

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 89	Amendment No. (req. for Amendments *)
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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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

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

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	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 its index options rules to be more clear and conformed more closely to those of the Options Clearing Corporation and other exchanges.

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 * Carla	Last Name * Behnfeldt
Title * Associate General Counsel	
E-mail * carla.behnfeldt@nasdaq.com	
Telephone * (215) 496-5208	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

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

(Title *)

Date 11/01/2017	Executive Vice President and General Counsel
By Edward S. Knight	<input style="width: 100%; height: 40px;" type="text"/>
(Name *)	<input type="button" value="edward.knight@nasdaq.com"/>

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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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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 Advance 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, security-based swap submission, or advance notice 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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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) NASDAQ PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend its index options rules to be more clear and conformed more closely to those of the Options Clearing Corporation (“OCC”) and other exchanges.

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 of the Exchange (the “Board”) on September 19, 2017. 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:

Carla Behnfeldt
Associate General Counsel
Nasdaq, Inc.
(215) 496-5208

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 is proposing to amend its index options rules in a number of respects to be more clear and reflective of current market practice, and to be conformed more closely to OCC rules and those of other exchanges in order to minimize the potential for confusion, in addition to other index option rule changes as discussed below.

Definition and Use of the Term "Closing Index Value"

The Exchange currently assigns the term "closing index value" a meaning which differs from that term's meaning on other exchanges, which presents the potential for needless confusion. Rule 1000A(b)(8) currently provides that the closing index value in respect of a particular index means (a) with respect to P.M.-settled options, the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise, or (b) with respect to A.M.-settled options, the opening price of each component issue on the primary market on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise. This definition is proposed to be deleted. The Exchange now proposes to define the term "closing index value" to mean simply the last index value reported on a business day. The new definition tracks the definition of "closing index value" on CBOE, ISE and NOM.³

The substantive provisions of the index rules that currently refer to "closing index value" are proposed to be amended as well as discussed below, in light of this

³ CBOE Rule 24.1, ISE Rule 2001(e) and NOM Chapter XIV, Section 2(e), for example, all define "closing index value" as the last index value reported on a business day.

amendment to the definition of that term. The use of more consistent terminology across exchanges, both in the definition itself and in substantive provisions using the defined term, should minimize potential for confusion, especially in the context of multiply listed index options. It is in the public interest to avoid use of different terminology across different exchanges to describe the same concept.

Substitute the Term “Current Index Value” for the term “Closing Index Value”

The term “current index value” is defined in Rule 1000A(b)(7) in respect of a particular index as “the level of the index that is derived from the reported prices of the underlying securities that are the basis of the index, as reported by the reporting authority for the index.” Other options exchanges define “current index value” in a similar fashion.⁴

However, the Exchange currently uses the term “closing index value” in provisions where other exchanges use the term “current index value.” In order to use more consistent terminology across exchanges, the Exchange proposes to replace the term “closing index value” with the term “current index value” in Rules 1000A(b)(1), (2) and (6). Thus the term “put” will be defined in Rule 1000A(b)(1) as an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Options Clearing Corporation the current index value times the index multiplier. Rule 1000A(b)(2) would be revised to define the term “call” as an option contract under which the holder of the option has the right, in

⁴ CBOE Rule 24.1(g), ISE Rule 2001(e) and NOM Chapter XIV, Section 2(e), for example, all define the term “current index value” with respect to a particular index options contract in relevant part as the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by the exchange.

accordance with the terms of the option, to purchase from OCC the current index value times the index multiplier. Similarly, the term “index multiplier” would be defined to mean the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract. In all three of the revised definitions, the only change proposed is the substitution of the term “current index value” for the existing term “closing index value” which itself is proposed to be revised as discussed below to be consistent with the definition of that term on other exchanges.⁵

Current Rule 1000A(b)(8) defining “closing index value” already points to the current index value. Specifically, it defines “closing index value” to mean, with respect to P.M.-settled options, the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise. In view of the amendment to Rule 1101A(d) discussed below providing generally that the current index value used to settle the exercise of an index options contract is the closing index value (proposed to be defined as the last index value reported on a business day) for the day, the net effect of these amendments with respect

⁵ Upon implementation of the proposed amendments, the Exchange will be using terminology that is consistent with definitions of “put”, “call” and “index multiplier” on CBOE, ISE and NOM. See CBOE Rules 24.1(a), 24.1(b), and 24.1(f); ISE Rules 2001(c), 2001(i) and 2001(l); and NOM Chapter XIV, Sections 2(d), 2(i) and 2(m). The amendments will also give the terms “put”, “call” and “index multiplier” definitions that are consistent with the existing Phlx definition of “exercise price” which is the specific price per unit at which the current index value may be purchased in the case of a call or sold in the case of a put upon the exercise of an option. Unlike the current Phlx definitions of “put”, “call” and “index multiplier”, the current Phlx definition of “exercise price” is consistent with the definition of “exercise price” on other exchanges. See, e.g., CBOE Rule 24.1(d), ISE Rule 2001(f) and NOM Chapter XIV, Section 2(f), all of which define “exercise price” using the defined term “current index value”.

to P.M.-settled options is for the most part a change in terminology only, to be consistent with terminology used by other options exchanges. Currently, with respect to P.M.-settled options the relevant value for Rules 1000A(b)(1), (2) and (6) is the “index value calculated at the close of business on the day of exercise”. As amended, the relevant value would be “the last index value reported on a business day”. Both formulations express the same concept. These definitional changes are not intended to change current practice with respect to P.M.-settled options.

New Definition of “A.M. Settled Index Option”

The Exchange proposes to add a new definition of A.M. settled index option. Consistent with the CBOE, ISE and NOM definitions of this term, new Rule 1000A(18) would define “A.M. settled index option” as an index option for which the current index value at expiration shall be determined as provided in Rule 1101A(e).⁶

The Exchange proposes to adopt new Rule 1101A(d), Index Values for Settlement, which recites that OCC rules specify that, unless the rules of the Exchange provide otherwise, the current index value used to settle the exercise of an index options contract is the closing index value for the day on which the index options contract is exercised in accordance with OCC rules, or if such day is not a business day, for the most recent business day. Other options exchanges have similar rules.⁷

⁶ See the consistent definitions of “A.M.-settled index option” in CBOE Rule 24.1(r), ISE Rule 2001(c), and NOM Chapter XIV, Section 2(c). Like proposed Phlx Rule 1000A(b)(18), each of these definitions incorporates by reference a separate rule governing the determination of the current settlement value at expiration.

⁷ See, e.g., CBOE Rule 24.9.05 and ISE Rule 2009(e).

As an exception to the baseline rule set forth in Rule 1101A(d) regarding settlement based on closing index values, the Exchange proposes to add new Rule 1101A(e) to provide that the last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day preceding the last day of trading in the underlying securities prior to the expiration date. Under the new rule the current index value at the expiration of an A.M.-settled index option will be determined on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on the primary market on such day.⁸ The current language of Rule 1000A(b)(8)(b) suggests that exercise settlement values for A.M. settled options are always based upon opening prices. In fact, however, closing prices are used in the case of an early exercise. This new language makes clear that for A.M.-settled index options opening prices of the underlying securities determine the current index value used to settle an exercise only on the last day of trading prior to expiration, consistent with market practice and OCC processes regarding A.M. settlement. Exercise of an American style A.M.-settled option prior to the day of expiration will result in settlement based upon closing prices in the underlying market, consistent with proposed new Rule 1101A(d) and OCC rules. The new language in 1101A(d) and (e) corrects existing Exchange Rule 1000A(b)(8) which does not make this distinction and is at variance with existing market practice and OCC settlement processes.

⁸ See ISE Rule 2009(a)(5) and NOM Chapter XIV, Section 11(a)(5), which are similar.

Proposed Rule 1101A(e) incorporates one exception. In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, will be the last reported sale price of the security.⁹

Finally, new language is added to Rule 1101A(e) which specifically identifies the six A.M.-settled index options that are currently approved for trading on the Exchange.¹⁰ The listing of these A.M.-settled index options is consistent with proposed new Rule 1101A(d), which recites that the Rules of the Options Clearing Corporation specify that, unless the Rules of the Exchange provide otherwise (which Rule 1101A(e) is doing by identifying AM-settled index options), the current index value used to settle the exercise of an index options contract shall be the closing index value for the day on which the index options contract is exercised in accordance with the Rules of the Options Clearing Corporation or, if such day is not a business day, for the most recent business day. It is also consistent with the existing Commentary to Rule 1000A(b)(8) which provides that for any series of index options the Exchange may, in its discretion, provide that the calculation of the final index settlement value of any index on which options are traded at

⁹ NOM and ISE rules contain similar exceptions. See NOM Chapter XIV Section 11(a)(5) and ISE Rule 2009(a)(5).

¹⁰ The change is being made in conformance with Article XVII, Section 5 of the OCC By-Laws. Article XVII, Section 5 of the OCC By-Laws provides that an Exchange may provide **by rule** that the current index value shall be determined by reference to the reported level of such index at a time or times other than the close of trading. Other options exchanges identify individual AM-settled options in their rules. See, e.g., CBOE Rule 24.9(a)(4).

the Exchange will be determined by reference to the prices of the constituent stocks at a time other than the close of trading on the last trading day before expiration.

Deletion of Rule 1044A, Delivery and Payment

Rule 1044A, Delivery and Payment, currently provides that in accordance with the applicable Rules of the Options Clearing Corporation, the settlement of index option contracts will be by the delivery of the difference between the closing index value on the day of exercise and the exercise price times the index multiplier. The Exchange proposes to delete this provision, given the proposed amendment to the defined term “closing index value” as discussed above. The Exchange has not found a similar rule on other options exchanges and believes it to be unnecessary given the definitions of put, call and index multiplier, which imply that settlement will be by the delivery of the difference between the closing index value on the day of exercise and the exercise price, times the index multiplier. OCC Bylaws provide for the calculation of the exercise settlement amount by reference the difference between the aggregate exercise price and the aggregate current index value on the day of the exercise.¹¹

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

¹¹ See also Article XVII of the OCC Bylaws.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

market system, and, in general to protect investors and the public interest, by adding clarity to the rules, correcting the description of the manner of calculation of the exercise settlement amount in the case of early exercise of A.M.-settled options to conform with OCC rules and processes, and conforming index option terminology more closely to that used by OCC and other exchanges that list index options. In addition to correcting the inaccuracy regarding early exercise of A.M.-settled index options, the proposed rule change would result in Exchange index option rules that are substantially similar to rules that are currently in place on other options exchanges as discussed in detail above, thereby reducing potential investor confusion. The Exchange believes that the proposed changes will provide greater clarity to members and the public regarding the Exchange's index option rules.

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

The Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, as the added clarity and the increased conformity to index rules of other options exchanges and acknowledgement of OCC rules will benefit all market participants trading Exchange listed index options. The proposed rule change does not affect competition in that it conforms the Phlx index rulebook to OCC rules and to existing market practice, and will apply equally to all market participants transacting in index options on the Exchange.

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

The Exchange does not consent to an extension of the time period for Commission action.

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)¹⁴ of the Act and Rule 19b-4(f)(6) thereunder¹⁵ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The proposed amendments conform the Phlx index rules more closely to OCC rules, to other options exchange rules, and to existing market practice, which should minimize potential investor confusion especially among market participants that transact index options on multiple options exchanges. The proposed amendments should promote consistency among exchanges and OCC in rule language describing aspects of index option trading, by adopting terminology which is substantively identical to that used on other options exchanges, as discussed in greater detail below.

Furthermore, Rule 19b-4(f)(6)(iii) 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.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

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.

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

The proposed amendments are based in large part on a number of rules of various options exchanges and of the OCC identified above. Upon implementation of the proposed amendments, the Exchange will be defining “put”, “call” and “index multiplier” in a manner that is substantively identical with definitions of “put”, “call”, and “index multiplier” on CBOE, ISE and NOM. See CBOE Rules 24.1(a), 24.1(b), and 24.1(f); ISE Rules 2001(c), 2001(i) and 2001(l); and NOM Chapter XIV, Sections 2(d), 2(i) and 2(m). Similarly, the Exchange’s proposed definition of “closing index value” will be substantively identical to CBOE Rule 24.1, ISE Rule 2001(e) and NOM Chapter XIV, Section 2(e), which all define “closing index value” as the last index value reported on a business day. Proposed new Rule 1101A(d), Index Values for Settlement, which recites that OCC rules specify that, unless the rules of the Exchange provide otherwise, the current index value used to settle the exercise of an index options contract is the closing index value for the day on which the index options contract is exercised in accordance with OCC rules, or if such day is not a business day, for the most recent business day, is substantively identical to CBOE Rule 24.9.05 and ISE Rule 2009(e).

The proposed definition of “A.M.-settled index option” will be substantively identical to the definition of that term set forth in CBOE Rule 24.1(r), ISE Rule 2001(c), and NOM Chapter XIV, Section 2(c), except to the extent that the Exchange’s proposed Rule 1101A(e) regarding A.M.-Settled Index Options is incorporated by reference. Proposed Rule 1101A(e) itself, A.M.-Settled Index Options, is substantively identical to ISE Rule 2009(a)(5), except that it does not contain a subsection providing that in the event that the primary market for an underlying security does not open for trading on the last day of trading in the underlying securities before expiration, the price of that security shall be determined, for purposes of calculating the current index value at expiration, based on the opening price of that security on the next day that its primary market is open for trading.¹⁶

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 for publication in the Federal Register.
5. Text of the proposed rule change.

¹⁶ See ISE Rule 2009(a)(5), incorporating by reference ISE Rule 2008(g). The Exchange notes that CBOE Rule 24.7(e) at one time paralleled the current ISE Rule 2008(g) language, but was later amended. See Securities Exchange Act Release No. 47548 (March 20, 2003), 68 FR 14723 (March 26, 2003) (SR-CBOE-2003-13). The Exchange therefore believes the language in ISE Rule 2008(g) warrants further consideration before it is adopted by the Exchange.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2017-89)

November __, 2017

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend its index options rules to be more clear and conformed more closely to those of the Options Clearing Corporation (“OCC”) and other exchanges.

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 November 1, 2017, 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 its index options rules to be more clear and conformed more closely to those of the Options Clearing Corporation (“OCC”) and other exchanges.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqphlx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange is proposing to amend its index options rules in a number of respects to be more clear and reflective of current market practice, and to be conformed more closely to OCC rules and those of other exchanges in order to minimize the potential for confusion, in addition to other index option rule changes as discussed below.

Definition and Use of the Term "Closing Index Value"

The Exchange currently assigns the term "closing index value" a meaning which differs from that term's meaning on other exchanges, which presents the potential for needless confusion. Rule 1000A(b)(8) currently provides that the closing index value in respect of a particular index means (a) with respect to P.M.-settled options, the current index value calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise, or (b) with respect to A.M.-settled options, the opening price of each component issue on the primary market on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise. This definition is proposed to be deleted. The Exchange now proposes to define the term "closing index value" to mean simply the last index value

reported on a business day. The new definition tracks the definition of “closing index value” on CBOE, ISE and NOM.³

The substantive provisions of the index rules that currently refer to “closing index value” are proposed to be amended as well as discussed below, in light of this amendment to the definition of that term. The use of more consistent terminology across exchanges, both in the definition itself and in substantive provisions using the defined term, should minimize potential for confusion, especially in the context of multiply listed index options. It is in the public interest to avoid use of different terminology across different exchanges to describe the same concept.

Substitute the Term “Current Index Value” for the term “Closing Index Value”

The term “current index value” is defined in Rule 1000A(b)(7) in respect of a particular index as “the level of the index that is derived from the reported prices of the underlying securities that are the basis of the index, as reported by the reporting authority for the index.” Other options exchanges define “current index value” in a similar fashion.⁴

However, the Exchange currently uses the term “closing index value” in provisions where other exchanges use the term “current index value.” In order to use more consistent terminology across exchanges, the Exchange proposes to replace the term “closing index value” with the term “current index value” in Rules 1000A(b)(1), (2)

³ CBOE Rule 24.1, ISE Rule 2001(e) and NOM Chapter XIV, Section 2(e), for example, all define “closing index value” as the last index value reported on a business day.

⁴ CBOE Rule 24.1(g), ISE Rule 2001(e) and NOM Chapter XIV, Section 2(e), for example, all define the term “current index value” with respect to a particular index options contract in relevant part as the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by the exchange.

and (6). Thus the term “put” will be defined in Rule 1000A(b)(1) as an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Options Clearing Corporation the current index value times the index multiplier. Rule 1000A(b)(2) would be revised to define the term “call” as an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from OCC the current index value times the index multiplier. Similarly, the term “index multiplier” would be defined to mean the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract. In all three of the revised definitions, the only change proposed is the substitution of the term “current index value” for the existing term “closing index value” which itself is proposed to be revised as discussed below to be consistent with the definition of that term on other exchanges.⁵

Current Rule 1000A(b)(8) defining “closing index value” already points to the current index value. Specifically, it defines “closing index value” to mean, with respect to P.M.-settled options, the current index value calculated at the close of business on the

⁵ Upon implementation of the proposed amendments, the Exchange will be using terminology that is consistent with definitions of “put”, “call” and “index multiplier” on CBOE, ISE and NOM. See CBOE Rules 24.1(a), 24.1(b), and 24.1(f); ISE Rules 2001(c), 2001(i) and 2001(l); and NOM Chapter XIV, Sections 2(d), 2(i) and 2(m). The amendments will also give the terms “put”, “call” and “index multiplier” definitions that are consistent with the existing Phlx definition of “exercise price” which is the specific price per unit at which the current index value may be purchased in the case of a call or sold in the case of a put upon the exercise of an option. Unlike the current Phlx definitions of “put”, “call” and “index multiplier”, the current Phlx definition of “exercise price” is consistent with the definition of “exercise price” on other exchanges. See, e.g., CBOE Rule 24.1(d), ISE Rule 2001(f) and NOM Chapter XIV, Section 2(f), all of which define “exercise price” using the defined term “current index value”.

day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise. In view of the amendment to Rule 1101A(d) discussed below providing generally that the current index value used to settle the exercise of an index options contract is the closing index value (proposed to be defined as the last index value reported on a business day) for the day, the net effect of these amendments with respect to P.M.-settled options is for the most part a change in terminology only, to be consistent with terminology used by other options exchanges. Currently, with respect to P.M.-settled options the relevant value for Rules 1000A(b)(1), (2) and (6) is the “index value calculated at the close of business on the day of exercise”. As amended, the relevant value would be “the last index value reported on a business day”. Both formulations express the same concept. These definitional changes are not intended to change current practice with respect to P.M.-settled options.

New Definition of “A.M. Settled Index Option”

The Exchange proposes to add a new definition of A.M. settled index option. Consistent with the CBOE, ISE and NOM definitions of this term, new Rule 1000A(18) would define “A.M. settled index option” as an index option for which the current index value at expiration shall be determined as provided in Rule 1101A(e).⁶

The Exchange proposes to adopt new Rule 1101A(d), Index Values for Settlement, which recites that OCC rules specify that, unless the rules of the Exchange provide otherwise, the current index value used to settle the exercise of an index options

⁶ See the consistent definitions of “A.M.-settled index option” in CBOE Rule 24.1(r), ISE Rule 2001(c), and NOM Chapter XIV, Section 2(c). Like proposed Phlx Rule 1000A(b)(18), each of these definitions incorporates by reference a separate rule governing the determination of the current settlement value at expiration.

contract is the closing index value for the day on which the index options contract is exercised in accordance with OCC rules, or if such day is not a business day, for the most recent business day. Other options exchanges have similar rules.⁷

As an exception to the baseline rule set forth in Rule 1101A(d) regarding settlement based on closing index values, the Exchange proposes to add new Rule 1101A(e) to provide that the last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day preceding the last day of trading in the underlying securities prior to the expiration date. Under the new rule the current index value at the expiration of an A.M.-settled index option will be determined on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on the primary market on such day.⁸ The current language of Rule 1000A(b)(8)(b) suggests that exercise settlement values for A.M. settled options are always based upon opening prices. In fact, however, closing prices are used in the case of an early exercise. This new language makes clear that for A.M.-settled index options opening prices of the underlying securities determine the current index value used to settle an exercise only on the last day of trading prior to expiration, consistent with market practice and OCC processes regarding A.M. settlement. Exercise of an American style A.M.-settled option prior to the day of expiration will result in settlement based upon closing prices in the underlying market, consistent with proposed

⁷ See, e.g., CBOE Rule 24.9.05 and ISE Rule 2009(e).

⁸ See ISE Rule 2009(a)(5) and NOM Chapter XIV, Section 11(a)(5), which are similar.

new Rule 1101A(d) and OCC rules. The new language in 1101A(d) and (e) corrects existing Exchange Rule 1000A(b)(8) which does not make this distinction and is at variance with existing market practice and OCC settlement processes.

Proposed Rule 1101A(e) incorporates one exception. In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, will be the last reported sale price of the security.⁹

Finally, new language is added to Rule 1101A(e) which specifically identifies the six A.M.-settled index options that are currently approved for trading on the Exchange.¹⁰ The listing of these A.M.-settled index options is consistent with proposed new Rule 1101A(d), which recites that the Rules of the Options Clearing Corporation specify that, unless the Rules of the Exchange provide otherwise (which Rule 1101A(e) is doing by identifying AM-settled index options), the current index value used to settle the exercise of an index options contract shall be the closing index value for the day on which the index options contract is exercised in accordance with the Rules of the Options Clearing Corporation or, if such day is not a business day, for the most recent business day. It is also consistent with the existing Commentary to Rule 1000A(b)(8) which provides that

⁹ NOM and ISE rules contain similar exceptions. See NOM Chapter XIV Section 11(a)(5) and ISE Rule 2009(a)(5).

¹⁰ The change is being made in conformance with Article XVII, Section 5 of the OCC By-Laws. Article XVII, Section 5 of the OCC By-Laws provides that an Exchange may provide **by rule** that the current index value shall be determined by reference to the reported level of such index at a time or times other than the close of trading. Other options exchanges identify individual AM-settled options in their rules. See, e.g., CBOE Rule 24.9(a)(4).

for any series of index options the Exchange may, in its discretion, provide that the calculation of the final index settlement value of any index on which options are traded at the Exchange will be determined by reference to the prices of the constituent stocks at a time other than the close of trading on the last trading day before expiration.

Deletion of Rule 1044A, Delivery and Payment

Rule 1044A, Delivery and Payment, currently provides that in accordance with the applicable Rules of the Options Clearing Corporation, the settlement of index option contracts will be by the delivery of the difference between the closing index value on the day of exercise and the exercise price times the index multiplier. The Exchange proposes to delete this provision, given the proposed amendment to the defined term “closing index value” as discussed above. The Exchange has not found a similar rule on other options exchanges and believes it to be unnecessary given the definitions of put, call and index multiplier, which imply that settlement will be by the delivery of the difference between the closing index value on the day of exercise and the exercise price, times the index multiplier. OCC Bylaws provide for the calculation of the exercise settlement amount by reference the difference between the aggregate exercise price and the aggregate current index value on the day of the exercise.¹¹

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,

¹¹ See also Article XVII of the OCC Bylaws.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

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 adding clarity to the rules, correcting the description of the manner of calculation of the exercise settlement amount in the case of early exercise of A.M.-settled options to conform with OCC rules and processes, and conforming index option terminology more closely to that used by OCC and other exchanges that list index options. In addition to correcting the inaccuracy regarding early exercise of A.M.-settled index options, the proposed rule change would result in Exchange index option rules that are substantially similar to rules that are currently in place on other options exchanges as discussed in detail above, thereby reducing potential investor confusion. The Exchange believes that the proposed changes will provide greater clarity to members and the public regarding the Exchange's index option rules.

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

The Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, as the added clarity and the increased conformity to index rules of other options exchanges and acknowledgement of OCC rules will benefit all market participants trading Exchange listed index options. The proposed rule change does not affect competition in that it conforms the Phlx index rulebook to OCC rules and to existing market practice, and will apply equally to all market participants transacting in index options on the Exchange.

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 Act¹⁴ 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: (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:

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.

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2017-89 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-2017-89. This file number should be included on the subject line if e-mail 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 Web site (<http://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 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-Phlx-2017-89 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Eduardo A. Aleman
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

NASDAQ PHLX Rules**RULES OF THE EXCHANGE**

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Rule 1000A. Applicability and Definitions

(a) **Applicability.** The Rules in this Section are applicable only to index options (options on indices of securities as defined below). In addition, except to the extent that specific rules in this Section govern, or unless the context otherwise requires, the provisions of the Option Rules applicable to stock options and of the By-Laws and all other Rules and Policies of the Board of Directors shall be applicable to the trading on the Exchange of index options.

(b) **Definitions.** The following terms as used in the Rules in this Section shall, unless the context otherwise indicates, have the meanings herein specified.

(1) The term "put" means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Options Clearing Corporation the [closing index value]current index value times the index multiplier.

(2) The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Options Clearing Corporation the [closing index value]current index value times the index multiplier.

(3) The term "aggregate exercise price" means the exercise price of the option contract times the index multiplier.

(4) The term "exercise price" means the specific price per unit at which the current index value may be purchased in the case of a call or sold in the case of a put upon the exercise of the option.

(5) The term "underlying security" or "underlying securities" with respect to an index option contract means any of the securities that are the basis for the calculation of the index.

(6) The term "index multiplier" means the amount specified in the contract by which the [closing index value]current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(7) The term "current index value" in respect of a particular index means the level of the index that is derived from the reported prices of the underlying securities that are the basis of the index, as reported by the reporting authority for the index.

(8) The term "closing index value" in respect of a particular index means the last index value reported on a business day. (a) with respect to P.M.-settled options, the current index value

calculated at the close of business on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise, or (b) with respect to A.M.-settled options, the opening price of each component issue on the primary market on the day of exercise, or, if the day of exercise is not a trading day, on the last trading day before exercise.]

••• *Commentary:* -----

For any series of index options the Exchange may, in its discretion, provide that the calculation of the final index settlement value of any index on which options are traded at the Exchange will be determined by reference to the prices of the constituent stocks at a time other than the close of trading on the last trading day before expiration.

(9) The term "reporting authority" in respect of a particular index means the institutions or reporting service designated by the Exchange as the official source for calculating and determining the current value or the closing index value of the index.

* * * * *

(18) The term "A.M. settled index option" means an index option for which the current index value at expiration shall be determined as provided in Rule 1101A(e).

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Rule 1101A. Terms of Option Contracts

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(d) Index Values for Settlement. The Rules of the Options Clearing Corporation specify that, unless the Rules of the Exchange provide otherwise, the current index value used to settle the exercise of an index options contract shall be the closing index value for the day on which the index options contract is exercised in accordance with the Rules of the Options Clearing Corporation or, if such day is not a business day, for the most recent business day.

(e) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day preceding the last day of trading in the underlying securities prior to the expiration date. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Options Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that in the event that the

primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on the Exchange:

- (i) PHLX Semiconductor Sector
- (ii) PHLX Housing Sector
- (iii) PHLX Oil Service Sector
- (iv) KBW Bank Index
- (v) Full Value Nasdaq 100 Options
- (vi) Reduced Value Nasdaq 100 Options

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[Rule 1044A. Delivery and Payment

In accordance with the applicable Rules of the Options Clearing Corporation, the settlement of index option contracts will be by the delivery of the difference between the closing index value on the day of exercise and the exercise price times the index multiplier.]

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