

Required fields are shown with yellow backgrounds and asterisks.

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 Various Phlx Rules related to Routing, Remote Specialist, and Assistant Lead Market Maker.

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 * Last Name *
Title *
E-mail *
Telephone * Fax

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
By
(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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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 *

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 Rules at Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation”; Options 2, Section 4, Obligations of Market Makers; Options 2, Section 11, Lead Market Maker Appointments; Options 5, Section 4, Order Routing; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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 Rules at Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation"; Options 2, Section 4, Obligations of Market Makers; Options 2, Section 11, Lead Market Maker Appointments; Options 5, Section 4, Order Routing; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades. Each change is described below.

Remote Specialist

The Exchange proposes to amend Options 2, Section 4, Obligations of Market Maker, to replace rule text currently within Options 2, Section 4(b)(2) with more precise rule text. Currently, the rule text in the last two sentences of Options 2, Section 4(b)(2) provides, "An RSQT shall not submit option quotations in eligible options to which such RSQT is assigned to the extent that the RSQT is also approved as a Remote Lead Market Maker in the same options. An RSQT may only trade in a market making capacity in classes of options in which he is assigned or approved as a Remote Lead Market Maker." The Exchange would like to replace this text with more precise language which it believes more clearly conveys the meaning of those sentences. The Exchange proposes

to state, “An RSQT may not simultaneously quote both as RSQT and Remote Lead Market Maker in a particular security. If an RSQT is a Remote Lead Market Maker in a particular security, the Remote Lead Market Maker must make a market as a Remote Lead Market Maker and may not make a market as an RSQT in that particular security.” This rule text, which the Exchange believes is clear and precise, is taken from the Order which approved this rule text.¹ This amendment is a non-substantive rule change which is merely intended to bring greater clarity to the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security.

Assistant Lead Market Maker

The Exchange proposes to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades to replace the term “assistant” with “back-up.” This amendment is non-substantive. The Exchange believes that the word “back-up” is a more precise term that emphasizes that the Market Maker must be able to take on all the duties of the Lead Market Maker. No obligations are being amended with respect to this role.

¹ See Securities Exchange Act Release No. 63717 (January 14, 2011), 76 FR 4141at 4143 (January 24, 2011) (SR-Phlx-2010-145) (“Order Granting Accelerated Approval to a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to the Establishment of Remote Specialists”).

Routing

Phlx previously filed a rule proposal² to amend this Options 5, Section 4, “Order Routing,” which was previously numbered Rule 1093.³ At this time, the Exchange proposes to remove two sentences within Options 5, Section 4 for FIND and SRCH Orders. These sentences were inadvertently not removed in the Prior Rule Change.

FIND Orders

The Exchange proposes to delete a sentence within FIND Orders at Options 5, Section 4(a)(iii)(B)(5) which states, “If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.” This sentence is incorrect in that it contradicts a sentence at the end of Options 5, Section 4(a)(iii)(B)(5) which states, “If during the Route Timer any new interest arrives opposite the FIND Order that is marketable against the FIND Order such interest will trade against the FIND Order at the ABBO price unless the ABBO is improved to a price which crosses the FIND Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price.” The current last sentence within Options 5, Section 4(a)(iii)(B)(5) accurately describes the scenario for new interest arriving opposite the FIND Order that is marketable against the FIND Order.

By way of example, assume a PHLX BBO: 1 x 1.25 and a CBOE BBO: 1.05 x 1.15.

² See Securities Exchange Act Release No. 87811 (December 20, 2019), 84 FR 72017 (December 30, 2019) (SR-Phlx-2019-56) (“Prior Rule Change”).

³ Phlx has recently renumbered its rules in connection with a Rulebook relocation to a new Rulebook shell. See SR-Phlx-2020-03.

If a FIND Order was entered to Buy 1 @ 1.20
FIND Order to buy is exposed on Phlx market data feeds @1.15 (then ABBO)
and displayed on OPRA at 1.14
Route Timer begins
During Route Timer a Limit Order to sell 1 @ 1.15 arrives
CBOE adjusts its BBO to 1.05 x 1.10

The Route Timer ends and the Find Order will trade with the sell Limit Order at 1.15 in this example.

The incorrect sentence provides that if the ABBO moves and crosses the FIND Order, any new interest that arrives opposite the FIND Order, which is marketable against the FIND Order, will trade at the FIND Order Price. This is incorrect because the new interest would trade against the FIND Order at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. The current sentence is incorrect because the FIND Order will not trade at the FIND Order price as noted in the first quoted sentence, rather it would execute at the previous ABBO price because the away market crossed a displayed price. The Exchange would display the order one MPV inferior to the away market offer, at 1.14. The FIND Order would execute at 1.15 which was the previous ABBO bid, as the away market crossed the displayed price of 1.14. Today, the System does not execute this trade at the FIND Order price as incorrectly noted. The Exchange would not trade-through the ABBO in this circumstance, Phlx would be bound by the Cboe's price in the above example. This specific rule text does not properly reflect the System operation. The rule text which provides that if the away market crossed Phlx's already displayed price the FIND Order will execute at the previous ABBO price, reflects the current System handling.

The Exchange proposes to correct the rule text by deleting the contradictory sentence. The remaining rule text will properly reflect the current System handling. Further, the Exchange proposes to relocate the correct sentence within Options 5, Section 4(a)(iii)(B)(5) to the same location as the deleted text to improve the flow of information presented within Options 5, Section 4(a)(iii)(B)(5).

SRCH Orders

The Exchange proposes a similar correction to the SRCH Orders rule text. The Exchange proposes to similarly remove rule a contradictory sentence within current Options 5, Section 4(a)(iii)(C)(4) which provides, “If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price.” Also, the Exchange proposes to replicate the last sentence of Options 5, Section 4(a)(iii)(C)(6), which contains the accurate scenario for new interest arriving opposite the SRCH Order that is marketable against the SRCH Order, to the same location as the deleted text within Options 5, Section 4(a)(iii)(C)(4) to improve the flow of information presented within that paragraph. The Exchange proposes to retain the exact sentence within Options 5, Section 4(a)(iii)(C)(6) because it applies equally to the scenarios described within Options 5, Section 4(a)(iii)(C)(6).

b. 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,

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Remote Specialist

The Exchange's proposal to amend Options 2, Section 4, Obligations of Market Maker, to replace rule text currently within Options 2, Section 4(b)(2) with more precise rule text is consistent with the Act. The proposed new rule text is taken from the order approving the rule and more clearly explains the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security. This rule change is non-substantive and will benefit market participants by bringing greater clarity to the rule text.

Assistant Lead Market Maker

The Exchange's proposal to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to replace the term "assistant" with "back-up" is consistent with the Act. This amendment is non-substantive. The Exchange believes that the word "back-up" is a more precise term that emphasizes that the Market Maker must be able to take on all the duties of the Lead Market Maker and will benefit market participants by bringing greater clarity to the rule text. No obligations are being amended with respect to this role.

Routing

With respect to the amendments to the Order Routing Rule, the Exchange's

removal of two contradictory sentences is consistent with the Act because this will bring clarity and transparency to the rule. Further, relocating the correct rule text within the FIND and adding the correct rule text within SRCH rule language are non-substantive amendments which will improve the flow of information.

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.

Remote Specialist

The Exchange's proposal to amend Options 2, Section 4, Obligations of Market Maker" to replace rule text currently within Options 2, Section 4(b)(2) with more precise rule text does not impose an undue burden on competition. This non-substantive amendment more clearly explains the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security.

Assistant Lead Market Maker

The Exchange's proposal to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to replace the term "assistant" with "back-up" does not impose an undue

burden on competition. This non-substantive amendment will bring greater clarity to the rule text. No obligations are being amended with respect to this role.

Routing

The Exchange believes that deleting the two contradictory sentences will bring greater clarity to the rule. Further, relocating the correct rule text within the FIND and adding the correct rule text within the SRCH language is a non-substantive amendment which will improve the flow of information.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)⁴ of the Act and Rule 19b-4(f)(6) thereunder⁵ 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.

⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵ 17 CFR 240.19b-4(f)(6).

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest. The Exchange's proposal to amend Options 2, Section 4, Obligations of Market Maker, to replace rule text currently within Options 2, Section 4(b)(2) with more precise rule text is a non-substantive amendment which more clearly explains the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security. The Exchange's proposal to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to replace the term "assistant" with "back-up" is a non-substantive amendment that emphasizes that the Market Maker must be able to take on all the duties of the Lead Market Maker and will bring greater clarity to the rule text. Removing two unnecessary and incorrect sentences, which contradict other current rule text, will bring transparency to the rule. Further, relocating the correct rule text within the FIND and adding the correct rule text within SRCH language is a non-substantive amendment which will improve the flow of information. The proposed amendments do not impose any significant burden on competition. The amendments are non-substantive amendments to the allocation and routing rules..

Furthermore, Rule 19b-4(f)(6)(iii)⁶ requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

⁶ 17 CFR 240.19b-4(f)(6)(iii).

subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

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 remove the two incorrect and contradictory sentences in the Phlx Routing rule to bring greater clarity and transparency to its rules for the protection of investors and the general public.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2020-21)

April __, 2020

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amends Various Phlx Rules related to Routing, Remote Specialist, and Assistant Lead Market Maker.

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 April 7, 2020, 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 Rules at Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation”; Options 2, Section 4, Obligations of Market Makers; Options 2, Section 11, Lead Market Maker Appointments; Options 5, Section 4, Order Routing; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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 Rules at Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation"; Options 2, Section 4, Obligations of Market Makers; Options 2, Section 11, Lead Market Maker Appointments; Options 5, Section 4, Order Routing; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades. Each change is described below.

Remote Specialist

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provides, “An RSQT shall not submit option quotations in eligible options to which such RSQT is assigned to the extent that the RSQT is also approved as a Remote Lead Market Maker in the same options. An RSQT may only trade in a market making capacity in classes of options in which he is assigned or approved as a Remote Lead Market Maker.” The Exchange would like to replace this text with more precise language which it believes more clearly conveys the meaning of those sentences. The Exchange proposes to state, “An RSQT may not simultaneously quote both as RSQT and Remote Lead Market Maker in a particular security. If an RSQT is a Remote Lead Market Maker in a particular security, the Remote Lead Market Maker must make a market as a Remote Lead Market Maker and may not make a market as an RSQT in that particular security.” This rule text, which the Exchange believes is clear and precise, is taken from the Order which approved this rule text.³ This amendment is a non-substantive rule change which is merely intended to bring greater clarity to the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security.

Assistant Lead Market Maker

The Exchange proposes to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades

³ See Securities Exchange Act Release No. 63717 (January 14, 2011), 76 FR 4141at 4143 (January 24, 2011) (SR-Phlx-2010-145) (“Order Granting Accelerated Approval to a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to the Establishment of Remote Specialists”).

to replace the term “assistant” with “back-up.” This amendment is non-substantive. The Exchange believes that the word “back-up” is a more precise term that emphasizes that the Market Maker must be able to take on all the duties of the Lead Market Maker. No obligations are being amended with respect to this role.

Routing

Phlx previously filed a rule proposal⁴ to amend this Options 5, Section 4, “Order Routing,” which was previously numbered Rule 1093.⁵ At this time, the Exchange proposes to remove two sentences within Options 5, Section 4 for FIND and SRCH Orders. These sentences were inadvertently not removed in the Prior Rule Change.

FIND Orders

The Exchange proposes to delete a sentence within FIND Orders at Options 5, Section 4(a)(iii)(B)(5) which states, “If during the Route Timer, the ABBO moves and crosses the FIND Order, any new interest arrives opposite the FIND Order that is marketable against the FIND Order will trade at the FIND Order price.” This sentence is incorrect in that it contradicts a sentence at the end of Options 5, Section 4(a)(iii)(B)(5) which states, “If during the Route Timer any new interest arrives opposite the FIND Order that is marketable against the FIND Order such interest will trade against the FIND Order at the ABBO price unless the ABBO is improved to a price which crosses the FIND Order’s already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price.” The current last

⁴ See Securities Exchange Act Release No. 87811 (December 20, 2019), 84 FR 72017 (December 30, 2019) (SR-Phlx-2019-56) (“Prior Rule Change”).

⁵ Phlx has recently renumbered its rules in connection with a Rulebook relocation to a new Rulebook shell. See SR-Phlx-2020-03.

sentence within Options 5, Section 4(a)(iii)(B)(5) accurately describes the scenario for new interest arriving opposite the FIND Order that is marketable against the FIND Order.

By way of example, assume a PHLX BBO: 1 x 1.25 and a CBOE BBO: 1.05 x 1.15.

If a FIND Order was entered to Buy 1 @ 1.20
FIND Order to buy is exposed on Phlx market data feeds @1.15 (then ABBO)
and displayed on OPRA at 1.14
Route Timer begins
During Route Timer a Limit Order to sell 1 @ 1.15 arrives
CBOE adjusts its BBO to 1.05 x 1.10

The Route Timer ends and the Find Order will trade with the sell Limit Order at 1.15 in this example.

The incorrect sentence provides that if the ABBO moves and crosses the FIND Order, any new interest that arrives opposite the FIND Order, which is marketable against the FIND Order, will trade at the FIND Order Price. This is incorrect because the new interest would trade against the FIND Order at the ABBO price, unless the ABBO is improved to a price which crosses the FIND Order's already displayed price, in which case the incoming order will execute at the previous ABBO price as the away market crossed a displayed price. The current sentence is incorrect because the FIND Order will not trade at the FIND Order price as noted in the first quoted sentence, rather it would execute at the previous ABBO price because the away market crossed a displayed price. The Exchange would display the order one MPV inferior to the away market offer, at 1.14. The FIND Order would execute at 1.15 which was the previous ABBO bid, as the away market crossed the displayed price of 1.14. Today, the System does not execute this trade at the FIND Order price as incorrectly noted. The Exchange would not trade-through the ABBO in this circumstance, Phlx would be bound by the Cboe's price in the

above example. This specific rule text does not properly reflect the System operation. The rule text which provides that if the away market crossed Phlx's already displayed price the FIND Order will execute at the previous ABBO price, reflects the current System handling.

The Exchange proposes to correct the rule text by deleting the contradictory sentence. The remaining rule text will properly reflect the current System handling. Further, the Exchange proposes to relocate the correct sentence within Options 5, Section 4(a)(iii)(B)(5) to the same location as the deleted text to improve the flow of information presented within Options 5, Section 4(a)(iii)(B)(5).

SRCH Orders

The Exchange proposes a similar correction to the SRCH Orders rule text. The Exchange proposes to similarly remove rule a contradictory sentence within current Options 5, Section 4(a)(iii)(C)(4) which provides, "If during the Route Timer, the ABBO moves and crosses the SRCH Order, any new interest arrives opposite the SRCH Order that is marketable against the SRCH Order will trade at the SRCH Order price." Also, the Exchange proposes to replicate the last sentence of Options 5, Section 4(a)(iii)(C)(6), which contains the accurate scenario for new interest arriving opposite the SRCH Order that is marketable against the SRCH Order, to the same location as the deleted text within Options 5, Section 4(a)(iii)(C)(4) to improve the flow of information presented within that paragraph. The Exchange proposes to retain the exact sentence within Options 5, Section 4(a)(iii)(C)(6) because it applies equally to the scenarios described within Options 5, Section 4(a)(iii)(C)(6).

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 and to protect investors and the public interest.

Remote Specialist

The Exchange's proposal to amend Options 2, Section 4, Obligations of Market Maker, to replace rule text currently within Options 2, Section 4(b)(2) with more precise rule text is consistent with the Act. The proposed new rule text is taken from the order approving the rule and more clearly explains the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security. This rule change is non-substantive and will benefit market participants by bringing greater clarity to the rule text.

Assistant Lead Market Maker

The Exchange's proposal to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to replace the term "assistant" with "back-up" is consistent with the Act. This amendment is non-substantive. The Exchange believes that the word "back-up" is a more precise term that emphasizes that the Market Maker must be able to take on all the

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

duties of the Lead Market Maker and will benefit market participants by bringing greater clarity to the rule text. No obligations are being amended with respect to this role.

Routing

With respect to the amendments to the Order Routing Rule, the Exchange's removal of two contradictory sentences is consistent with the Act because this will bring clarity and transparency to the rule. Further, relocating the correct rule text within the FIND and adding the correct rule text within SRCH rule language are non-substantive amendments which will improve the flow of information.

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.

Remote Specialist

The Exchange's proposal to amend Options 2, Section 4, Obligations of Market Maker" to replace rule text currently within Options 2, Section 4(b)(2) with more precise rule text does not impose an undue burden on competition. This non-substantive amendment more clearly explains the obligation of an RSQT who is also the Remote Lead Market Maker in a particular security.

Assistant Lead Market Maker

The Exchange's proposal to amend rule text within Options 2, Section 3, Allocation Application, Allocation, Reallocation, Transfer and Voluntary Resignation; Options 2, Section 11, Lead Market Maker Appointments; Options 8, Section 11, Floor Market Maker and Lead Market Maker Appointment; Options 8, Section 25, Floor Allocation; and Options 8, Section 39, Option Minor Rule Violations and Order and

Decorum Regulations at E-2, Allocation, Time Stamping, Matching and Access to Matched Trades, to replace the term “assistant” with “back-up” does not impose an undue burden on competition. This non-substantive amendment will bring greater clarity to the rule text. No obligations are being amended with respect to this role.

Routing

The Exchange believes that deleting the two contradictory sentences will bring greater clarity to the rule. Further, relocating the correct rule text within the FIND and adding the correct rule text within the SRCH language is a non-substantive amendment which will improve the flow of information.

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 Act⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁷

⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁷ 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.

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-2020-21 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-2020-21. 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-2020-21 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.⁸

J. Matthew DeLesDernier
Assistant Secretary

⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

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General 2 Organization and Administration

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Section 4. Affiliation and Ownership Restrictions

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(b) Restrictions on Affiliation

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(ii) Nothing in this Rule shall prohibit, or require a filing under Section 19(b) of the Exchange Act, for:

(A) an Exchange member or member organization, or an affiliate of an Exchange member or member organization, acquiring or holding an equity interest in Nasdaq, Inc. that is permitted by the ownership limitations contained in [Rule 985]subparagraph (a), or

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General 9 Regulation

Section 58. Advertisements, Market Letters, Research Reports and Sales Literature

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[SUPPLEMENTARY INFORMATION REGARDING RULE 605]

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Options 2 Options Market Participants

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Section 6. Market Maker Orders

(a) ROTs and Specialists may enter all order types defined in [Rule 1080]Options 3, Section 7(b) in the options classes to which they are appointed and non-appointed, except for Market Orders as provided in [Rule 1080]Options 3, Section 7(b)(1), Stop Orders as provided in [Rule 1080]Options 3, Section 7(b)(4), All-or-None Orders as provided in [Rule 1080]Options 3, Section 7(b)(5), Directed

Orders as provided for in [Rule 1068]Options 2, Section 10, and Public Customer-to-Public Customer Cross Orders subject to [Rule 1087]Options 3, Section 13(a) and (f). The total number of contracts executed during a quarter by a ROT or Specialist in options series to which it is not appointed may not exceed twenty-five percent (25%) of the total number of contracts executed by the ROT or Specialist in options series.

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Options 6 Options Trade Administration

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Section 5. Transfer of Positions

(a) Permissible Transfers. Existing positions in options listed on the Exchange of a member or member organization or non-member or non-member organization that are to be transferred on, from, or to the books of a Clearing Member may be transferred off the Exchange if the transfer involves one or more of the following events:

- (1) pursuant to Options 9, Section 1, an adjustment or transfer in connection with the correction of a bona fide error in the recording of a transaction or the transferring of a position to another account, provided that the original trade documentation confirms the error;
- (2) the transfer of positions from one account to another account where no change in ownership is involved (i.e., accounts of the same Person, provided the accounts are not in separate aggregation units or otherwise subject to information barrier or account segregation requirements;
- (3) the consolidation of accounts where no change in ownership is involved;
- (4) a merger, acquisition, consolidation, or similar non-recurring transaction for a Person;
- (5) the dissolution of a joint account in which the remaining member or member organization assumes the positions of the joint account;
- (6) the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions;
- (7) positions transferred as part of a member or member organization's capital contribution to a new joint account, partnership, or corporation;
- (8) the donation of positions to a not-for-profit corporation;
- (9) the transfer of positions to a minor under the Uniform Gifts to Minors Act; or
- (10) the transfer of positions through operation of law from death, bankruptcy, or otherwise.

For purposes of this rule, the term “Person” shall be defined as an individual, partnership (general or limited), joint stock company, corporation, limited liability company, trust or unincorporated organization, or any governmental entity or agency or political subdivision thereof.

(b) *Netting.* Unless otherwise permitted by paragraph (f), when effecting a transfer pursuant to paragraph (a), no position may net against another position (“netting”), and no position transfer may result in preferential margin or haircut treatment.

(c) *Transfer Price.* The transfer price, to the extent it is consistent with applicable laws, rules, and regulations, including rules of other self-regulatory organizations, and tax and accounting rules and regulations, at which a transfer is effected may be:

(1) the original trade prices of the positions that appear on the books of the transferring Clearing Member, in which case the records of the transfer must indicate the original trade dates for the positions; provided, transfers to correct errors under subparagraph (a)(1) must be transferred at the correct original trade prices;

(2) mark-to-market prices of the positions at the close of trading on the transfer date;

(3) mark-to-market prices of the positions at the close of trading on the trade date prior to the transfer date; or

(4) the then-current market price of the positions at the time the transfer is effected.

(d) *Prior Written Notice.* A member or member organization(s) and its Clearing Member(s) (to the extent that the member or member organization is not self-clearing) must submit to the Exchange, in a manner determined by the Exchange, written notice prior to effecting a transfer from or to the account(s) of a member or member organization(s), except that notification is not required for transfers to correct errors pursuant to subparagraph (a)(1) of this Rule.

(1) The notice must indicate (A) the Exchange-listed options positions to be transferred, (B) the nature of the transaction, (C) the enumerated provision(s) under paragraph (a) pursuant to which the positions are being transferred, (D) the name of the counterparty(ies), (E) the anticipated transfer date, (F) the method for determining the transfer price under paragraph (e) below, and (G) any other information requested by the Exchange.

(2) Receipt of notice of a transfer does not constitute a determination by the Exchange that the transfer was effected or reported in conformity with the requirements of this Rule. Notwithstanding submission of written notice to

Exchange, member or member organizations and Clearing Member that effect transfers that do not conform to the requirements of this Rule will be subject to appropriate disciplinary action in accordance with the Rules.

(e) *Records.* Each member or member organization and each Clearing Member that is a party to a transfer must make and retain records of the information provided in the notice to the Exchange pursuant to subparagraph (d)(1), as well as information on (1) the actual Exchange-listed options transferred; (2) the actual transfer date; and (3) the actual transfer price (and the original trade dates, if applicable). The Exchange may also request the member or member organization Holder or Clearing Member to provide other information.

(f) *Presidential Exemptions.* In addition to the exemptions set forth in paragraph (a) of this Rule, the Exchange Chief Executive Officer or President (or senior-level designee) may grant an exemption from the requirement of this Rule, on his or her own motion or upon application of the member or member organization (with respect to the member or member organization's positions) or a Clearing Member (with respect to positions carried and cleared by the Clearing Members), when, in the judgment of the Chief Executive Officer or the President or his or her designee, allowing the transfer is necessary or appropriate for the maintenance of a fair and orderly market and the protection of investors and is in the public interest, including due to unusual or extraordinary circumstances, such as the possibility that the market value of the Person's positions will be compromised by having to comply with the requirement to trade on the Exchange pursuant to the normal auction process or when, in the judgment of the Chief Executive Officer, President or his or her designee, market conditions make trading on the Exchange impractical.

(g) *Routine, Recurring Transfers.* The transfer procedure set forth in this Rule is intended to facilitate non-routine, nonrecurring movements of positions. The transfer procedure is not to be used repeatedly or routinely in circumvention of the normal auction market process.

(h) *Exchange-Listed Options.* The transfer procedure set forth in this Rule is only applicable to positions in options listed on the Exchange. Transfers of positions in Exchange-listed options may also be subject to applicable laws, rules, and regulations, including rules of other self-regulatory organizations. Transfers of non-Exchange listed options and other financial instruments are not governed by this Rule.

[(a) A member or member organization may transfer positions off the floor in any class of options listed on its books if the transfer involves one or more of the following events:

- (1) the dissolution of a joint account in which the remaining member or member organization assumes the positions of the joint account;
- (2) the dissolution of a corporation or partnership in which a former nominee of that corporation or partnership assumes the positions;

- (3) positions transferred as part of a member or member organization's capital contribution to a new joint account, partnership, or corporation;
- (4) the donation of positions to a not-for-profit corporation;
- (5) the transfer of positions to a minor under the Uniform Gifts to Minors Act;
- (6) a merger or acquisition resulting in a continuity of ownership or management; or
- (7) consolidation of accounts within a member or member organization.

(b) members and member organizations must notify the Exchange in writing prior to effecting an off the floor transfer. The written notification must indicate the positions to be transferred and the reason for the transfer.

(c) members and member organizations must transfer positions pursuant to this Rule at the same prices that appear on the books of the transferring member or member organization, and the transfer must indicate the date when the original trade was made. In the course of transferring positions, no position shall net itself against another position. Each member or member organization that is a party to a transfer of positions must make and retain records stating the nature of the transaction, the name of the counter-party, and any other information required by the Exchange.]

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Options 7 Pricing Schedule

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Section 2. Collection of Exchange Fees and Other Claims

(a) Each member organization, and all applicants for registration as such shall be required to provide a clearing account number for an account at the National Securities Clearing Corporation ("NSCC") for purposes of permitting the Exchange to debit any undisputed or final fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange or other charges related to [Rule 924]General 2, Section 2. If a member disputes an invoice, the Exchange will not include the disputed amount in the debit if the member has disputed the amount in writing to the Exchange's designated staff by the 15th of the month, or the following business day if the 15th is not a business day, and the amount in dispute is at least \$10,000 or greater.

* * * * *

Section 4. Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed)

		Lead Market		
Customer	Professional	Maker and	Broker-Dealer	Firm
		Market Maker		

Electronic Floor Electronic Floor Electronic Floor Electronic Floor

* * * * *

• QCC Transaction Fees for a Lead Market Maker, Market Maker, Firm and Broker-Dealer are \$0.20 per contract. Customers and Professionals are not assessed a QCC Transaction Fee. QCC Transaction Fees apply to QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in Options 8, Section 30(e). A rebate, as specified in the below QCC Rebate Schedule, will be paid for all qualifying executed QCC Orders, as defined in Options 3, Section 12, and Floor QCC Orders, as defined in [1064]Options 8, Section 30(e), except where the transaction is either: (i) Customer-to-Customer; (ii) Customer-to-Professional, (iii) Professional-to-Professional or (iv) a dividend, merger, short stock interest or reversal or conversion strategy execution (as defined in Options 7, Section 4).

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Options 8 Floor Trading

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Section 28. Responsibilities of Floor Brokers

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(e)(1) *Options Floor Based Management System*. In order to create an electronic audit trail for equity, equity index and U.S. dollar-settled foreign currency options orders represented by Floor Brokers on the Exchange's Options Floor, a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the electronic Options Floor Based Management System ("FBMS") (as described in [Rule 1080]Options 3, Section 7(a)(i)(C)). The following specific information with respect to orders represented by a Floor Broker shall be recorded by such Floor Broker or such Floor Broker's employees: (i) the order type (i.e., Public Customer, firm, broker-dealer, Professional) and order receipt time; (ii) the option symbol; (iii) buy, sell, cross or cancel; (iv) call, put, complex (i.e., spread, straddle), or contingency order as described in Option 8, Section 32; (v) number of contracts; (vi) limit price or market order or, in the case of a multi-leg order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position; and (viii) The Options Clearing Corporation ("OCC") clearing number of the broker-dealer that submitted the order (collectively, the "required information"). A Floor Broker must enter complete alpha/numeric identification assigned by the Exchange for all orders entered on behalf of Exchange Registered Option Traders. Any additional information with respect to the order shall be inputted into the Options Floor Based Management System contemporaneously upon receipt, which may occur after the representation and execution of the order. In the event of a malfunction in the Options Floor Based Management System, Floor Brokers shall record the required information on trade tickets, and shall not

represent an order for execution which has not been time stamped with the time of entry on the trading floor. Such trade tickets also shall be time stamped upon the execution of such an order. Floor Brokers or their employees shall ensure the required information that is recorded on such trade tickets is entered into the Exchange's electronic trading system by DETs for inclusion in the electronic audit trail.

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Section 39. Option Minor Rule Violations and Order and Decorum Regulations

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B-6 Priority of Options Orders for Equity Options, Index Options and U.S. Dollar-Settled Foreign Currency Options by Account Type (EQUITY OPTION, INDEX OPTION AND U.S. DOLLAR-SETTLED FOREIGN CURRENCY OPTION ONLY)

Section A

Supplementary Material .02 and .03 to Options 8, Section 30 direct members in the establishment of priority of orders on the floor. An account type is either a controlled account or a customer account. A controlled account includes any account controlled by or under common control with a broker-dealer. Customer accounts are all other accounts. Equity option, index option and U.S. dollar-settled foreign currency option orders of controlled accounts are required to yield priority to customer orders when competing at the same price, as described below. Orders of controlled accounts are not required to yield priority to other controlled account orders, except as provided in sub-paragraph (ii) below.

For the purposes of this Advice, "Initiating Order" means an incoming contra-side order.

* * * * *

(ii) An Initiating Order executed manually by the Lead Market Maker shall be allocated as follows: first, to customer orders, and next to off-floor broker-dealer limit orders (as defined in [Rule 1080]Options 3, Section 7(b)(i)(C)) resting on the limit order book. This provision shall not apply to electronically executed contracts, the allocation of which is described in Section F of this Advice.

"Remainder of the Order" means the portion of an Initiating Order that remains following the allocation of contracts to customers and to off-floor broker-dealers in accordance with this sub-paragraph (ii).

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Section F

Allocation of Automatically Executed Trades. After public customer market and marketable limit orders have been executed, trades automatically executed in such options shall be allocated among the Lead Market Maker and crowd participants with orders or quotations at the Exchange's disseminated price in the following manner:

(i) No change.

(ii) No change.

(A) No change.

(1) - (3) No change.

* * * * *

(4) If any contracts remain to be allocated after the Lead Market Maker, SQTs and non-SQT Floor Market Makers with limit orders on the limit order book have received their respective allocations, off-floor broker-dealers (as defined in [Rule 1080]Options 3, Section 7(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book. Such off-floor broker-dealers shall not be entitled to receive a number of contracts that is greater than the size that is associated with each such limit order.

* * * * *

C-2 Options Floor Based Management System

Options Floor Based Management System. In order to create an electronic audit trail for options orders represented by Floor Brokers on the Exchange's Options Floor, a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the electronic Options Floor Based Management System (as described in [Rule 1080]Options 3, Section 7(a)(i)(C)). The following specific information with respect to orders represented by a Floor Broker shall be recorded by such Floor Broker or such Floor Broker's employees: (i) the order type (i.e., customer, firm, broker-dealer, professional, market maker) and order receipt time; (ii) the option symbol; (iii) buy, sell, cross or cancel; (iv) call, put, complex (i.e., spread, straddle), or contingency order as described in Options 8, Section 32; (v) number of contracts; (vi) limit price or Market Order or, in the case of a complex or multi-leg order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position; and (viii) The Options Clearing Corporation ("OCC") clearing number of the broker-dealer that submitted the order (collectively, the "required information"). A Floor Broker must enter complete alpha/numeric identification assigned by the Exchange for all orders entered on behalf of Exchange Registered Option Traders. Any additional

information with respect to the order shall be inputted into the Options Floor Based Management System contemporaneously upon receipt, which may occur after the representation and execution of the order.

* * * * *