

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 25

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

File No. \* SR 2026 - \* 20

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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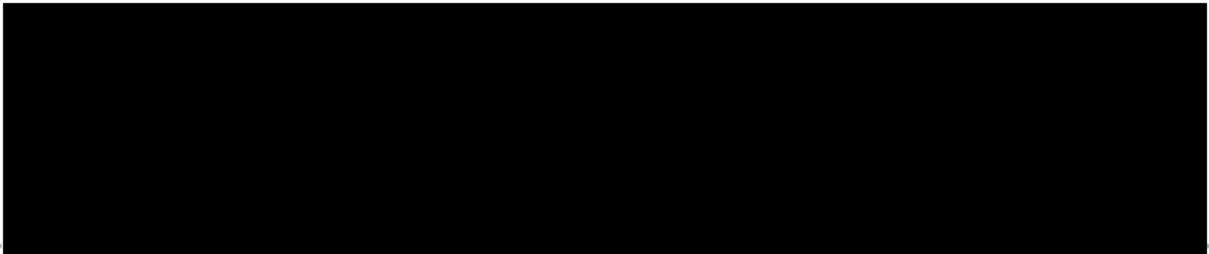
**Description**

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

A proposal to amend the Exchange's fees for connectivity services.

**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.



**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 04/02/2026

(Title \*)

By John A. Zecca  
(Name \*)

EVP and Chief Legal Officer

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

 Date: 2026.04.02 15:13:47 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR Phlx-2026-20 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-2026-20 Exhibit 1.docx

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

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

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

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

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

Exhibit Sent As Paper Document

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

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

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

Add Remove View

SR-Phlx-2026-20 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 the Exchange’s fees for connectivity services, as described further below.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

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



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

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

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

a. Purpose

The purpose of the proposed rule change is to amend Rule Options 7, Section 9 to increase the Exchange’s fees relating to its Testing Facilities<sup>3</sup> by 10%.<sup>4</sup> Rule Options 7, Section 9 provides that subscribers to the Testing Facility located in Carteret, New Jersey shall pay a fee of \$1,000 per hand-off, per month for connection to the Testing Facility. The hand-off fee includes either a 1Gb or 10Gb switch port and a cross connect to the Testing Facility. In addition, Options 7, Section 9 provides that subscribers shall also pay a one-time installation fee of \$1,000 per hand-off. The Exchange proposes to increase these aforementioned fees by 10% to require that subscribers to the Testing Facility shall pay a fee of \$1,100 per hand-off, per month for connection to the Testing Facility and a one-time installation fee of \$1,100 per hand-off.

The proposed increases in fees would enable the Exchange to maintain and improve its market technology and services to remain competitive with its peers. Over the years, customer demand for more sophisticated, higher-throughput, lower-latency, and higher-power connectivity solutions has increased. The Exchange continues to invest in maintaining, improving, and enhancing its connectivity products, services, and facilities for the benefit and often at the behest of its customers. Nevertheless, the Exchange has not increased the Testing Facility fees included

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<sup>3</sup> The Exchange operates a test environment in Carteret, New Jersey. References to the “Testing Facility” refers to this test environment. See Rule Options 7, Section 9.E.

<sup>4</sup> The Exchange in 2024 filed a proposed rule change to amend, among other rules, Rule Equity 7 (“Pricing Schedule”), to increase certain fees for its Testing Facilities by 10 percent (10%). See Securities Exchange Act Release No. 101691 (Nov. 21, 2024), 89 FR 93697 (Nov. 27, 2024) (SR-Phlx-2024-57) (“2024 Proposal”). The Exchange now proposes a corresponding 10 percent increase to the Testing Facility fees under Options 7, consistent with the rationale in the 2024 Proposal supporting the Rule Equity 7 adjustments. As proposed, the proposal would thus align the Testing Facility fees under the Exchange’s Options 7 Rule with those for the same services under its Equity Rules 7 as adjusted in the 2024 Proposal. The Exchange is proposing no other changes to its rules.

in this proposal since before 2017. In this proposal, however, the Exchange proposes to increase its fees only with respect to the 10% inflation that has occurred from 2017 and through 2024.<sup>5</sup>

As discussed below, the Exchange proposes to adjust its fees by an industry- and product-specific inflationary measure. It is reasonable and consistent with the Act for the Exchange to recoup its investments, at least in part, by adjusting its fees. Continuing to operate at fees frozen at 2010-2017 levels impacts the Exchange's ability to enhance its offerings and the interests of market participants and investors.

The fee increases the Exchange proposes are based on an industry-specific Producer Price Index ("PPI"), which is a tailored measure of inflation.<sup>6</sup> As a general matter, the Producer Price Index is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the perspective of the seller. This contrasts with other metrics, such as the Consumer Price Index ("CPI"), that measure price change from the purchaser's perspective.<sup>7</sup> About 10,000 PPIs for individual products and groups of products are tracked and released each month.<sup>8</sup> PPIs are available for the output of nearly all industries in the goods-producing sectors of the U.S. economy—mining, manufacturing, agriculture, fishing, and forestry—as well as natural gas, electricity, and construction, among others. The PPI program covers approximately 69 percent of the service sector's output, as measured by revenue reported in the 2017 Economic Census.

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<sup>5</sup> See *supra* note 4 and accompanying text.

<sup>6</sup> See <https://fred.stlouisfed.org/series/PCU51825182#0>.

<sup>7</sup> See <https://www.bls.gov/ppi/overview.htm>.

<sup>8</sup> See *Id.*

For purposes of this proposal, the relevant industry-specific PPI is the Data Processing and Related Services PPI (“Data PPI”), which is an industry net-output PPI that measures the average change in selling prices received by companies that provide data processing services.

The Data PPI was introduced in January 2002 by the Bureau of Labor Statistics (“BLS”) as part of an ongoing effort to expand Producer Price Index coverage of the services sector of the U.S. economy and is identified as NAICS - 518210 in the North American Industry Classification System.<sup>9</sup> According to the BLS “[t]he primary output of NAICS 518210 is the provision of electronic data processing services. In the broadest sense, computer services companies help their customers efficiently use technology. The processing services market consists of vendors who use their own computer systems—often utilizing proprietary software—to process customers’ transactions and data. Companies that offer processing services collect, organize, and store a customer’s transactions and other data for record-keeping purposes. Price movements for the NAICS 518210 index are based on changes in the revenue received by companies that provide data processing services. Each month, companies provide net transaction prices for a specified service. The transaction is an actual contract selected by probability, where the price-determining characteristics are held constant while the service is repriced. The prices used in index calculation are the actual prices billed for the selected service contract.”<sup>10</sup>

The Exchange believes the Data PPI is an appropriate measure to be considered in the context of the proposed rule change to modify the fee for its connectivity products because the Exchange uses its “own computer systems” and “proprietary software,” i.e., its own data center

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<sup>9</sup> NAICS appears in table 5 of the PPI Detailed Report and is available at <https://data.bls.gov/timeseries/PCU518210518210>.

<sup>10</sup> See <https://www.bls.gov/ppi/factsheets/producer-price-index-for-the-data-processing-and-related-servicesindustry-naics-518210.htm>.

and proprietary matching engine software, respectively, to collect, organize, store and report customers' transactions in U.S. equity securities on the Exchange's proprietary trading platform. In other words, the Exchange is in the business of data processing and related services.

For purposes of this proposed rule change, the Exchange examined the Data PPI value for the period from January 2017 to August 2024.<sup>11</sup> The Data PPI had a starting value of 105.6 in January 2017 and an ending value of 116.022 in August 2024, a 10.422% increase. This indicates that companies who are also in the data storage and processing business have generally increased prices for a specified service covered under NAICS 518210 by an average of 10.422% during this period. Based on that percentage change, the Exchange proposes to make a one-time fee increase of 10%, which reflects an increase covering roughly the entire period dating from the most recent price adjustments to these fees in 2017 through 2024.<sup>12</sup>

The Exchange further believes the Data PPI is an appropriate measure for purposes of the proposed rule change on the basis that it is a stable metric with limited volatility, unlike other consumer-side inflation metrics. In fact, the Data PPI has not experienced a greater than 2.16% increase for any one calendar year period since Data PPI was introduced into the PPI in January 2002. The average calendar year change from January 2002 to December 2023 was .62%, with a cumulative increase of 15.67% over this 21-year period. The Exchange believes the Data PPI is considerably less volatile than other inflation metrics such as CPI, which has had individual

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<sup>11</sup> For purposes of consistency, the Exchange relies on the same Data PPI period—January 2017 through August 2024—that it examined in the 2024 Proposal. For purposes of this proposed rule change, the Exchange has made no changes to the underlying Data PPI or methodology but instead incorporates the identical data set in its analysis to ensure consistency across related filings. See 2024 Proposal, supra note 4.

<sup>12</sup> See supra note 11 and accompanying text.

calendar-year increases of more than 6.5%, and a cumulative increase of over 73% over the same period.<sup>13</sup>

The Exchange believes the Data PPI, and significant investments into, and enhanced performance of, the Exchange support the reasonableness of the proposed fee increases.<sup>14</sup> As the Exchange notes above, the Exchange has relied on Data PPI, as well as its investments into, and enhanced performance, of the Exchange to support the reasonableness of proposed fees for a substantively identical service or product under Rule Equity 7.<sup>15</sup>

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>16</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>17</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.

This belief is based on two factors. First, the current fees do not properly reflect the quality of the services and products, as fees for the services and products in question have been static in nominal terms, and therefore falling in real terms due to inflation. Second, the

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<sup>13</sup> See <https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changesfrom-1913-to-2008/>.

<sup>14</sup> See *supra* discussion of connectivity product and facility improvements. Additionally, other exchanges have filed for increases in certain fees, based in part on comparisons to inflation. See, e.g., Securities Exchange Act Release Nos. 34-100004 (April 22, 2024), 89 FR 32465 (April 26, 2024) (SR-CboeBYX-2024-012); and 34-100398 (June 21, 2024), 89 FR 53676 (June 27, 2024) (SR-BOX-2024-16); Securities Exchange Act Release No. 34-100994 (September 10, 2024), 89 FR 75612 (September 16, 2024) (SR-NYSEARCA-2024-79). See also *supra* note 4 and accompanying text.

<sup>15</sup> See 2024 Proposal, *supra* note 4.

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(4) and (5).

Exchange believes that investments made in enhancing the capacity and speed of Exchange systems increase the performance of the services and products.

#### The Proposed Rule Change Is Reasonable

As noted above, the Exchange has not increased any of the fees included in this proposal since 2017 or earlier. However, in the years following the most recent fee increases, the Exchange has made significant investments in upgrades to its connectivity products, services, and facilities, enhancing the quality of its services. Between 2017 and 2024, the period under consideration in this proposal, the inflation rate was 3.64% per year, on average, producing a cumulative inflation rate of 28.43%.<sup>18</sup> Using the more targeted inflation number of Data PPI, the cumulative inflation rate was 10.422%. The exchange believes the Data PPI is a reasonable metric to base this fee increase on because it is targeted to producer-side increases in the data processing industry.

Notwithstanding inflation, as noted above, the Exchange has not increased its fees for the subject service. The proposed fee changes represent a modest increase from the current fees. The Exchange believes the proposed fee increase is reasonable in light of the Exchange's continued expenditure in maintaining a robust technology ecosystem. Furthermore, the Exchange continues to invest in maintaining and enhancing its connectivity products for the benefit and often at the behest of its customers and global investors.<sup>19</sup> The goal of the enhancements discussed above, among other things, is to provide faster, higher-capacity, and more modern connectivity products and services. Accordingly, the Exchange continues to

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<sup>18</sup> See <https://www.officialdata.org/us/inflation/2017?amount=1>.

<sup>19</sup> See 2024 Proposal, *supra* note 4 (describing such continued maintenance enhancements).

expend resources to innovate and modernize technology so that it may benefit its members in offering its connectivity products and services.

Moreover, as discussed above, the Exchange in 2024 filed a proposed rule change to amend, among other rules, Rule Equity 7 (“Pricing Schedule”), to increase certain fees for its Testing Facilities by 10%.<sup>20</sup> In this proposal, the Exchange is merely proposing a corresponding 10 percent increase to the analogous Testing Facility fees under Options 7, consistent with the rationale in the 2024 Proposal supporting the Rule Equity 7 adjustments. The Exchange is proposing no other changes to its rules.

The Proposed Fees Are Equitably Allocated and Not Unfairly Discriminatory

The Exchange believes that the proposed fee increases are equitably allocated and not unfairly discriminatory because they would apply to all market participants that choose to purchase connectivity products and services from the Exchange. Any participant that chooses to purchase the Exchange’s connectivity products and services would be subject to the same fee schedule, regardless of what type of business they operate or the use they plan to make use of the products and services. Additionally, the fee increase would be applied uniformly to market participants without regard to Exchange membership status or the extent of any other business with the Exchange or affiliated entities. Finally, the Exchange believes that the proposed fee changes are not unfairly discriminatory because the fees would be assessed uniformly across all market participants, in the same manner they are today, that voluntarily purchase the Exchange’s connectivity products and services, which would remain available for purchase by all market participants.

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<sup>20</sup> See 2024 Proposal, supra note 4.

Moreover, as discussed above, the Exchange is merely proposing a 10 percent increase to the Testing Facility fees under Options 7, consistent with the 10 percent adjustment and the rationale supporting the fee increase adopted in the 2024 Proposal for the analogous Testing Facility under Rule Equity 7. The Exchange is proposing no other changes to its rules.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed fees will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Intramarket Competition

The Exchange believes that the proposed fees do not put any market participants at a relative disadvantage compared to other market participants. As noted above, the fee schedule would continue to apply to all purchasers of the Exchange's connectivity products and services in the same manner as it does today, albeit at inflation-adjusted rates for certain fees, and customers may choose whether to purchase these products and services at all. The Exchange also believes that the level of the proposed fees neither favor nor penalize one or more categories of market participants in a manner that would impose an undue burden on competition.

Intermarket Competition

The Exchange believes that the proposed fees do not impose a burden on competition or on other SROs that is not necessary or appropriate. In determining the proposed fees, the Exchange relied on an objective and stable metric with limited volatility. Utilizing Data PPI over a specified period of time is a reasonable means of recouping the Exchange's investment in maintaining and enhancing its connectivity products, services, and facilities. Thus, the Exchange believes utilizing Data PPI, a tailored measure of inflation, to increase certain fees for

connectivity products and services to recoup the Exchange's investment in maintaining and enhancing such products, services, and its facilities would not impose a burden on competition.

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>21</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization 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.

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.

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

The proposal bears similarities to a proposal filed with the Commission by NYSE Arca, Inc.<sup>22</sup> The proposal is substantively identical to the 2024 Proposal with respect to both the basis for, and percentage increases of, the fee increases proposed herein for the Testing Facility.<sup>23</sup>

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.

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<sup>22</sup> See, Securities Exchange Act Release No. 100994 (Sep. 10, 2024), 89 FR 75612 (Sep.16, 2024) (SR-NYSEARCA-2024-79).

<sup>23</sup> See 2024 Proposal, supra note 4

**EXHIBIT 1****SECURITIES AND EXCHANGE COMMISSION****[Release No. 34 ; File No. SR-Phlx-2026-20]****Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Its Fees for Certain Connectivity Services**

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 April 2, 2026, 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 the Exchange’s fees for connectivity services, as described further below. 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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend Rule Options 7, Section 9 to increase the Exchange’s fees relating to its Testing Facilities<sup>3</sup> by 10%.<sup>4</sup> Rule Options 7, Section 9 provides that subscribers to the Testing Facility located in Carteret, New Jersey shall pay a fee of \$1,000 per hand-off, per month for connection to the Testing Facility. The hand-off fee includes either a 1Gb or 10Gb switch port and a cross connect to the Testing Facility. In addition, Options 7, Section 9 provides that subscribers shall also pay a one-time installation fee of \$1,000 per hand-off. The Exchange proposes to increase these aforementioned fees by 10% to require that subscribers to the Testing Facility shall pay a fee of \$1,100 per hand-off, per month for connection to the Testing Facility and a one-time installation fee of \$1,100 per hand-off.

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<sup>3</sup> The Exchange operates a test environment in Carteret, New Jersey. References to the “Testing Facility” refers to this test environment. See Rule Options 7, Section 9.E.

<sup>4</sup> The Exchange in 2024 filed a proposed rule change to amend, among other rules, Rule Equity 7 (“Pricing Schedule”), to increase certain fees for its Testing Facilities by 10 percent (10%). See Securities Exchange Act Release No. 101691 (Nov. 21, 2024), 89 FR 93697 (Nov. 27, 2024) (SR-Phlx-2024-57) (“2024 Proposal”). The Exchange now proposes a corresponding 10 percent increase to the Testing Facility fees under Options 7, consistent with the rationale in the 2024 Proposal supporting the Rule Equity 7 adjustments. As proposed, the proposal would thus align the Testing Facility fees under the Exchange’s Options 7 Rule with those for the same services under its Equity Rules 7 as adjusted in the 2024 Proposal. The Exchange is proposing no other changes to its rules.

The proposed increases in fees would enable the Exchange to maintain and improve its market technology and services to remain competitive with its peers. Over the years, customer demand for more sophisticated, higher-throughput, lower-latency, and higher-power connectivity solutions has increased. The Exchange continues to invest in maintaining, improving, and enhancing its connectivity products, services, and facilities for the benefit and often at the behest of its customers. Nevertheless, the Exchange has not increased the Testing Facility fees included in this proposal since before 2017. In this proposal, however, the Exchange proposes to increase its fees only with respect to the 10% inflation that has occurred from 2017 and through 2024.<sup>5</sup>

As discussed below, the Exchange proposes to adjust its fees by an industry- and product-specific inflationary measure. It is reasonable and consistent with the Act for the Exchange to recoup its investments, at least in part, by adjusting its fees. Continuing to operate at fees frozen at 2010-2017 levels impacts the Exchange's ability to enhance its offerings and the interests of market participants and investors.

The fee increases the Exchange proposes are based on an industry-specific Producer Price Index ("PPI"), which is a tailored measure of inflation.<sup>6</sup> As a general matter, the Producer Price Index is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the perspective of the seller. This contrasts with other metrics, such as the Consumer Price Index ("CPI"), that measure price change from the purchaser's perspective.<sup>7</sup> About 10,000 PPIs for individual products and groups of products are tracked and released each month.<sup>8</sup> PPIs are

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<sup>5</sup> See supra note 4 and accompanying text.

<sup>6</sup> See <https://fred.stlouisfed.org/series/PCU51825182#0>.

<sup>7</sup> See <https://www.bls.gov/ppi/overview.htm>.

<sup>8</sup> See Id.

available for the output of nearly all industries in the goods-producing sectors of the U.S. economy—mining, manufacturing, agriculture, fishing, and forestry—as well as natural gas, electricity, and construction, among others. The PPI program covers approximately 69 percent of the service sector's output, as measured by revenue reported in the 2017 Economic Census.

For purposes of this proposal, the relevant industry-specific PPI is the Data Processing and Related Services PPI (“Data PPI”), which is an industry net-output PPI that measures the average change in selling prices received by companies that provide data processing services.

The Data PPI was introduced in January 2002 by the Bureau of Labor Statistics (“BLS”) as part of an ongoing effort to expand Producer Price Index coverage of the services sector of the U.S. economy and is identified as NAICS - 518210 in the North American Industry Classification System.<sup>9</sup> According to the BLS “[t]he primary output of NAICS 518210 is the provision of electronic data processing services. In the broadest sense, computer services companies help their customers efficiently use technology. The processing services market consists of vendors who use their own computer systems—often utilizing proprietary software—to process customers’ transactions and data. Companies that offer processing services collect, organize, and store a customer’s transactions and other data for record-keeping purposes. Price movements for the NAICS 518210 index are based on changes in the revenue received by companies that provide data processing services. Each month, companies provide net transaction prices for a specified service. The transaction is an actual contract selected by probability, where

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<sup>9</sup> [NAICS appears in table 5 of the PPI Detailed Report and is available at https://data.bls.gov/timeseries/PCU518210518210.](https://data.bls.gov/timeseries/PCU518210518210)

the price-determining characteristics are held constant while the service is repriced. The prices used in index calculation are the actual prices billed for the selected service contract.”<sup>10</sup>

The Exchange believes the Data PPI is an appropriate measure to be considered in the context of the proposed rule change to modify the fee for its connectivity products because the Exchange uses its “own computer systems” and “proprietary software,” i.e., its own data center and proprietary matching engine software, respectively, to collect, organize, store and report customers’ transactions in U.S. equity securities on the Exchange’s proprietary trading platform. In other words, the Exchange is in the business of data processing and related services.

For purposes of this proposed rule change, the Exchange examined the Data PPI value for the period from January 2017 to August 2024.<sup>11</sup> The Data PPI had a starting value of 105.6 in January 2017 and an ending value of 116.022 in August 2024, a 10.422% increase. This indicates that companies who are also in the data storage and processing business have generally increased prices for a specified service covered under NAICS 518210 by an average of 10.422% during this period. Based on that percentage change, the Exchange proposes to make a one-time fee increase of 10%, which reflects an increase covering roughly the entire period dating from the most recent price adjustments to these fees in 2017 through 2024.<sup>12</sup>

The Exchange further believes the Data PPI is an appropriate measure for purposes of the proposed rule change on the basis that it is a stable metric with limited volatility, unlike other consumer-side inflation metrics. In fact, the Data PPI has not experienced a greater than 2.16%

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<sup>10</sup> See <https://www.bls.gov/ppi/factsheets/producer-price-index-for-the-data-processing-and-related-servicesindustry-naics-518210.htm>.

<sup>11</sup> For purposes of consistency, the Exchange relies on the same Data PPI period—January 2017 through August 2024—that it examined in the 2024 Proposal. For purposes of this proposed rule change, the Exchange has made no changes to the underlying Data PPI or methodology but instead incorporates the identical data set in its analysis to ensure consistency across related filings. See 2024 Proposal, *supra* note 4.

<sup>12</sup> See *supra* note 11 and accompanying text.

increase for any one calendar year period since Data PPI was introduced into the PPI in January 2002. The average calendar year change from January 2002 to December 2023 was .62%, with a cumulative increase of 15.67% over this 21-year period. The Exchange believes the Data PPI is considerably less volatile than other inflation metrics such as CPI, which has had individual calendar-year increases of more than 6.5%, and a cumulative increase of over 73% over the same period.<sup>13</sup>

The Exchange believes the Data PPI, and significant investments into, and enhanced performance of, the Exchange support the reasonableness of the proposed fee increases.<sup>14</sup> As the Exchange notes above, the Exchange has relied on Data PPI, as well as its investments into, and enhanced performance, of the Exchange to support the reasonableness of proposed fees for a substantively identical service or product under Rule Equity 7.<sup>15</sup>

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>16</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>17</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.

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<sup>13</sup> See <https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changesfrom-1913-to-2008/>.

<sup>14</sup> See *supra* discussion of connectivity product and facility improvements. Additionally, other exchanges have filed for increases in certain fees, based in part on comparisons to inflation. See, e.g., Securities Exchange Act Release Nos. 34-100004 (April 22, 2024), 89 FR 32465 (April 26, 2024) (SR-CboeBYX-2024-012); and 34-100398 (June 21, 2024), 89 FR 53676 (June 27, 2024) (SR-BOX-2024-16); Securities Exchange Act Release No. 34-100994 (September 10, 2024), 89 FR 75612 (September 16, 2024) (SR-NYSEARCA-2024-79). See also *supra* note 4 and accompanying text.

<sup>15</sup> See 2024 Proposal, *supra* note 4.

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(4) and (5).

This belief is based on two factors. First, the current fees do not properly reflect the quality of the services and products, as fees for the services and products in question have been static in nominal terms, and therefore falling in real terms due to inflation. Second, the Exchange believes that investments made in enhancing the capacity and speed of Exchange systems increase the performance of the services and products.

#### The Proposed Rule Change Is Reasonable

As noted above, the Exchange has not increased any of the fees included in this proposal since 2017 or earlier. However, in the years following the most recent fee increases, the Exchange has made significant investments in upgrades to its connectivity products, services, and facilities, enhancing the quality of its services. Between 2017 and 2024, the period under consideration in this proposal, the inflation rate was 3.64% per year, on average, producing a cumulative inflation rate of 28.43%.<sup>18</sup> Using the more targeted inflation number of Data PPI, the cumulative inflation rate was 10.422%. The exchange believes the Data PPI is a reasonable metric to base this fee increase on because it is targeted to producer-side increases in the data processing industry.

Notwithstanding inflation, as noted above, the Exchange has not increased its fees for the subject service. The proposed fee changes represent a modest increase from the current fees. The Exchange believes the proposed fee increase is reasonable in light of the Exchange's continued expenditure in maintaining a robust technology ecosystem. Furthermore, the Exchange continues to invest in maintaining and enhancing its connectivity products for the benefit and often at the behest of its customers and global investors.<sup>19</sup> The goal of the

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<sup>18</sup> See <https://www.officialdata.org/us/inflation/2017?amount=1>.

<sup>19</sup> See 2024 Proposal, *supra* note 4 (describing such continued maintenance enhancements).

enhancements discussed above, among other things, is to provide faster, higher-capacity, and more modern connectivity products and services. Accordingly, the Exchange continues to expend resources to innovate and modernize technology so that it may benefit its members in offering its connectivity products and services.

Moreover, as discussed above, the Exchange in 2024 filed a proposed rule change to amend, among other rules, Rule Equity 7 (“Pricing Schedule”), to increase certain fees for its Testing Facilities by 10%.<sup>20</sup> In this proposal, the Exchange is merely proposing a corresponding 10 percent increase to the analogous Testing Facility fees under Options 7, consistent with the rationale in the 2024 Proposal supporting the Rule Equity 7 adjustments. The Exchange is proposing no other changes to its rules.

The Proposed Fees Are Equitably Allocated and Not Unfairly Discriminatory

The Exchange believes that the proposed fee increases are equitably allocated and not unfairly discriminatory because they would apply to all market participants that choose to purchase connectivity products and services from the Exchange. Any participant that chooses to purchase the Exchange’s connectivity products and services would be subject to the same fee schedule, regardless of what type of business they operate or the use they plan to make use of the products and services. Additionally, the fee increase would be applied uniformly to market participants without regard to Exchange membership status or the extent of any other business with the Exchange or affiliated entities. Finally, the Exchange believes that the proposed fee changes are not unfairly discriminatory because the fees would be assessed uniformly across all market participants, in the same manner they are today, that voluntarily purchase the Exchange’s connectivity products and services, which would remain available for purchase by all market

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<sup>20</sup> See 2024 Proposal, supra note 4.

participants.

Moreover, as discussed above, the Exchange is merely proposing a 10 percent increase to the Testing Facility fees under Options 7, consistent with the 10 percent adjustment and the rationale supporting the fee increase adopted in the 2024 Proposal for the analogous Testing Facility under Rule Equity 7. The Exchange is proposing no other changes to its rules.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed fees will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Intramarket Competition

The Exchange believes that the proposed fees do not put any market participants at a relative disadvantage compared to other market participants. As noted above, the fee schedule would continue to apply to all purchasers of the Exchange's connectivity products and services in the same manner as it does today, albeit at inflation-adjusted rates for certain fees, and customers may choose whether to purchase these products and services at all. The Exchange also believes that the level of the proposed fees neither favor nor penalize one or more categories of market participants in a manner that would impose an undue burden on competition.

Intermarket Competition

The Exchange believes that the proposed fees do not impose a burden on competition or on other SROs that is not necessary or appropriate. In determining the proposed fees, the Exchange relied on an objective and stable metric with limited volatility. Utilizing Data PPI over a specified period of time is a reasonable means of recouping the Exchange's investment in maintaining and enhancing its connectivity products, services, and facilities. Thus, the Exchange believes utilizing Data PPI, a tailored measure of inflation, to increase certain fees for

connectivity products and services to recoup the Exchange's investment in maintaining and enhancing such products, services, and its facilities would not impose a burden on competition.

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>21</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:

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-2026-20 on the subject line.

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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-2026-20. 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-2026-20 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>22</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>22</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**Nasdaq PHLX LLC Rules**

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**Options Rules**

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**Options 7 Pricing Schedule**

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**Section 9. Other Member Fees**

**A-D No change.**

**E. Testing Facilities**

The Exchange operates a test environment in Carteret, New Jersey. References to the “Testing Facility” refers to this test environment.

Subscribers to the Testing Facility shall pay a fee of ~~[\$1,000]~~\$1,100 per hand-off, per month for connection to the Testing Facility. The hand-off fee includes either a 1Gb or 10Gb switch port and a cross connect to the Testing Facility. Subscribers shall also pay a one-time installation fee of ~~[\$1,000]~~\$1,100 per hand-off.

The connectivity provided under this rule also provides connectivity to the other test environments of The Nasdaq Stock Market LLC, Nasdaq BX, Inc., Nasdaq ISE, LLC, Nasdaq MRX, LLC, and Nasdaq GEMX, LLC. Additionally, the connectivity may be utilized for either equities or options testing.

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