*Required fields are shown with yellow backgrounds and asterisks.*

Page 1 of * 19

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

File No. * SR 2025 - * 72
Amendment No. (req. for Amendments *)

Filing by Nasdaq PHLX LLC

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

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

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

## Description

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

Proposed Rule Change To Adopt PHLX Options 9, Section 25 To Codify an Options Unbundling Rule.

## 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 * [redacted] Last Name * [redacted]

Title * [redacted]

E-mail * [redacted]

Telephone * [redacted] 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 12/11/2025

By John A. Zecca
(Name *)

(Title *)
EVP and Chief Legal Officer

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

John A. Zecca Date: 2025.12.11 16:53:03 -05'00'

*Required fields are shown with yellow backgrounds and astericks.*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information ***

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SR-PHLX-2025-72 19b-4.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-2025-72 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-2025-72 Exhibit 5.docx

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) Nasdaq PHLX LLC ("PHLX" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to adopt PHLX Options 9, Section 25 to codify the Exchange's longstanding guidance that the unbundling of orders for any purpose other than best execution is considered conduct inconsistent with just and equitable principles of trade, and to remove extraneous and nonsensical rule text from PHLX Options 3, Section 7.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors ("Board"). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend PHLX Options 9 by adding a new Section 25 to codify its longstanding guidance that it shall be considered conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization (collectively, "member" or "members") to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order. Members of the Exchange are not allowed to engage in conduct inconsistent with just and equitable principles of trade.[3]

"Unbundling," also known as "trade shredding," is the practice of breaking up an order into multiple smaller orders for some purpose other than the best execution of the order. The practice of unbundling has in the past been used for purposes such as improperly maximizing commissions and fees charged to customers, distorting trade data, or circumventing rules pertaining to maximum order size.[4] For example, the unbundling of a large order into several smaller orders could be done for the purpose of achieving the Lead Market Maker (LMM) allocation preference for orders of 5 contracts or fewer.[5] Alternatively, unbundling an order into separate orders could be done for the purpose of gaining a higher allocation percentage in a

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3 See PHLX General 9, Section 1(c)(1) ("A member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.").

4 See, e.g., Securities Exchange Act Release No. 62667 (Aug. 9, 2010), 75 FR 50013 (Aug. 16, 2010) (File No. SR-NYSEAmex-2010-77) (Self-Regulatory Organizations; NYSE Amex, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 995NY).

5 See PHLX Options 3, Section 10(a)(1)(C).

price-improvement auction than the member submitting the orders into a price-improvement auction otherwise would have received.[6]

The Exchange believes that the unbundling of orders generally serves no purpose to the customer that entered the order and may cause unnecessary delays in the execution of that order. This belief has been reflected in the Exchange's longstanding regulatory guidance to its members.[7] It is also reflected in PHLX General 9, Section 1(c)(3), concerning the unbundling of equity securities orders.[8]

The impermissibility of unbundling is a well-established principle across the U.S. securities markets. Other options exchanges have anti-unbundling rules or rule interpretations that are similar to the rule being adopted by the Exchange.[9] Additionally, other exchanges have

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6 See PHLX Options 3, Section 13(e) (Stating, in part, that "[i]t will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of General 9, Section 1(c) to engage in a pattern of conduct where the Initiating Member breaks up a PIXL Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Member would have otherwise received in accordance with the allocation procedures contained in subparagraph (b)(5) above.").

7 See Options Regulatory Alert #2025-34 (Aug. 29, 2025), available at https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2025-34; Options Regulatory Alert #2016-6 (Feb. 17, 2016), available at https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2016-6; and Options Regulatory Alert #2016-4 (Jan. 22, 2016), available at https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2016-4.

8 That rule states that "it is conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization to engage in conduct that has the intent or effect of unbundling equity securities orders for execution for the primary purpose of maximizing a monetary or in-kind amount received by the member, member organization, or person associated with or employed by a member or member organization as a result of the execution of such equity securities orders. For purposes of this section, 'monetary or in-kind amounts' shall be defined to include commissions, gratuities, payments for or rebate of fees resulting from the entry of such equity securities orders, or any similar payments of value to the member, member organization, or person associated with or employed by a member or member organization."

9 See, e.g., NYSE American Rule 995NY(d) ("It shall be considered conduct inconsistent with just and equitable principles of trade for an ATP Holder to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order."), NYSE Arca Rule 11.2(g) ("An ETP Holder may not split any order into multiple orders for any purpose other than seeking the best execution of the entire order."), and MIAX Chapter III, Rule 301, Interpretation .03 ("It shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 301 for a Member to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.").

also issued regulatory guidance to their members warning them against the practice of unbundling.[10] Finally, the Financial Industry Regulatory Authority ("FINRA") also has its own anti-unbundling rule, FINRA Rule 5290, which specifies, in part, that "[n]o member . . . shall engage in conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for transaction reporting for the primary purpose of maximizing a monetary or in-kind amount to be received by the member . . . as a result of the execution of such orders or the transaction reporting of such executions."

Additionally, the Exchange proposes to remove from PHLX Option 3, Section 7 the following sentence: "Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose."[11] This sentence appears extraneous, as it does not seem to belong with the preceding sentence ("The Exchange may determine to make certain order types and time-in-force, respectively, on a class or System basis."). The sentence is also nonsensical, as it is not at all clear what it refers to by "for this purpose." The Exchange suspects that this rule text may be a vestigial remain of some older Exchange rule that has since been modified so much as to make this sentence nonsensical.

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10 See, e.g., Cboe Regulatory Circular RG-15-011 (Sept. 23, 2015) ("Please note that unbundling of orders greater than 5 contracts into 1 to 5 lot increments for the purpose of achieving small order preference in favor of any [Designated Primary Market-Maker] or [Lead Market-Maker] may be a violation of CBOE Rule 4.1, Just and Equitable Principles of Trade"), available at https://cdn.cboe.com/resources/regulation/circulars/regulatory/RG15-130.pdf.

11 This sentence was placed in its current location in 2024 as part of a larger reorganization of the Exchange's rulebook. The sentence used to be located in Option 3, Section 7(f) as a standalone provision. The Exchange now believes that, even in its former location, this rule text was extraneous and nonsensical and should have been removed instead of relocated in that prior filing. See Securities Exchange Act No. 101989 (Dec. 19, 2024), 89 FR 106888 (Dec. 30, 2024) (File No. SR-PHLX-2024-71) (Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Various PHLX Rules in Connection With a Technology Migration).

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by deterring and helping to prevent the distortive practice of unbundling.

The Exchange believes that the unbundling of orders generally serves no purpose to the customer that entered the order and may cause unnecessary delays in the execution of that order. Codifying its longstanding guidance in its rulebook that unbundling is conduct inconsistent with just and equitable principles of trade is thus designed to promote just and equitable principles of trade. Additionally, by defining unbundling as the practice of splitting an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order, the proposal is designed to promote best execution and thus protect investors and the public interest.

Additionally, the Exchange reiterates that the proposed rule is substantively identical to NYSE American Rule 995NY(d) and it is consistent with the rules and regulatory guidance of other exchanges, as well as FINRA Rule 5290.

Finally, the Exchange believes that it is consistent with the Act to remove the extraneous and nonsensical rule text in PHLX Options 3, Section 7, as this likely vestigial rule text currently serves no purpose and can be confusing to market participants. Removing this rule text is designed to remove impediments to and perfect the mechanism of a free and open market and a

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12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

national market system by making PHLX Options 3, Section 7 more internally coherent and clearer to market participants.

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. In terms of intra-market competition, the Exchange notes that the proposed rule will apply equally to all members of the Exchange. Additionally, in terms of intermarket competition, the Exchange notes that the proposed rule is consistent with the rules of other exchanges, as well as the rules of FINRA. Finally, removing the extraneous and nonsensical rule text in PHLX Options 3, Section 7 will not impose any burden on competition, as it will serve to clarify that rule for all market participants.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[14] of the Act and Rule 19b-4(f)(6) thereunder[15] in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days

[14] 15 U.S.C. 78s(b)(3)(A)(iii).

[15] 17 CFR 240.19b-4(f)(6).

after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposal does not significantly affect the protection of investors or the public interest. On the contrary, the proposal helps further the protection of investors and the public interest by emphasizing that the distortive and manipulative practice of unbundling on the Exchange shall be considered inconsistent with just and equitable principles of trade. Additionally, the proposal does not impose any significant burden on competition because it will apply equally to all Exchange members, and it is consistent with the rules and interpretations of other exchanges and FINRA.

Furthermore, Rule 19b-4(f)(6)(iii)[16] requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

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[16] 17 CFR 240.19b-4(f)(6)(iii).

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

As detailed above, the proposed rule is substantively identical to NYSE American Rule 995NY(d). Additionally, the proposed rule is consistent with the rules of other exchanges, such as NYSE Arca, Inc., and Miami International Securities Exchange, LLC, as well as the regulatory guidance to their members provided by other exchanges, such as Cboe Exchange, Inc. Finally, the proposed rule is consistent with FINRA Rule 5290.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34- ; File No. SR-PHLX-2025-72]**

**Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt PHLX Options 9, Section 25 To Codify an Options Unbundling Rule**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 11, 2025, Nasdaq PHLX LLC ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt PHLX Options 9, Section 25 to codify the Exchange's longstanding guidance that the unbundling of orders for any purpose other than best execution is considered conduct inconsistent with just and equitable principles of trade, and to remove extraneous and nonsensical rule text from PHLX Options 3, Section 7.

The text of the proposed rule change is available on the Exchange's website at https://listingcenter.nasdaq.com/rulebook/phlx/rulefilings, and at the principal office of the Exchange.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend PHLX Options 9 by adding a new Section 25 to codify its longstanding guidance that it shall be considered conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization (collectively, "member" or "members") to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order. Members of the Exchange are not allowed to engage in conduct inconsistent with just and equitable principles of trade.[3]

"Unbundling," also known as "trade shredding," is the practice of breaking up an order into multiple smaller orders for some purpose other than the best execution of the order. The practice of unbundling has in the past been used for purposes such as improperly maximizing commissions and fees charged to customers, distorting trade data, or circumventing rules

[3] See PHLX General 9, Section 1(c)(1) ("A member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.").

pertaining to maximum order size.[4] For example, the unbundling of a large order into several smaller orders could be done for the purpose of achieving the Lead Market Maker (LMM) allocation preference for orders of 5 contracts or fewer.[5] Alternatively, unbundling an order into separate orders could be done for the purpose of gaining a higher allocation percentage in a price-improvement auction than the member submitting the orders into a price-improvement auction otherwise would have received.[6]

The Exchange believes that the unbundling of orders generally serves no purpose to the customer that entered the order and may cause unnecessary delays in the execution of that order. This belief has been reflected in the Exchange's longstanding regulatory guidance to its members.[7] It is also reflected in PHLX General 9, Section 1(c)(3), concerning the unbundling of equity securities orders.[8]

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4 See, e.g., Securities Exchange Act Release No. 62667 (Aug. 9, 2010), 75 FR 50013 (Aug. 16, 2010) (File No. SR-NYSEAmex-2010-77) (Self-Regulatory Organizations; NYSE Amex, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 995NY).

5 See PHLX Options 3, Section 10(a)(1)(C).

6 See PHLX Options 3, Section 13(e) (Stating, in part, that "[i]t will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of General 9, Section 1(c) to engage in a pattern of conduct where the Initiating Member breaks up a PIXL Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Member would have otherwise received in accordance with the allocation procedures contained in subparagraph (b)(5) above.").

7 See Options Regulatory Alert #2025-34 (Aug. 29, 2025), available at https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2025-34; Options Regulatory Alert #2016-6 (Feb. 17, 2016), available at https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2016-6; and Options Regulatory Alert #2016-4 (Jan. 22, 2016), available at https://www.nasdaqtrader.com/MicroNews.aspx?id=ORA2016-4.

8 That rule states that "it is conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization to engage in conduct that has the intent or effect of unbundling equity securities orders for execution for the primary purpose of maximizing a monetary or in-kind amount received by the member, member organization, or person associated with or employed by a member or member organization as a result of the execution of such equity securities orders. For purposes of this section, 'monetary or in-kind amounts' shall be defined to include commissions, gratuities, payments for or rebate of fees resulting from the entry of such equity securities orders, or any similar payments of value to the member, member organization, or person associated with or employed by a member or member organization."

The impermissibility of unbundling is a well-established principle across the U.S. securities markets. Other options exchanges have anti-unbundling rules or rule interpretations that are similar to the rule being adopted by the Exchange.[9] Additionally, other exchanges have also issued regulatory guidance to their members warning them against the practice of unbundling.[10] Finally, the Financial Industry Regulatory Authority ("FINRA") also has its own anti-unbundling rule, FINRA Rule 5290, which specifies, in part, that "[n]o member . . . shall engage in conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for transaction reporting for the primary purpose of maximizing a monetary or in-kind amount to be received by the member . . . as a result of the execution of such orders or the transaction reporting of such executions."

Additionally, the Exchange proposes to remove from PHLX Option 3, Section 7 the following sentence: "Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose."[11] This sentence appears extraneous, as it does not seem to

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9 See, e.g., NYSE American Rule 995NY(d) ("It shall be considered conduct inconsistent with just and equitable principles of trade for an ATP Holder to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order."), NYSE Arca Rule 11.2(g) ("An ETP Holder may not split any order into multiple orders for any purpose other than seeking the best execution of the entire order."), and MIAX Chapter III, Rule 301, Interpretation .03 ("It shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 301 for a Member to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.").

10 See, e.g., Cboe Regulatory Circular RG-15-011 (Sept. 23, 2015) ("Please note that unbundling of orders greater than 5 contracts into 1 to 5 lot increments for the purpose of achieving small order preference in favor of any [Designated Primary Market-Maker] or [Lead Market-Maker] may be a violation of CBOE Rule 4.1, Just and Equitable Principles of Trade"), available at https://cdn.cboe.com/resources/regulation/circulars/regulatory/RG15-130.pdf.

11 This sentence was placed in its current location in 2024 as part of a larger reorganization of the Exchange's rulebook. The sentence used to be located in Option 3, Section 7(f) as a standalone provision. The Exchange now believes that, even in its former location, this rule text was extraneous and nonsensical and should have been removed instead of relocated in that prior filing. See Securities Exchange Act No. 101989 (Dec. 19, 2024), 89 FR 106888 (Dec. 30, 2024) (File No. SR-PHLX-2024-71) (Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Various PHLX Rules in Connection With a Technology Migration).

belong with the preceding sentence ("The Exchange may determine to make certain order types and time-in-force, respectively, on a class or System basis."). The sentence is also nonsensical, as it is not at all clear what it refers to by "for this purpose." The Exchange suspects that this rule text may be a vestigial remain of some older Exchange rule that has since been modified so much as to make this sentence nonsensical.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(5) of the Act,[13] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by deterring and helping to prevent the distortive practice of unbundling.

The Exchange believes that the unbundling of orders generally serves no purpose to the customer that entered the order and may cause unnecessary delays in the execution of that order. Codifying its longstanding guidance in its rulebook that unbundling is conduct inconsistent with just and equitable principles of trade is thus designed to promote just and equitable principles of trade. Additionally, by defining unbundling as the practice of splitting an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order, the proposal is designed to promote best execution and thus protect investors and the public interest.

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12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

Additionally, the Exchange reiterates that the proposed rule is substantively identical to NYSE American Rule 995NY(d) and it is consistent with the rules and regulatory guidance of other exchanges, as well as FINRA Rule 5290.

Finally, the Exchange believes that it is consistent with the Act to remove the extraneous and nonsensical rule text in PHLX Options 3, Section 7, as this likely vestigial rule text currently serves no purpose and can be confusing to market participants. Removing this rule text is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system by making PHLX Options 3, Section 7 more internally coherent and clearer to market participants.

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. In terms of intra-market competition, the Exchange notes that the proposed rule will apply equally to all members of the Exchange. Additionally, in terms of intermarket competition, the Exchange notes that the proposed rule is consistent with the rules of other exchanges, as well as the rules of FINRA. Finally, removing the extraneous and nonsensical rule text in PHLX Options 3, Section 7 will not impose any burden on competition, as it will serve to clarify that rule for all market participants.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[14] and subparagraph (f)(6) of Rule 19b-4 thereunder.[15]

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PHLX-2025-72 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.

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14 15 U.S.C. 78s(b)(3)(A)(iii).

15 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

All submissions should refer to file number SR-PHLX-2025-72. 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 filing 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-2025-72 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.[16]

**Sherry R. Haywood,**

*Assistant Secretary*.

[16] 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

The text of the proposed rule change is detailed below; proposed new language is underlined and proposed deletions are in brackets.

**NASDAQ PHLX LLC RULES**

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**OPTIONS 3 OPTIONS TRADING RULES**

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**Section 7. Types of Orders and Order and Quote Protocols**

The Exchange may determine to make certain order types and time-in-force, respectively, available on a class or System basis.[ Orders may not be unbundled, nor may a firm solicit a customer to unbundle an order for this purpose.]

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**OPTIONS 9 BUSINESS CONDUCT**

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**Section 25. Unbundling of Orders**

It shall be considered conduct inconsistent with just and equitable principles of trade for any member, member organization, or person associated with or employed by a member or member organization to split an order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.

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