options 1, Section 1(b)(45) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Options 1, Section 1(c).

<sup>29</sup> See Options 7, Section 4. Lead Market Makers and Market Makers are assessed a \$0.50 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols. Broker -Dealers and Firms are assessed a \$0.25 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols.

equitable and not unfairly discriminatory to pay rebates on qualifying volume for transactions executed on the trading floor, because Floor Brokers would be uniformly paid the rebates based on qualifying volume and the parties to the transaction.

The Exchange's proposal to amend the monthly Floor Transaction (Open Outcry) Floor Broker Incentive Program cap from \$1,000,000 to \$2,000,000 is reasonable because the Exchange is permitting Floor Brokers to achieve a higher amount of rebates by raising the cap. The Exchange's proposal to amend the monthly Floor Transaction (Open Outcry) Floor Broker Incentive Program cap from \$1,000,000 to \$2,000,000 is equitable and not unfairly discriminatory because the Exchange will uniformly apply the cap to all Floor Brokers.

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.

Inter-market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and

because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

#### Intra-market Competition

##### **QCC Rebates**

The Exchange's proposal to amend the qualifications for two QCC Rebates in Options 7, Section 4 by lowering the second qualification for Floor Originated Strategy Executions "in excess of 2,500,000 contracts" to "in excess of 1,250,000" in a given month does not impose an undue burden on competition because all members and member organizations may qualify for QCC Rebates, provided they transact the requisite volume.

##### **Floor Transaction (Open Outcry) Floor Broker Incentive Program**

The Exchange's proposal to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program to permit Floor QCC Orders, as defined in Options 8, Section 30(e), to be considered qualifying volume for purposes of the program and not pay rebates for transactions executed on the trading floor pursuant to the incentive program does not impose an undue burden on competition as all Phlx Floor Broker Floor QCC Order flow entered on Phlx will be counted as qualifying volume for the Floor Transaction (Open Outcry) Floor Broker Incentive Program and those Floor QCC Order will uniformly be paid rebates based on the schedule in Options 7, Section 4 for QCC Rebates.

The Exchange's proposal to amend the current rebate schedule which consists of 3 tiers to expand it to 4 tiers, amend the existing tiers, and amend the current rebates does

not impose an undue burden on competition as all Floor Brokers would be subject to the revised tier structure and rebates and would be uniformly paid a rebate based on their Qualifying Contracts provided the transactions had a Customer on one side. The Exchange's proposal to pay the rebate provided one side of the transaction is Customer or both sides are Non-Customer does not impose an undue burden on competition because the Exchange would uniformly calculate all qualifying volume and uniformly pay rebates associated with the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange believes its proposed floor transaction rebates for Customer on one side and Non-Customer on both sides does not impose an undue burden on competition because, today, Customers are not assessed a Floor Options Transaction Charge for Penny and Non-Penny Symbols. In contrast, the Exchange notes that Non-Customers, except Professionals,<sup>30</sup> are assessed Floor Options Transaction Charges in Penny and Non-Penny Symbols.<sup>31</sup> A Floor Broker attracting Customer order flow can more easily attract Customer orders which are not assessed a floor transaction fee as compared to attracting a Non-Customer order which would pay a transaction fee to execute on Phlx's trading floor.

Paying rebates on qualifying volume for transactions executed on the trading floor, does not impose an undue burden on competition because Floor Brokers would be uniformly paid the rebates based on qualifying volume and the parties to the transaction.

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<sup>30</sup> The term "Professional" applies to transactions for the accounts of Professionals, as defined in Options 1, Section 1(b)(45) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Options 1, Section 1(c).

<sup>31</sup> See Options 7, Section 4. Lead Market Makers and Market Makers are assessed a \$0.50 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols. Broker -Dealers and Firms are assessed a \$0.25 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols.



The Exchange's proposal to amend the monthly Floor Transaction (Open Outcry) Floor Broker Incentive Program cap from \$1,000,000 to \$2,000,000 does not impose an undue burden on competition because the Exchange will uniformly apply the cap to all Floor Brokers.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>32</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

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<sup>32</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
5. Applicable portion of the Exchange's Pricing Schedule.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2025-13)

March \_\_, 2025

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Pricing Schedule at Options 7, Section 4

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 10, 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 amend Phlx’s Pricing Schedule at Options 7, Section 4, Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed) (Excludes SPY and broad-based index options symbols listed within Options 7, Section 5.A), to amend (1) Qualified Contingent Cross (“QCC”) Rebates; and (2) the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange proposes to decrease certain criteria to qualify for QCC Rebates. Additionally, the Exchange proposes to amend Floor Transaction (Open

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

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

Outcry) Floor Broker Incentive Program to expand the qualifying volume criteria, Qualifying Contract tiers, and rebates.<sup>3</sup>

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.

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 amend Phlx's Pricing Schedule at Options 7, Section 4, Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed) (Excludes SPY and broad-based index options symbols listed within Options 7, Section 5.A), to amend (1) Qualified Contingent Cross ("QCC") Rebates; and (2) the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange proposes to decrease certain criteria to qualify for QCC Rebates. Additionally, the Exchange proposes to amend Floor Transaction (Open Outcry) Floor Broker Incentive Program to expand the qualifying volume criteria, Qualifying Contract tiers, and rebates.

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<sup>3</sup> Phlx filed SR-Phlx-2025-12 on March 3, 2025. On March 10, 2025, the Exchange withdrew SR-Phlx-2025-12 and filed this rule proposal.

### QCC Transaction Fees

Today, the Exchange assesses a \$0.20 per contract QCC Transaction Fee for a Lead Market Maker,<sup>4</sup> Market Maker,<sup>5</sup> Firm<sup>6</sup> and Broker-Dealer.<sup>7</sup> Customers<sup>8</sup> and Professionals<sup>9</sup> are not assessed a QCC Transaction Fee. QCC Transaction Fees apply to electronic QCC Orders<sup>10</sup> and Floor QCC Orders.<sup>11</sup>

### QCC Rebates

Today, Options 7, Section 4 describes QCC Rebates that are offered by Phlx. Today, Phlx pays a QCC Rebate of \$0.12 per contract on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section

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<sup>4</sup> The term “Lead Market Maker” applies to transactions for the account of a Lead Market Maker (as defined in Options 2, Section 12(a)). A Lead Market Maker is an Exchange member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a). An options Lead Market Maker includes a Remote Lead Market Maker which is defined as an options Lead Market Maker in one or more classes that does not have a physical presence on an Exchange floor and is approved by the Exchange pursuant to Options 2, Section 11. See Options 7, Section 1(c). The term “Floor Lead Market Maker” is a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a) and has a physical presence on the Exchange’s trading floor. See Options 8, Section 2(a)(3).

<sup>5</sup> The term “Market Maker” is defined in Options 1, Section 1(b)(28) as a Streaming Quote Trader or a Remote Streaming Quote Trader who enters quotations for his own account electronically into the System. A Market Maker includes SQTs and RSQTs as well as Floor Market Makers. See Options 7, Section 1(c). The term “Floor Market Maker” is a Market Maker who is neither an SQT or an RSQT. A Floor Market Maker may provide a quote in open outcry. See Options 8, Section 2(a)(4).

<sup>6</sup> The term “Firm” applies to any transaction that is identified by a member or member organization for clearing in the Firm range at The Options Clearing Corporation. See Options 7, Section 1(c).

<sup>7</sup> The term “Broker-Dealer” applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category. See Options 7, Section 1(c).

<sup>8</sup> The term “Customer” applies to any transaction that is identified by a member or member organization for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of a broker or dealer or for the account of a “Professional” (as that term is defined in Options 1, Section 1(b)(45)). See Options 7, Section 1(c).

<sup>9</sup> The term “Professional” applies to transactions for the accounts of Professionals, as defined in Options 1, Section 1(b)(45) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Options 7, Section 1(c).

<sup>10</sup> Electronic QCC Orders are described in Options 3, Section 12.

<sup>11</sup> Floor QCC Orders are described in Options 8, Section 30(e).

30(e), when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate is \$0.17 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. Additionally, Phlx pays a rebate of \$0.22 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions<sup>12</sup> in excess of 2,500,000 contracts in a given month, **and** (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Today, Phlx also pays a QCC Rebate of \$0.14 per contract on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate is \$0.19 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. Additionally, Phlx pays a rebate of \$0.27 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 2,500,000 contracts in a given month, **and** (3) at least 40% of the

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<sup>12</sup> Floor Originated Strategy Executions are defined as a dividend, merger, short stock interest, reversal and conversion, jelly roll or box spread strategy as described in Options 7, Section 4.

member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Today, these QCC rebates are paid on all qualifying executed electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), except where the transaction is either: (i) Customer-to-Customer; (ii) Customer-to-Professional; (iii) Professional-to-Professional or (iv) a dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions (as defined in Options 7, Section 4). Further, today, volume resulting from all executed electronic QCC Orders and Floor QCC Orders, including Customer-to-Customer, Customer-to-Professional, and Professional-to-Professional transactions and excluding dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions, will be aggregated in determining the applicable member or member organization qualifying QCC contract volume in a given month.

At this time, the Exchange proposes to amend the qualifications on two of the QCC Rebates to lower the second qualification for Floor Originated Strategy Executions from "in excess of 2,500,000 contracts" to "in excess of 1,250,000."

Therefore, the Exchange proposes to continue to pay a rebate of \$0.22 per contract, when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization executes (1) greater than 750,000 qualifying QCC contracts in a given month; (2) Floor Originated Strategy Executions in excess of **1,250,000** contracts in a given month; and (3) at least 40% of the

member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Additionally, the Exchange proposes to continue to pay a rebate of \$0.27 per contract, when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month; (2) Floor Originated Strategy Executions in excess of **1,250,000** contracts in a given month and (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

The Exchange would continue to pay QCC Rebates on all qualifying executed electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), except where the transaction is either: (i) Customer-to-Customer; (ii) Customer-to-Professional; (iii) Professional-to-Professional; or (iv) a dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions (as defined in Options 7, Section 4). Also, the Exchange would continue to aggregate volume resulting from all executed electronic QCC Orders and Floor QCC Orders, including Customer-to-Customer, Customer-to-Professional, and Professional-to-Professional transactions and excluding dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions, in



determining the applicable member or member organization qualifying QCC contract volume in a given month.

The Exchange believes that the proposed amendments to decrease certain qualifications will encourage Phlx members and member organizations to continue to transact qualifying QCC contracts and Floor Originated Strategy Executions on Phlx. By lowering the number of Floor Originated Strategy Executions as part of the qualifications, Phlx believes additional members and member organizations may achieve these QCC rebates.

### **Floor Transaction (Open Outcry) Floor Broker Incentive Program**

The Exchange proposes to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program at Options 7, Section 4. This incentive program for Floor Brokers<sup>13</sup> is designed to attract order flow to Phlx's trading floor for execution in open outcry. Currently, the Exchange pays Floor Broker certain rebates for transaction they execute on Phlx's trading floor in open outcry. Today, the following floor transactions are excluded from the rebates offered within the Floor Transaction (Open Outcry) Floor Broker Incentive Program: (1) Floor QCC Orders, as defined in Options 8, Section 30(e)<sup>14</sup>; (2) dividend, merger, short stock interest, reversal and conversion, jelly roll and box spread strategy executions as defined in this Options 7, Section 4; (3) Firm Floor Options Transactions Charges for members executing facilitation orders pursuant to

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<sup>13</sup> The term "Floor Broker" means an individual who is registered with the Exchange for the purpose, while on the Options Floor, of accepting and handling options orders. See Phlx Options 7, Section 1(c).

<sup>14</sup> Today, Floor QCC Orders are not transacted in open outcry. The Exchange proposes to include Floor QCC Orders in the list of exclusions to remind members and member organizations that Floor QCC Orders will not be paid the Floor Transaction (Open Outcry) Floor Broker Incentive Program rebate.

Options 8, Section 30 when such members are trading in their own proprietary account (including Cabinet Options Transaction Charges); and (4) Customer-to-Customer transactions.

Today, the Exchange pays Floor Transaction (Open Outcry) Floor Broker Incentive Program rebates on qualifying volume at each of 3 threshold levels per the below schedule.

<b>Qualifying Contracts</b>	<b>Per Contract Rebate</b>
0 -5,000,000	\$0.05
5,000,001-10,000,000	\$0.08
Greater than 10,000,000	\$0.11

By way of example, today, a Floor Broker that executes floor transactions in a given month totaling 10,500,000 contracts will be paid \$0.05 for the first 5,000,000 floor transaction contracts (\$250,000), \$0.08 for the next 5,000,000 floor transaction contracts (\$400,000), and \$0.11 for the final 500,000 floor transaction contracts (\$55,000) for a total rebate of \$705,000 for that month. Further, as an additional clarifying example, if a Floor Broker executes a floor transaction in the amount of 1,000,000 contracts, represents both sides of the floor transaction, and executes the floor transaction as a crossing transaction pursuant to Options 8, Section 30(a) for 700,000 of the 1,000,000 contracts, then trades the remaining 300,000 contracts with the trading crowd, the Floor Transaction (Open Outcry) Floor Broker Incentive Program rebate for this transaction will be paid on the qualifying floor transaction volume of 1,000,000 contracts.

Finally, today, rebates for the Floor Transaction (Open Outcry) Floor Broker Incentive Program are capped at \$1,000,000 per member or member organization in a given month.

At this time, the Exchange proposes to amend the Floor Transaction (Open Outcry) Floor Broker Incentive Program in several ways. First, with respect to qualifying volume, the Exchange proposes to amend the current rule text in Options 7, Section 4, concerning the incentive program to provide, “Floor Brokers will be paid the below rebates for transactions executed on the trading floor in open outcry. The below transactions are considered qualifying volume:”.<sup>15</sup> This proposed new rule text does not substantively amend the current rule text, rather it breaks the current rule text into two sentences and notes more clearly that the list contains exclusions to qualifying volume.

Next, the Exchange proposes to remove Floor QCC Orders from the list of qualifying volume and renumber the subsequent excluded volume descriptions. The Exchange proposes to add a new sentence to note that as proposed, Floor QCC Orders, as defined in Options 8, Section 30(e), will be considered qualifying volume but would not be paid rebates based on the below schedule, rather Floor QCC Order would be paid the QCC Rebates noted in Options 7, Section 4 above. This proposed change would allow Phlx members and member organizations to count Floor QCC Orders toward their qualifying volume to achieve the Qualifying Contracts necessary to be paid a rebate.

The Exchange proposes to amend the current rebate schedule which consists of 3 tiers. The Exchange proposes to expand the rebate schedule to 4 tiers and add a column numbering each tier. In expanding the tiers, the Exchange proposes to also amend existing rebate tiers. The Exchange proposes to amend the current Tier 1 Qualifying Contracts criteria from “0 – 5,000,000” to “0 – 500,000.” The Exchange proposes to

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<sup>15</sup> The current rule text at Options 7, Section 4 provides, “Floor Brokers will be paid the below rebates for transactions executed on the trading floor, in open outcry, excluding the following transactions:”.

lower the current Tier 2 Qualifying Contracts criteria from “5,000,001-10,000,000” to “500,001-5,000,000.” The Exchange proposes to add a new Tier 3 Qualifying Contracts criteria of “5,000,001-10,000,000.” Finally, the current 3<sup>rd</sup> tier will be Tier 4 and continue to require Qualifying Contracts criteria of “Greater than 10,000,000.”

The Exchange proposes to amend the current per contract rebate for floor transactions to require a Customer on one side of the transaction. Today, there is no criteria describing the type of market participant required to participate on either side of the Floor Transaction. As amended the proposal requires one side of the Floor Transaction to be a Public Customer. For the per contract Rebate with a Customer on one side of the transaction, the Exchange would decrease the Tier 1 rebate with the proposed lower Qualifying Contracts (0-500,000) from \$0.05 to \$0.02 per contract. For the per contract Rebate with a Customer on one side of the transaction, the Exchange would decrease the Tier 2 rebate with the proposed lower Qualifying Contracts (500,000 – 5,000,000) from \$0.08 to \$0.05 per contract. For the new Tier 3 per contract Rebate with a Customer on one side of the transaction, the Exchange would pay \$0.07 per contract for the proposed lower Qualifying Contracts (5,000,001-10,000,000), which contracts currently qualify for a Tier 2 rebate of \$0.08 per contract. Finally, for the per contract Rebate with a Customer on one side of the transaction, the Exchange would decrease the Tier 4 rebate with the proposed lower Qualifying Contracts (Greater than 10,000,000) from \$0.11 to \$0.08 per contract.

Further, the Exchange will create an additional per contract rebate that will require both sides of the Floor Transaction to be Non-Customers.<sup>16</sup> The Exchange proposes to pay a Tier 1 rebate of \$0.08 per contract for proposed Qualifying Contracts (0-500,000), provided both sides of the Floor Transaction are Non-Customers. The Exchange proposes to pay a Tier 2 rebate of \$0.12 per contract for the proposed Qualifying Contracts (500,000 – 5,000,000), provided both sides of the Floor Transaction are Non-Customers. The Exchange proposes to pay a Tier 3 rebate of \$0.16 per contract for the proposed Qualifying Contracts of (5,000,001-10,000,000), provided both sides of the Floor Transaction are Non-Customers. Finally, the Exchange proposes to pay a Tier 4 rebate of \$0.20 per contract for the proposed Qualifying Contracts (Greater than 10,000,000), provided both sides of the Floor Transaction are Non-Customers.

The Exchange believes that the Floor Transaction (Open Outcry) Floor Broker Incentive Program will attract greater order flow to Phlx's trading floor. The Exchange would remove the current example in Options 7, Section 4 that would not apply with the proposed changes to the Floor Transaction (Open Outcry) Floor Broker Incentive Program.<sup>17</sup> The Exchange proposes to add a few new examples to the rule text at Options 7, Section 4 that explain how the rebate is paid, as shown below.

- **Example 1:** A Floor Broker that executes a total of 2,000,000 qualified contracts in a month comprised of (1) Floor QCC Order volume of 600,000 contracts; (2) Floor Transaction Open Outcry Customer volume of 400,000 contracts; and (3) Floor Transaction Open Outcry volume with Non-Customers on both sides of 1,000,000 contracts, will be paid \$0.05 per contract for the 400,000 or \$20,000 for

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<sup>16</sup> The term "Non-Customer" applies to transactions for the accounts of Lead Market Makers, Market Makers, Firms, Professionals, Broker-Dealers and JBOs. See Options 7, Section 1(c).

<sup>17</sup> The current example at Options 7, Section 4, states, A Floor Broker that executes floor transactions in a given month totaling 10,500,000 contracts will be paid \$0.05 for the first 5,000,000 floor transaction contracts (\$250,000), \$0.08 for the next 5,000,000 floor transaction contracts (\$400,000), and \$0.11 for the final 500,000 floor transaction contracts (\$55,000) for a total rebate of \$705,000 for that month.

the Floor Transaction Open Outcry Customer volume and \$0.12 per contract for the 1,000,000 contracts or \$120,000 for the Floor Transaction Open Outcry volume with Non-Customers on both sides, equaling a total Floor Broker Incentive Program Rebate of \$140,000 for that month. The 600,000 contracts of executed Floor QCC Orders would be paid the applicable QCC Rebate as described in Options 7, Section 4 above.

▪ **Example 2:** A Floor Broker that executes floor transactions with a mix of Customer on one side and Non-Customer on both sides in a given month totaling 2,000,000 contracts (with no Floor QCC volume) will be paid a rebate tied to the requisite rebate schedule based on timestamp of the execution. Utilizing Example 1, assume: (1) 100,000 contracts had a Customer on one side, those transactions would be paid at \$0.02 per contract (\$2,000); (2) 400,000 contracts had a Non-Customer on both sides, those transactions would be paid at \$0.08 per contract (\$32,000); (3) 400,000 contracts had a Customer on one-side, those transactions would be paid at \$0.05 per contract (\$20,000); and (4) 1,100,000 contracts had a Non-Customer on both sides, those transaction would be paid at \$0.12 per contract (\$132,000), for a total rebate of \$186,000 for that month.

▪ **Example 3:** A Floor Broker that executes floor transactions with a Customer on one side in a given month totaling 10,500,000 contracts (with no Floor QCC volume) will be paid \$0.02 per contract for the first 500,000 contracts (\$10,000), \$0.05 per contract for the next 4,500,000 floor transaction contracts (\$225,000), \$0.07 per contract for the next 5,000,000 floor transaction contracts (\$350,000), and \$0.08 per contract for the final 500,000 floor transaction contracts (\$40,000), for a total rebate of \$625,000 for that month.

▪ **Example 4:** A Floor Broker that executes floor transactions with Non-Customer on both sides in a given month totaling 10,500,000 contracts (with no Floor QCC volume) will be paid \$0.08 per contract for the first 500,000 contracts (\$40,000), \$0.12 per contract for the next 4,500,000 floor transaction contracts (\$540,000), \$0.16 per contract for the next 5,000,000 floor transaction contracts (\$800,000), and \$0.20 per contract for the final 500,000 floor transaction contracts (\$100,000) for a total rebate of \$1,480,000 for that month.

The Exchange proposes to add these examples to the rule text at Options 7, Section 4 and label them with example numbers, including the remaining current example. The Exchange proposes these examples to make clear how the proposed rebates will be paid. Where rebates are paid across multiple tiers and include transactions with a Customer on one side and Non-Customers on both sides of the transaction, the

rebates paid would be based on timestamp of the execution as explained in Example 2 above.

Finally, the Exchange will amend the current cap for Floor Transaction (Open Outcry) Floor Broker Incentive Program rebates from \$1,000,000 to \$2,000,000 per member or member organization in a given month.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>18</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>19</sup> 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.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>20</sup>

Likewise, in NetCoalition v. Securities and Exchange Commission<sup>21</sup> (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based

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<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>20</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

<sup>21</sup> NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.<sup>22</sup> As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”<sup>23</sup>

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . . .”<sup>24</sup> Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

### **QCC Rebates**

The Exchange’s proposal to amend the qualifications for two QCC Rebates in Options 7, Section 4<sup>25</sup> by lowering the second qualification for Floor Originated Strategy

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<sup>22</sup> See NetCoalition, at 534 - 535.

<sup>23</sup> Id. at 537.

<sup>24</sup> Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

<sup>25</sup> The Exchange proposes to amend the qualification where it is currently paying a rebate of \$0.22 per contract, when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization both executes: (1) greater than 750,000 qualifying QCC contracts in a given month; (2) Floor Originated Strategy Executions in excess of 3,500,000 contracts in a given month, and (3) at least at least 40% of the member or member organization’s QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. Additionally, the Exchange proposes to amend the qualification where it is currently paying a \$0.27 per contract, when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market



Executions “in excess of 2,500,000 contracts” to “in excess of 1,250,000” in a given month is reasonable because the proposed amendments to the qualifications will encourage Phlx members and member organizations to continue to transact qualifying QCC contracts and Floor Originated Strategy Executions on Phlx. By lowering the number of Floor Originated Strategy Executions as part of the qualifications, Phlx believes additional members and member organizations may achieve the QCC rebates. Floor Originated Strategy Executions are defined as a dividend, merger, short stock interest, reversal and conversion, jelly roll or box spread strategy as described in Options 7, Section 4.

The Exchange’s proposal to amend the qualifications for two QCC Rebates in Options 7, Section 4 by lowering the second qualification for Floor Originated Strategy Executions “in excess of 2,500,000 contracts” to “in excess of 1,250,000” in a given month is equitable and not unfairly discriminatory because all members and member organizations may qualify for QCC Rebates, provided they transact the requisite volume.

#### **Floor Transaction (Open Outcry) Floor Broker Incentive Program**

The Exchange’s proposal to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program to permit Floor QCC Orders, as defined in Options 8, Section 30(e), to be considered qualifying volume for purposes of the program and not pay rebates for transactions executed on the trading floor pursuant to the incentive program is

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Maker, Market Maker, Broker-Dealer, or Firm order on the other side, in the event that a member or member organization both executes (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 3,500,000 contracts in a given month, and (3) at least 40% of the member or member organization’s QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

reasonable because, as is the case today, Floor QCC Orders are paid rebates based on the schedule in Options 7, Section 4 for QCC Rebates.<sup>26</sup>

The Exchange's proposal to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program to permit Floor QCC Orders, as defined in Options 8, Section 30(e), to be considered qualifying volume for purposes of the program and not pay rebates for transactions executed on the trading floor pursuant to the incentive program is equitable and not unfairly discriminatory as all Phlx Floor Broker Floor QCC Order flow entered on Phlx will be counted as qualifying volume for the Floor Transaction (Open Outcry) Floor Broker Incentive Program and those Floor QCC Order will uniformly be paid rebates based on the schedule in Options 7, Section 4 for QCC Rebates.

The Exchange's proposal to amend the current rebate schedule which consists of 3 tiers to expand it to 4 tiers, amend the existing tiers, and amend the current rebates is reasonable. While the Exchange is lowering the current Tier 1 rebate for Qualifying

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<sup>26</sup> Pursuant to Options 7, Section 4, a QCC Rebate of \$0.12 per contract will be paid on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate will be \$0.17 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. This rebate will be \$0.22 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 2,500,000 contracts in a given month, and (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. A QCC Rebate of \$0.14 per contract will be paid on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate will be \$0.19 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. This rebate will be \$0.27 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of 2,500,000 contracts in a given month, and (3) at least 40% of the member or member organization's QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

Contracts up to 500,000 contracts from \$0.05 to \$0.02 per contract, and requiring that there be a Customer on side, the Exchange would continue to permit Phlx Floor Brokers a rebate starting with the first Floor Qualifying Contract, provided now that a Customer is one side of the floor transaction. The Exchange's proposal retains the current Tier 2 rebate of \$0.05 per contract for current Tier Qualifying Contracts from 500,001 to 5,000,000, provided that a Customer is one side of the floor transaction. The Exchange is proposing a new Tier 3 that would pay \$0.07 per contract for Qualifying Contracts from 5,000,001 – 10,000,000, provided that a Customer is one side of the floor transaction. Today, a Floor Broker would have received the higher rebate of \$0.08 rebate per contract. New Tier 4 is the same as today's tier 3, Qualifying Contracts greater than 10,000,000, and would pay a decreased rebate of \$0.08 per contract (as compared to the current \$0.11 per contract rebate), provided that a Customer is one side of the floor transaction. The Exchange's proposal is reasonable as the Exchange continues to believe that the revised incentive program will continue to attract order flow to Phlx's trading floor for execution in open outcry. While the Exchange is requiring that one side of the transaction be a Customer, the Exchange notes that other Phlx floor members<sup>27</sup> may interact with the orders exposed in open outcry on the Exchange's trading floor.

The Exchange's proposal to commence paying rebates on Qualifying Contracts for floor transactions provided there is a Non-Customer on both sides is reasonable because this proposal continues to pay a rebate where there is a Customer on one side of the transaction. Rebates will continue to be paid on all qualifying volume however the rebates are different depending on whether a Customer is on one side of the trade or both

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<sup>27</sup> Floor members include all members who have acquired a permit to trade on Phlx's trading floor.

sides of the trade are Non-Customers. Specifically, the Exchange proposes to pay higher rebates for Qualifying Contracts with Non-Customers on both sides as compared to the rebates for floor transactions where there is a Customer on one side. The Exchange would pay a Tier 1 rebate of \$0.02 per contract where there is a Customer on one side vs. \$0.08 per contract where there are Non-Customers on both sides. The Exchange would pay a Tier 2 rebate of \$0.05 per contract where there is a Customer on one side vs. \$0.12 per contract where there are Non-Customers on both sides. The Exchange would pay a Tier 3 rebate of \$0.07 per contract where there is a Customer on one side vs. \$0.16 per contract where there are Non-Customers on both sides. Finally, the Exchange would pay a Tier 4 of \$0.08 per contract where there is a Customer on one side vs. \$0.20 per contract where there are Non-Customers on both sides. The proposed rebates are intended to attract order flow to Phlx's open outcry. Other Phlx floor members may interact with the orders exposed in open outcry on the Exchange's trading floor.

The Exchange's proposal to amend the current rebate schedule which consists of 3 tiers to expand it to 4 tiers, amend the existing tiers, and amend the current rebates is equitable and not unfairly discriminatory as all Floor Brokers would be subject to the revised tier structure and rebates and would be uniformly paid a rebate based on their Qualifying Contracts provided the transactions had a Customer on one side. The Exchange's proposal to pay the rebate provided one side of the transaction is Customer or both sides are Non-Customer is equitable and not unfairly discriminatory because the Exchange would uniformly calculate all qualifying volume and uniformly pay rebates associated with the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange believes its proposed floor transaction rebates for Customer on one side

and Non-Customer on both sides are equitable and not unfairly discriminatory because, today, Customers are not assessed a Floor Options Transaction Charge for Penny and Non-Penny Symbols. In contrast, the Exchange notes that Non-Customers, except Professionals,<sup>28</sup> are assessed Floor Options Transaction Charges in Penny and Non-Penny Symbols.<sup>29</sup> The Exchange proposes to pay higher rebates where there is a Non-Customer on both sides of a trade because a Floor Broker attracting Customer order flow can more easily attract Customer orders which are not assessed a floor transaction fee as compared to attracting a Non-Customer order which would pay a transaction fee to execute on Phlx's trading floor.

The Exchange believes that it is reasonable to pay rebates on qualifying volume for transactions executed on the trading floor, because it is necessary from a competitive standpoint to offer this rebate to the executing Floor Broker to attract order flow to the trading floor. The rebate is meant to assist Floor Brokers to recruit business on an agency basis. The Floor Broker may use all or part of the rebate to offset its fees. The Exchange expects that the rebate offered to executing Floor Brokers will allow them to price their services at a level that will enable them to attract order flow from market participants who would otherwise enter these orders electronically from off the floor. To the extent that Floor Brokers are able to attract these qualifying volume, other floor participants may interact with this order flow in open outcry. The Exchange believes that it is

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<sup>28</sup> The term "Professional" applies to transactions for the accounts of Professionals, as defined in Options 1, Section 1(b)(45) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Options 1, Section 1(c).

<sup>29</sup> See Options 7, Section 4. Lead Market Makers and Market Makers are assessed a \$0.50 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols. Broker -Dealers and Firms are assessed a \$0.25 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols.

equitable and not unfairly discriminatory to pay rebates on qualifying volume for transactions executed on the trading floor, because Floor Brokers would be uniformly paid the rebates based on qualifying volume and the parties to the transaction.

The Exchange's proposal to amend the monthly Floor Transaction (Open Outcry) Floor Broker Incentive Program cap from \$1,000,000 to \$2,000,000 is reasonable because the Exchange is permitting Floor Brokers to achieve a higher amount of rebates by raising the cap. The Exchange's proposal to amend the monthly Floor Transaction (Open Outcry) Floor Broker Incentive Program cap from \$1,000,000 to \$2,000,000 is equitable and not unfairly discriminatory because the Exchange will uniformly apply the cap to all Floor Brokers.

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.

Inter-market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and

because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

#### Intra-market Competition

##### **QCC Rebates**

The Exchange's proposal to amend the qualifications for two QCC Rebates in Options 7, Section 4 by lowering the second qualification for Floor Originated Strategy Executions "in excess of 2,500,000 contracts" to "in excess of 1,250,000" in a given month does not impose an undue burden on competition because all members and member organizations may qualify for QCC Rebates, provided they transact the requisite volume.

##### **Floor Transaction (Open Outcry) Floor Broker Incentive Program**

The Exchange's proposal to amend its Floor Transaction (Open Outcry) Floor Broker Incentive Program to permit Floor QCC Orders, as defined in Options 8, Section 30(e), to be considered qualifying volume for purposes of the program and not pay rebates for transactions executed on the trading floor pursuant to the incentive program does not impose an undue burden on competition as all Phlx Floor Broker Floor QCC Order flow entered on Phlx will be counted as qualifying volume for the Floor Transaction (Open Outcry) Floor Broker Incentive Program and those Floor QCC Order will uniformly be paid rebates based on the schedule in Options 7, Section 4 for QCC Rebates.

The Exchange's proposal to amend the current rebate schedule which consists of 3 tiers to expand it to 4 tiers, amend the existing tiers, and amend the current rebates does

not impose an undue burden on competition as all Floor Brokers would be subject to the revised tier structure and rebates and would be uniformly paid a rebate based on their Qualifying Contracts provided the transactions had a Customer on one side. The Exchange's proposal to pay the rebate provided one side of the transaction is Customer or both sides are Non-Customer does not impose an undue burden on competition because the Exchange would uniformly calculate all qualifying volume and uniformly pay rebates associated with the Floor Transaction (Open Outcry) Floor Broker Incentive Program. The Exchange believes its proposed floor transaction rebates for Customer on one side and Non-Customer on both sides does not impose an undue burden on competition because, today, Customers are not assessed a Floor Options Transaction Charge for Penny and Non-Penny Symbols. In contrast, the Exchange notes that Non-Customers, except Professionals,<sup>30</sup> are assessed Floor Options Transaction Charges in Penny and Non-Penny Symbols.<sup>31</sup> A Floor Broker attracting Customer order flow can more easily attract Customer orders which are not assessed a floor transaction fee as compared to attracting a Non-Customer order which would pay a transaction fee to execute on Phlx's trading floor.

Paying rebates on qualifying volume for transactions executed on the trading floor, does not impose an undue burden on competition because Floor Brokers would be uniformly paid the rebates based on qualifying volume and the parties to the transaction.

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<sup>30</sup> The term "Professional" applies to transactions for the accounts of Professionals, as defined in Options 1, Section 1(b)(45) means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Options 1, Section 1(c).

<sup>31</sup> See Options 7, Section 4. Lead Market Makers and Market Makers are assessed a \$0.50 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols. Broker -Dealers and Firms are assessed a \$0.25 per contract Floor Options Transaction Charge for Penny and Non-Penny Symbols.



The Exchange's proposal to amend the monthly Floor Transaction (Open Outcry) Floor Broker Incentive Program cap from \$1,000,000 to \$2,000,000 does not impose an undue burden on competition because the Exchange will uniformly apply the cap to all Floor Brokers.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>32</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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:

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<sup>32</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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](mailto:rule-comments@sec.gov). Please include file number SR-Phlx-2025-13 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-2025-13. 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-2025-13 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.<sup>33</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>33</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**Nasdaq PHLX LLC Rules**

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**Options Rules**

\* \* \* \* \*

**Options 7 Pricing Schedule**

\* \* \* \* \*

**Section 4. Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed) (Excludes SPY and broad-based index options symbols listed within Options 7, Section 5.A)**

\* \* \* \* \*

**QCC Rebates**

• A QCC Rebate of \$0.12 per contract will be paid on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Customer or Professional order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate will be \$0.17 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. This rebate will be \$0.22 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of [2,500,000]1,250,000 contracts in a given month, **and** (3) at least 40% of the member or member organization’s QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

• A QCC Rebate of \$0.14 per contract will be paid on electronic QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e), when a QCC Order is comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side. This rebate will be \$0.19 per contract in the event that a member or member organization executes greater than 750,000 qualifying QCC contracts in a given month. This rebate will be \$0.27 per contract in the event that a member or member organization executes: (1) greater than 750,000 qualifying QCC contracts in a given month, (2) Floor Originated Strategy Executions in excess of [2,500,000]1,250,000 contracts in a given month, **and** (3) at least 40% of the member or member organization’s QCC executed contracts in that month are comprised of a Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on one side and Lead Market Maker, Market Maker, Broker-Dealer, or Firm order on the other side.

\* \* \* \* \*

**Floor Transaction (Open Outcry) Floor Broker Incentive Program**

◆ Floor Brokers will be paid the below rebates for transactions executed on the trading floor, in open outcry[,]. The below transactions are not considered[excluding the following transactions] qualifying volume:

[(1) Floor QCC Orders, as defined in Options 8, Section 30(e);]

[(2)1] dividend, merger, short stock interest, reversal and conversion, jelly roll, and box spread strategy executions as defined in this Options 7, Section 4;

[(3)2] Firm Floor Options Transactions for members executing facilitation orders pursuant to Options 8, Section 30 when such members are trading in their own proprietary account (including Cabinet Options Transaction Charges); and

[(4)3] Customer-to-Customer transactions.

◆ Rebates will be paid on qualifying volume at each threshold level based on the below schedule. Floor QCC Orders, as defined in Options 8, Section 30(e), will be considered qualifying volume but would not be paid rebates based on the below schedule, rather Floor QCC Order would be paid the QCC Rebates noted in Options 7, Section 4 above.

	<b>Qualifying Contracts</b>	<b>Per Contract Rebate (Customer on one side)</b>	<b>Per Contract Rebate (Non-Customer on both sides)</b>
<b><u>Tier 1</u></b>	0 – [5,000,000]500,000	\$0.[05]02	\$0.08
<b><u>Tier 2</u></b>	[5,000,001-10,000,000] 500,001-5,000,000	\$0.[08]05	\$0.12
<b><u>Tier 3</u></b>	5,000,001-10,000,000	\$0.07	\$0.16
<b><u>Tier 4</u></b>	Greater than 10,000,000	\$0.[11]08	\$0.20

## Examples:

[▪ A Floor Broker that executes floor transactions in a given month totaling 10,500,000 contracts will be paid \$0.05 for the first 5,000,000 floor transaction contracts (\$250,000), \$0.08 for the next 5,000,000 floor transaction contracts (\$400,000), and \$0.11 for the final 500,000 floor transaction contracts (\$55,000) for a total rebate of \$705,000 for that month.]

▪ **Example 1:** A Floor Broker that executes a total of 2,000,000 qualified contracts in a month comprised of (1) Floor QCC Order volume of 600,000 contracts; (2) Floor Transaction Open Outcry Customer volume of 400,000 contracts; and (3) Floor Transaction Open Outcry volume with Non-Customers on both sides of 1,000,000 contracts, will be paid \$0.05 per contract for the 400,000 or \$20,000 for the Floor Transaction Open Outcry Customer volume and \$0.12 per contract for the 1,000,000 contracts or \$120,000 for the Floor Transaction Open Outcry volume with Non-Customers on both sides, equaling a total Floor Broker Incentive Program Rebate of \$140,000 for that month. The 600,000 contracts of executed Floor QCC Orders would be paid the applicable QCC Rebate as described in Options 7, Section 4 above.

▪ **Example 2:** A Floor Broker that executes floor transactions with a mix of Customer on one side and Non-Customer on both sides in a given month totaling 2,000,000 contracts (with no Floor QCC volume) will be paid a rebate tied to the requisite rebate schedule based on timestamp of the execution. Utilizing Example 1, assume: (1) 100,000 contracts had a Customer on one side, those transactions would be paid at \$0.02 per contract (\$2,000); (2) 400,000 contracts had a Non-Customer on both sides, those transactions would be paid at \$0.08 per contract (\$32,000); (3) 400,000 contracts had a Customer on one-side, those transactions would be paid at \$0.05 per contract (\$20,000); and (4) 1,100,000 contracts had a Non-Customer on both sides, those transaction would be paid at \$0.12 per contract (\$132,000), for a total rebate of \$186,000 for that month.

▪ **Example 3:** A Floor Broker that executes floor transactions with a Customer on one side in a given month totaling 10,500,000 contracts (with no Floor QCC volume) will be paid \$0.02 per contract for the first 500,000 contracts (\$10,000), \$0.05 per contract for the next 4,500,000 floor transaction contracts (\$225,000), \$0.07 per contract for the next 5,000,000 floor transaction contracts (\$350,000), and \$0.08 per contract for the final 500,000 floor transaction contracts (\$40,000), for a total rebate of \$625,000 for that month.

▪ **Example 4:** A Floor Broker that executes floor transactions with Non-Customer on both sides in a given month totaling 10,500,000 contracts (with no Floor QCC volume) will be paid \$0.08 per contract for the first 500,000 contracts (\$40,000), \$0.12 per contract for the next 4,500,000 floor transaction contracts (\$540,000), \$0.16 per contract for the next 5,000,000 floor transaction contracts (\$800,000), and \$0.20 per contract for the final 500,000 floor transaction contracts (\$100,000) for a total rebate of \$1,480,000 for that month.

▪ **Example 5:** If a Floor Broker executes a floor transaction in the amount of 1,000,000 contracts, represents both sides of the floor transaction, and executes the floor transaction as a crossing transaction pursuant to Options 8, Section 30(a) for 700,000 of the 1,000,000 contracts, then trades the remaining 300,000 contracts with the trading crowd, the Floor Transaction (Open Outcry) Floor Broker Incentive Program rebate for this transaction will be paid on the qualifying floor transaction volume of 1,000,000 contracts.

◆ Rebates for the Floor Transaction (Open Outcry) Floor Broker Incentive Program will be capped at \$[1]2,000,000 per member or member organization in a given month.

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