

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 22	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2019 - * 50	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"/>	
			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 checked="" type="checkbox"/>		Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>		
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
A proposal to amend Phlx Rule 507, titled Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options.				
Contact Information				
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.				
First Name *	Angela	Last Name *	Dunn	
Title *	Principal Associate General Counsel			
E-mail *	angela.dunn@nasdaq.com			
Telephone *	(215) 496-5692	Fax	<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	11/18/2019	EVP and Chief Legal Officer		
By	John Zecca	<input type="text"/>		
(Name *)				
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.				
<input type="button" value="john.zecca@nasdaq.com"/>				

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 (“Commission”) a proposal to amend Phlx Rule 507, titled “Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options.”

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 25, 2019. 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:

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Phlx Rule 507, titled “Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options.” Specifically, the Exchange proposes to delete Commentaries .02 (Maximum Number of Quoters (“MNQ”) in Equity Options), .03 (Increasing the MNQ in Exceptional Circumstances), and .04 (Announcing Regarding, or Changes to MNQs) to Rule 507. The term “MNQ” refers to the maximum number of participants that may be assigned in a particular equity option at any one time. The MNQ level for options trading on the Exchange is 30 for all equity options listed for trading on the Exchange.” The Exchange believes that its proposal will promote liquidity on Phlx.

Background

In 2006, the Exchange filed an amendment to Phlx Rule 507 to enable the Exchange to manage its quotation traffic and bandwidth capacity by limiting the number of streaming quote market participants that may be assigned to a particular option at a given point in time.³ Specifically, the rule change established: (i) a maximum number of quoters (“MNQ”) equity options based on each option’s monthly trading volume; (ii) a process for recalculating the MNQ based upon changes in an option’s monthly trading volume; (iii) an increase to the MNQ due to exceptional circumstances; (iv) the process by which the Exchange will notify market participants of changes to the MNQ; and (v)

³ See Securities Exchange Act Release No. 55114 (January 17, 2007), 72 FR 3185 (January 24, 2007) (SR-Phlx-2006-81) (Order Granting Approval to Proposed Rule Change Relating to the Establishment of a Maximum Number of Quoting Participants Permitted in a Particular Option on the Exchange).

additional criteria relating to the process by which the Exchange will assign Streaming Quote Traders (“SQTs”)⁴ and/or Remote Streaming Quote Trader (“RSQT”)⁵ applicants in options in the event that there are more applicants for assignment in a particular option than there are positions.⁶ The Exchange’s filing also noted the manner in which the MNQ would be recalculated within the first five days of each month based on the previous month’s trading volume (“new MNQ”) as well as the process by which the Exchange will administer a decrease in the previous month’s MNQ.⁷ The rule change also permitted the Exchange to increase the MNQ in exceptional circumstances.⁸

Since the adoption of this provision the Exchange has amended Phlx Rule 507⁹ to

⁴ A “Streaming Quote Trader” or “SQT” is an Registered Options Trader who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the trading floor of the Exchange. An SQT may only submit quotes in classes of options in which the SQT is assigned. See Phlx Rule 1000(b)(59).

⁵ A “Remote Streaming Quote Trader” or “RSQT” is an Registered Options Trader that is a member affiliated with an Remote Streaming Quote Trader Organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A qualified RSQT may function as a Remote Specialist upon Exchange approval. An RSQT is also known as a Remote Market Maker (“RMM”) pursuant to Rule 501. A Remote Streaming Quote Organization (“RSQTO”) or Remote Market Maker Organization (“RMO”) are Exchange member organizations that have qualified pursuant to Rule 507. See Phlx Rule 1000(b)(60).

⁶ See note 3 above.

⁷ See note 3 above.

⁸ See note 3 above.

⁹ See Securities Exchange Act Release Nos. 56261 (August 15, 2007), 72 FR 47112 (August 22, 2007) (SR-Phlx-2007-51); 58906 (November 6, 2008), 73 FR 67239 (November 13, 2008) (SR-Phlx-2008-76); 60688 (September 18, 2009), 74 FR 49058 (September 25, 2009) (SR-Phlx-2009-82); 65373 (September 21,

provide additional liquidity in equity options on the Exchange by increasing the MNQ in all equity options. Currently, the MNQ level is set to 30 for all equity options listed for trading on the Exchange.

The Chicago Board Options Exchange, Incorporated (“Cboe”) also had a similar limit that it imposed on its market making participants within its former Rule 8.3A, which limited the number of market participants that could quote electronically on Cboe.¹⁰ Cboe recently filed a non-controversial rule change to update defined terms in its Rules, delete obsolete and redundant language, and make other non-substantive changes.¹¹ Within that rule change Cboe eliminated its CQL limit.¹²

After careful analysis, the Exchange no longer desires to limit the number of quoters on Phlx. The Exchange believes that allowing additional market making firms to be assigned to quote in options series would foster competition. With this proposal there would be no limit on the amount of SQTs and RSQTs that would be permitted to submit quotations into Phlx. The Exchange believes that allowing any SQT or RSQT that is eligible pursuant to Rule 507 to submit quotations would increase the available liquidity on Phlx. Similar to Cboe, Phlx represents that it has capacity to handle any additional

2011), 76 FR 59764 (September 27, 2011) (SR-Phlx-2011-127) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Maximum Number of Quoters (“MNQ”) Permitted To Be Assigned in Equity Options).

¹⁰ Cboe established class quoting limits (“CQL”) for each class traded on Cboe’s system. A CQL is the maximum number of quoters that may quote electronically in a given product and Rule 8.3A.

¹¹ See Securities Exchange Act Release No. 85657 (April 16, 2019), 84 FR 16701 (April 22, 2019) (SR-Cboe-2019-017).

¹² Id.

quoters due to the elimination of the MNQ. Phlx monitors System capacity in other ways, making a MNQ no longer necessary.¹³

In conjunction with the elimination of Commentary .02 to Rule 507, the Exchange proposes to eliminate Commentaries .03 and .04 of Phlx Rule 507 as these provisions, which relate to increasing the MNQ and announcing the changes to the MNQ, would be rendered irrelevant with the removal of the limit. The Exchange also proposes to amend Rule 507(b)(iii) to remove rule text which references a limitation on the number of positions available while retaining the criteria in Rule 507(b)(iii) for consideration of new applicants.

The Exchange notes that this proposal would be immediately effective. The Exchange would issue an Options Trader Alert to members noting that the Exchange is removing the limitation on the maximum number of quoters. SQTs and RSQTs would be able to apply to make markets in any options series. All new applicants for trading privileges will be subject to the process for assignment described in Rule 507. The Exchange considers all applicants for assignment in options using the objective criteria set forth in Exchange Rule 507(b). The objective criteria are used by the Exchange in determining the most beneficial assignment of options for the Exchange and the public.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular,

¹³ Regulation SCI requires the Exchange to establish written policies and procedures reasonably designed to ensure that its System has levels of capacity, integrity, resiliency, availability, and security adequate to maintain its operational capability and promote the maintenance of fair and orderly markets, and that it operates in a manner that complies with the Exchange Act. See 17 CFR § 242.1001.

in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest because the Exchange's elimination of the MNQ limitation will support the addition of depth and liquidity to Phlx.

Allowing additional market making firms to be assigned to quote in options series would foster competition. Removing the MNQ limitation for all equity options traded on the Exchange, is pro-competitive, because it adds depth and liquidity to the Exchange's markets by permitting additional participants to compete on the Exchange. With this proposal there would be no limit on the amount of SQTs and RSQTs that would be permitted to submit quotations into Phlx. The Exchange believes that allowing any SQT or RSQT that is eligible pursuant to Rule 507 to submit quotations would increase the available liquidity on Phlx. Finally, Phlx represents that it has capacity to handle any additional quoters due to the elimination of the MNQ. Phlx monitors System capacity in other ways, making a MNQ no longer necessary.¹⁶

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange's proposal does not impose a burden on intra-market competition because removing the MNQ limitation for all equity options traded on the Exchange, is pro-competitive, because it adds depth and liquidity to the Exchange's markets by permitting additional participants to compete on the Exchange. The Exchange's proposal

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See note 13 above.

does not impose a burden on inter-market competition because there would be no limit on the amount of SQTs and RSQTs that would be permitted to submit quotations into Phlx. The Exchange believes that allowing any SQT or RSQT that is eligible pursuant to Rule 507 to submit quotations would increase the available liquidity on Phlx to the benefit of all market participants. Phlx represents that it has capacity to handle any additional quoters due to the elimination of the MNQ. Phlx monitors System capacity in other ways, making a MNQ no longer necessary.¹⁷

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)(iii)¹⁸ of the Act and Rule 19b-4(f)(6) thereunder¹⁹ 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

¹⁷ See note 13 above.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁹ 17 CFR 240.19b-4(f)(6).

interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange has the capacity to allow unlimited quoters in its markets. Removing the MNQ limitation for all equity options traded on the Exchange, is pro-competitive, because it adds depth and liquidity to the Exchange's markets by permitting additional participants to compete on the Exchange. Removing the restriction from its rules fosters competition in that it would permit a greater number of SQTs and RSQTs to quote electronically in an option series. The Exchange believes that this proposal does not impose any significant burden on competition because it would allow any SQT or RSQT that is eligible pursuant to Rule 507 to submit quotations on Phlx . Allowing additional market making firms to quote would bring additional liquidity to Phlx to the benefit of all market participants.

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.

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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may immediately eliminate the maximum number of quoting participants that may apply to all options listed for trading on the Exchange and promote just and equitable principles of trade and to protect investors and the public interest by supporting the addition of depth and liquidity to the Exchange's market.

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

Cboe similarly eliminated the maximum number of quoters that may quote electronically in a given product within its Rule 8.3A.²⁰

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.

²⁰ See note 11 above.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2019-50)

November __, 2019

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx Rule 507

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 18, 2019, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Phlx Rule 507, titled “Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options.”

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.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Phlx Rule 507, titled "Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options." Specifically, the Exchange proposes to delete Commentaries .02 (Maximum Number of Quoters ("MNQ") in Equity Options), .03 (Increasing the MNQ in Exceptional Circumstances), and .04 (Announcing Regarding, or Changes to MNQs) to Rule 507. The term "MNQ" refers to the maximum number of participants that may be assigned in a particular equity option at any one time. The MNQ level for options trading on the Exchange is 30 for all equity options listed for trading on the Exchange." The Exchange believes that its proposal will promote liquidity on Phlx.

Background

In 2006, the Exchange filed an amendment to Phlx Rule 507 to enable the Exchange to manage its quotation traffic and bandwidth capacity by limiting the number of streaming quote market participants that may be assigned to a particular option at a given point in time.³ Specifically, the rule change established: (i) a maximum number of quoters ("MNQ") equity options based on each option's monthly trading volume; (ii) a

³ See Securities Exchange Act Release No. 55114 (January 17, 2007), 72 FR 3185 (January 24, 2007) (SR-Phlx-2006-81) (Order Granting Approval to Proposed Rule Change Relating to the Establishment of a Maximum Number of Quoting Participants Permitted in a Particular Option on the Exchange).

process for recalculating the MNQ based upon changes in an option's monthly trading volume; (iii) an increase to the MNQ due to exceptional circumstances; (iv) the process by which the Exchange will notify market participants of changes to the MNQ; and (v) additional criteria relating to the process by which the Exchange will assign Streaming Quote Traders ("SQTs")⁴ and/or Remote Streaming Quote Trader ("RSQT")⁵ applicants in options in the event that there are more applicants for assignment in a particular option than there are positions.⁶ The Exchange's filing also noted the manner in which the MNQ would be recalculated within the first five days of each month based on the previous month's trading volume ("new MNQ") as well as the process by which the Exchange will administer a decrease in the previous month's MNQ.⁷ The rule change also permitted the Exchange to increase the MNQ in exceptional circumstances.⁸

⁴ A "Streaming Quote Trader" or "SQT" is an Registered Options Trader who has received permission from the Exchange to generate and submit option quotations electronically in options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the trading floor of the Exchange. An SQT may only submit quotes in classes of options in which the SQT is assigned. See Phlx Rule 1000(b)(59).

⁵ A "Remote Streaming Quote Trader" or "RSQT" is an Registered Options Trader that is a member affiliated with an Remote Streaming Quote Trader Organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically in options to which such RSQT has been assigned. A qualified RSQT may function as a Remote Specialist upon Exchange approval. An RSQT is also known as a Remote Market Maker ("RMM") pursuant to Rule 501. A Remote Streaming Quote Organization ("RSQTO") or Remote Market Maker Organization ("RMO") are Exchange member organizations that have qualified pursuant to Rule 507. See Phlx Rule 1000(b)(60).

⁶ See note 3 above.

⁷ See note 3 above.

⁸ See note 3 above.

Since the adoption of this provision the Exchange has amended Phlx Rule 507⁹ to provide additional liquidity in equity options on the Exchange by increasing the MNQ in all equity options. Currently, the MNQ level is set to 30 for all equity options listed for trading on the Exchange.

The Chicago Board Options Exchange, Incorporated (“Cboe”) also had a similar limit that it imposed on its market making participants within its former Rule 8.3A, which limited the number of market participants that could quote electronically on Cboe.¹⁰ Cboe recently filed a non-controversial rule change to update defined terms in its Rules, delete obsolete and redundant language, and make other non-substantive changes.¹¹ Within that rule change Cboe eliminated its CQL limit.¹²

After careful analysis, the Exchange no longer desires to limit the number of quoters on Phlx. The Exchange believes that allowing additional market making firms to be assigned to quote in options series would foster competition. With this proposal there would be no limit on the amount of SQTs and RSQTs that would be permitted to submit quotations into Phlx. The Exchange believes that allowing any SQT or RSQT that is

⁹ See Securities Exchange Act Release Nos. 56261 (August 15, 2007), 72 FR 47112 (August 22, 2007) (SR-Phlx-2007-51); 58906 (November 6, 2008), 73 FR 67239 (November 13, 2008) (SR-Phlx-2008-76); 60688 (September 18, 2009), 74 FR 49058 (September 25, 2009) (SR-Phlx-2009-82); 65373 (September 21, 2011), 76 FR 59764 (September 27, 2011) (SR-Phlx-2011-127) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Maximum Number of Quoters (“MNQ”) Permitted To Be Assigned in Equity Options).

¹⁰ Cboe established class quoting limits (“CQL”) for each class traded on Cboe’s system. A CQL is the maximum number of quoters that may quote electronically in a given product and Rule 8.3A.

¹¹ See Securities Exchange Act Release No. 85657 (April 16, 2019), 84 FR 16701 (April 22, 2019) (SR-Cboe-2019-017).

¹² Id.

eligible pursuant to Rule 507 to submit quotations would increase the available liquidity on Phlx. Similar to Cboe, Phlx represents that it has capacity to handle any additional quoters due to the elimination of the MNQ. Phlx monitors System capacity in other ways, making a MNQ no longer necessary.¹³

In conjunction with the elimination of Commentary .02 to Rule 507, the Exchange proposes to eliminate Commentaries .03 and .04 of Phlx Rule 507 as these provisions, which relate to increasing the MNQ and announcing the changes to the MNQ, would be rendered irrelevant with the removal of the limit. The Exchange also proposes to amend Rule 507(b)(iii) to remove rule text which references a limitation on the number of positions available while retaining the criteria in Rule 507(b)(iii) for consideration of new applicants.

The Exchange notes that this proposal would be immediately effective. The Exchange would issue an Options Trader Alert to members noting that the Exchange is removing the limitation on the maximum number of quoters. SQTs and RSQTs would be able to apply to make markets in any options series. All new applicants for trading privileges will be subject to the process for assignment described in Rule 507. The Exchange considers all applicants for assignment in options using the objective criteria set forth in Exchange Rule 507(b). The objective criteria are used by the Exchange in determining the most beneficial assignment of options for the Exchange and the public.

¹³ Regulation SCI requires the Exchange to establish written policies and procedures reasonably designed to ensure that its System has levels of capacity, integrity, resiliency, availability, and security adequate to maintain its operational capability and promote the maintenance of fair and orderly markets, and that it operates in a manner that complies with the Exchange Act. See 17 CFR § 242.1001.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest because the Exchange's elimination of the MNQ limitation will support the addition of depth and liquidity to Phlx.

Allowing additional market making firms to be assigned to quote in options series would foster competition. Removing the MNQ limitation for all equity options traded on the Exchange, is pro-competitive, because it adds depth and liquidity to the Exchange's markets by permitting additional participants to compete on the Exchange. With this proposal there would be no limit on the amount of SQTs and RSQTs that would be permitted to submit quotations into Phlx. The Exchange believes that allowing any SQT or RSQT that is eligible pursuant to Rule 507 to submit quotations would increase the available liquidity on Phlx. Finally, Phlx represents that it has capacity to handle any additional quoters due to the elimination of the MNQ. Phlx monitors System capacity in other ways, making a MNQ no longer necessary.¹⁶

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's proposal does not impose a burden on intra-market competition

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See note 13 above.

because removing the MNQ limitation for all equity options traded on the Exchange, is pro-competitive, because it adds depth and liquidity to the Exchange's markets by permitting additional participants to compete on the Exchange. The Exchange's proposal does not impose a burden on inter-market competition because there would be no limit on the amount of SQTs and RSQTs that would be permitted to submit quotations into Phlx. The Exchange believes that allowing any SQT or RSQT that is eligible pursuant to Rule 507 to submit quotations would increase the available liquidity on Phlx to the benefit of all market participants. Phlx represents that it has capacity to handle any additional quoters due to the elimination of the MNQ. Phlx monitors System capacity in other ways, making a MNQ no longer necessary.¹⁷

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 Act¹⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁹

¹⁷ See note 13 above.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁹ 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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2019-50 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-2019-50. 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

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.

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-2019-50 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.²⁰

Jill M. Peterson
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX Rules

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Rule 507. Application for Approval as an SQT, RSQT, or RSQTO and Assignment in Options

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(b)(i) Application and Assignment in Options. Each RSQTO, RSQT or SQT application for assignment in an option shall be submitted to the Exchange's designated staff in writing (electronically or otherwise as specified by the Exchange) in a form and/or format prescribed by the Exchange and shall include, at a minimum, the name of the SQT or RSQT applicant, the appropriate Exchange account number, the requested start date for each option applied for, and the name of the RSQTO member organization with whom the RSQT applicant is affiliated or the member organization with whom the SQT is affiliated. If the Exchange does not have applications for assignment in a particular option or options that it desires to assign or reassign, the Exchange may request such applications.

(ii) No application for initial assignment in an option shall be approved without verification that (A) the RSQTO, SQT or RSQT applicant has sufficient technological ability to support his/her continuous quoting requirements as set forth in Rule 1014(b)(ii), and (B) the RSQTO, SQT or RSQT applicant has successfully completed, or is scheduled to complete, testing of its quoting system with the Exchange.

(iii) In addition to the criteria described in [this sub-]paragraph b, the Exchange shall consider the following factors in making its decision concerning an application for assignment in an option [when there are more applicants for assignment in a particular option than there are positions available]:

- (A) the financial and technical resources available to the applicant;
- (B) the applicant's experience and expertise in market making or options trading;
- (C) the applicant's prior performance as a specialist, SQT or RSQT based on good standing pursuant to Rule 510.

* * * * *

••• *Commentary:* -----

.01 Within not more than thirty business days after assignment of an option pursuant to this Rule, an assigned SQT or RSQT shall begin to

generate and submit electronic quotations for such option through the Exchange's electronic quotation, execution, and trading system.

(a) If electronic quotes are not generated and submitted by an assigned SQT or RSQT within the requisite time, the Exchange shall have the ability to terminate the assignment in question after providing written notice to the assigned SQT or RSQT, and make a re-assignment, unless there are exigent circumstances that the Exchange believes may not have allowed timely generation and submission of electronic quotes.

[.02 Maximum Number of Quoters ("MNQ") in Equity Options. The term "MNQ" refers to the maximum number of participants that may be assigned in a particular equity option at any one time. The MNQ level for options trading on the Exchange is 30 for all equity options listed for trading on the Exchange.

.03 Increasing the MNQ in Exceptional Circumstances: When exceptional circumstances warrant, the Exchange may increase the MNQ for an existing or new product. "Exceptional circumstances" refers to substantial trading volume, whether actual or expected (e.g., in the case of a new product or a major news announcement or corporate event). Upon cessation of the exceptional circumstances, the Exchange, in its discretion, may determine to reduce the MNQ, provided, however, that any reduction must be undertaken in accordance with the procedure established in Commentary .04 below with respect to lowering the "increased MNQ." Any actions taken by the Exchange pursuant to this paragraph will be submitted to the SEC in a rule filing pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934, as amended ("Exchange Act").

.04 Announcements Regarding, or Changes to, MNQs. The Exchange will announce all changes regarding MNQ levels to the membership on the Exchange's web site. The Exchange may increase the MNQ levels established in this Commentary by submitting to the SEC a rule filing pursuant to Section 19(b)(3)(A) of the Exchange Act. The Exchange may decrease the MNQ levels established in this Commentary upon SEC approval of a rule filing submitted pursuant to Section 19(b)(2) of the Exchange Act.]

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