

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84034; File No. SR-Phlx-2018-57)

September 5, 2018

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Move the P.M.-Settled Nasdaq-100 Index Options Expiring on the Third Friday of the Month to the NDX Index Options Class

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 August 27, 2018, 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 move the P.M.-settled Nasdaq-100 Index Options expiring on the third Friday of the month (“NDXPM”) to the NDX index options class. In connection with the move, the Exchange proposes changing the trading symbol for these options from “NDXPM” to “NDXP”.

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 seeks to amend Exchange rules related to certain P.M.-settled options on the NASDAQ-100 Index which have been approved by the Commission but which have not yet been listed by the Exchange.³ Currently, third-Friday P.M. - settled NASDAQ-100 Index options form a separate options class and, if listed by the Exchange, would trade under the symbol “NDXPM.” The Exchange now seeks to move these third-Friday P.M.-settled NASDAQ-100 Index options into the NASDAQ-100 (“NDX”) options class.

The Exchange has also recently received Commission approval to list nonstandard expirations of P.M.-settled NASDAQ-100 Index options trading under the symbol “NDXP”, also on a pilot basis.⁴ NDXP options are series of the NDX options class. These NDXP options may expire on Mondays, Wednesdays, Fridays (other than third-Friday-of-the-month), and the last

³ See Securities Exchange Act Release No. 81293 (August 2, 2017), 82 FR 37138 (August 8, 2017) (approving SR-Phlx-2017-04).

⁴ See Securities Exchange Act Release No. 82341 (December 15, 2017), 82 FR 60651 (December 21, 2017) (SR-Phlx-2017-79). In its proposed rule change to adopt a nonstandard expirations pilot program, the Exchange noted that it anticipated filing a proposed rule change in the near future to move the NDXPM index options with standard third Friday of the month expiration dates to the NDX index option class.

trading day of the month.⁵ The proposed rule change would facilitate a change to the trading symbol for P.M.-settled NASDAQ-100 Index options that have standard third Friday-of-the-month (“third-Friday”) expirations from “NDXPM” to “NDXP.”

The Exchange believes moving NDXPM into the NDX options class to trade under the NDXP symbol will have no adverse impact on the marketplace. In fact, the Exchange believes moving NDXPM into the NDX options class to trade under the NDXP symbol will have a positive impact on the marketplace and retail customers in particular.

As previously noted, in addition to end-of-the-month expirations, NDXP options are P.M.-settled NASDAQ-100 Index options that may expire on Mondays, Wednesdays, and Fridays (other than third-Friday-of-the-month) (i.e., nonstandard weekly expirations pursuant to Rule 1101A(b)(vii)). Trading P.M.-settled third-Friday expirations under the NDXP symbol will ensure market participants, particularly retail customers, have seamless access to P.M.-settled NASDAQ-100 Index options expiring every Friday of the month.

Without the proposed amendments, a user of NDXP options could not roll an existing NDXP position that expires on a first or second Friday of a month into a NDXP position that expires on a third-Friday. Thus, for NDXP users, there would be a gap in Friday expirations. Changing the NDXPM symbol to NDXP would remove the gap in Friday NDXP expirations and allow market participants, especially retail customers that are less likely to utilize both NDXPM and NDXP options to maintain exposure to Friday expirations, to have seamless access to P.M.-settled NASDAQ-100 Index options expiring every Friday of the month.

In addition, offering seamless access to P.M.-settled NASDAQ-100 Index options that expire every Friday of the month would allow market participants to submit complex orders with

⁵ See Rule 1101A(b)(vii), Nonstandard Expirations Pilot Program.

options series that expire on third-Fridays and other Friday expirations. Without the proposed amendments, market participants would not be able to submit into the trading system complex orders that consist of NDXPM options series and NDXP options series because they are currently in separate classes.⁶ Although market participants would have the ability to submit separate orders to leg into a position with third- Friday and other Friday exposure, retail customers would be less likely to leg into a position. Thus, changing the NDXPM symbol to NDXP would allow market participants, especially retail customers, to submit complex orders with options series that expire on third- Fridays and other Fridays.

As previously noted, the Exchange does not believe moving NDXPM into the NDX options class and changing the NDXPM symbol to NDXP will have any adverse impact on market participants. Because the Exchange has not yet listed NDXPM, and because Exchange Rules and systems will treat NDXPM and NDXP the same (other than having separate pilot programs and listing schedules), the Exchange expects a smooth transition of NDXPM series to the NDXP symbol.

Position Limits/Reporting Requirements

In addition, since third-Friday P.M.-settled options trading under the NDXP symbol will be a new type of series under the NDX options class and not a new options class, all third-Friday P.M.-settled NDXP options will be aggregated together with all other standard expirations for

⁶ See Rule 1098, Complex Orders on the System, Section (a)(i) which provides that for purposes of the electronic trading of Complex Orders, a Complex Order is an order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, priced as a net debit or credit based on the relative prices of the individual components, for the same account, for the purpose of executing a particular investment strategy.

applicable reporting and other requirements.⁷ The Exchange therefore proposes to delete language in Rules 1079, FLEX Index, Equity and Currency Options and 1001A, Position Limits, dealing with position limits for NDXPM options specifically.

Pilot Reports

Third-Friday P.M.-settled NASDAQ-100 Index options are currently approved to be listed on a pilot basis.⁸ After implementation of the proposed amendments, the pilot would continue under the same terms that originally established the pilot. As part of the pilot, the Exchange would submit periodic reports and annual reports that analyze the market impact and trading patterns of third-Friday P.M.-settled NASDAQ-100 Index options. The reports would provide the same data and analysis for third-Friday P.M.-settled NASDAQ-100 Index options trading under symbol NDXP that would have been submitted for third-Friday P.M.-settled NASDAQ-100 Index options trading under symbol NDXPM had they been listed.

Implementation Date

The Exchange intends to change the NDXPM symbol to NDXP prior to its listing. The Exchange does not intend to list NDXPM as a separate class. Consistent with the original NDXPM approval order, the pilot for listing third-Friday P.M.-settled NASDAQ-100 Index options trading under symbol NDXP would terminate on December 29, 2018.⁹

⁷ See e.g., Rule 1001A(c) which sets forth the reporting requirements for certain broad-based indexes that do not have position limits.

⁸ See Rule 1101A Commentary .05 and Securities Exchange Act Release No. 81293 (August 2, 2017), 82 FR 37138 (August 8, 2017) (approving SR-Phlx-2017-04).

⁹ The NDXPM approval order provided for termination of the pilot on the earlier to occur of (i) 12 months following the date of the first listing of the options, or (ii) December 29, 2018. Since fewer than 12 months now remain in 2018, the pilot will terminate on December 29, 2018.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹¹ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes trading P.M.-settled third-Friday expirations under the NDXP symbol rather than the separate NDXPM symbol will ensure market participants, particularly retail customers, have seamless access to P.M.-settled NASDAQ-100 Index options expiring every Friday of the month, which helps to remove impediments to and perfect the mechanism of a free and open market. The Exchange believes the proposed rule change will help to protect investors and the public interest by allowing market participants to enter options positions with the same underlying in one symbol that spans every Friday expiration in a month, thus providing a more efficient way to gain exposure and hedge risk.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the rule change will impose a burden on intramarket competition because all market participants will continue to have access to P.M.-settled NASDAQ-100 Index

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² Id.

options expiring every Friday of the month and will be able to trade them under the NDXP symbol. The proposal will not impose a burden on intermarket competition because the options affected by this proposal are exclusive to the Exchange.

Additionally, the Exchange does not believe the proposal will impose any burden on intermarket competition as market participants on other exchanges are welcome to become members and trade at Phlx if they determine that this proposed rule change has made Phlx more attractive or favorable.

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 Act¹³ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁴

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,

¹³ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁴ 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.

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2018-57 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-2018-57. 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.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2018-57 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.¹⁵

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Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).