

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 Options 4, Section 5, Series of Options Contracts Open for Trading.

**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

**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 05/05/2021  
By John Zecca  
(Name \*)

EVP and Chief Legal Counsel

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 EFFS 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Options 4, Section 5, “Series of Options Contracts Open for Trading.” This proposal seeks to limit Short Term Options Series intervals between strikes which are available for quoting and trading on Phlx.

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 November 5, 2020. 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

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

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

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

a. Purpose

The Exchange proposes to amend Options 4, Section 5, “Series of Options Contracts Open for Trading.” Specifically, this proposal seeks to limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date. This proposal is identical to a proposal by Nasdaq BX, Inc.<sup>3</sup>

Background

Today, Phlx’s listing rules within Options 4, Section 5 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,<sup>4</sup> or ETN<sup>5</sup>) has been approved

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<sup>3</sup> See Securities Exchange Act Release No. 91125 (February 12, 2021), 86 FR 10375 (February 19, 2021) (SR-BX-2020-032) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Amend Options 4, Section 5, To Limit Short Term Options Series Intervals Between Strikes That Are Available for Quoting and Trading on BX).

<sup>4</sup> Exchange-Traded Fund Share shall include shares or other securities that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (the “Money Market Instruments”) (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments (ii) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated

for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,<sup>6</sup> monthly<sup>7</sup> or quarterly<sup>8</sup>

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in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency (“Commodity Pool ETFs”), (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust or (v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company’s investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”); provided the conditions within Options 4, Section 3(i)(A) and (B) are met. See Options 4, Section 3(i).

- <sup>5</sup> Securities deemed appropriate for options trading shall include shares or other securities (“Equity Index-Linked Securities,” “Commodity-Linked Securities,” “Currency-Linked Securities,” “Fixed Income Index-Linked Securities,” “Futures-Linked Securities,” and “Multifactor Index-Linked Securities,” collectively known as “Index- Linked Securities” or “ETNs”) that are principally traded on a national securities exchange and an “NMS Stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described within Options 4, Section 3(l)(i)(1)-(6). See Options 4, Section 3(l)(i).
- <sup>6</sup> The weekly listing program is known as the Short Term Options Series Program and is described within Supplementary Material .03 of Options 4, Section 5.
- <sup>7</sup> The Exchange will open at least one expiration month for each class of options open for trading on the Exchange. See Options 4, Section 5(g). The monthly expirations are subject to certain listing criteria for underlying securities described within Options 4, Section 3. Monthly listings expire the third Friday of the

basis. Options 4, Section 5(d) sets forth the intervals between strike prices of series of options on individual stocks.<sup>9</sup> In addition to those intervals, the Exchange may list series

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month. The term “expiration date” when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit default options or credit default basket options) that are be automatically exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such event confirmation is deemed to have been received by the Corporation. “Expiration date” means, in respect of a series of range options expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such series, and, in respect of a series of range options expiring on or after February 1, 2015 means the third Friday of the expiration month of such series, or if such Friday is a day on which the Exchange on which such series is listed is not open for business, the preceding day on which such Exchange is open for business. See The Options Clearing Corporation (“OCC”) By-Laws at Section 1.

<sup>8</sup> The quarterly listing program is known as the Quarterly Options Series Program and is described within Supplementary Material .04 of Options 4, Section 5.

<sup>9</sup> Except as otherwise provided in the Supplementary Material of Options 4, Section 5, the interval between strike prices of series of options on individual stocks will be: (1) \$2.50 or greater where the strike price is \$25.00 or less; (2) \$5.00 or greater where the strike price is greater than \$25.00; and (3) \$10.00 or greater where the strike price is greater than \$200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the

of options pursuant to the \$1 Strike Price Interval Program,<sup>10</sup> the \$0.50 Strike Program,<sup>11</sup> the \$2.50 Strike Price Program,<sup>12</sup> and the \$5 Strike Program.<sup>13</sup>

The Exchange's proposal seeks to amend the listing of weekly series of options as proposed within new Supplementary Material .03(f) of Options 4, Section 5, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. This proposal does not amend monthly or quarterly listing rules nor does it amend the \$1 Strike Price Interval Program, the \$0.50 Strike Program, the \$2.50 Strike Price Program, or the \$5 Strike Program.

*Short Term Options Series Program*

Today, Supplementary Material .03 of Options 4, Section 5 permits Phlx to open for trading on any Thursday or Friday that is a business day ("Short Term Option

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same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

Pursuant to Options 4, Section 5(e), notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be \$1 or greater.

<sup>10</sup> The \$1 Strike Interval Program is described within Supplementary Material .01 of Options 4, Section 5.

<sup>11</sup> The \$0.50 Strike Interval Program is described within Supplementary Material .05 of Options 4, Section 5.

<sup>12</sup> The \$2.50 Strike Interval Program is described within Supplementary Material .02 of Options 4, Section 5.

<sup>13</sup> The \$5.00 Strike Interval Program is described within Supplementary Material .06 of Options 4, Section 5.

Opening Date”) series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”), provided an option class has been approved for listing and trading on the Exchange.<sup>14</sup> Today, the Exchange may open up to thirty initial series for each option class that participates in the Short Term Option Series Program.<sup>15</sup> Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or

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<sup>14</sup> The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire (“Wednesday SPY Expirations”). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire (“Monday SPY Expirations”), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. See Supplementary Material .03 of Options 4, Section 5.

<sup>15</sup> See Supplementary Material .03 of Options 4, Section 5(c).



when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.<sup>16</sup>

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) \$0.50 or greater where the strike price is less than \$100, and \$1 or greater where the strike price is between \$100 and \$150 for all option classes that participate in the Short Term Options Series Program; (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) \$2.50 or greater where the strike price is above \$150. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program (“Short Term Option”), the strike price intervals for the related non-Short Term Option (“Related non-Short Term Option”) shall be the same as the strike price intervals for the Short Term Option.<sup>17</sup>

The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty Short Term Option Series for each expiration date in that class. The Exchange may also open Short

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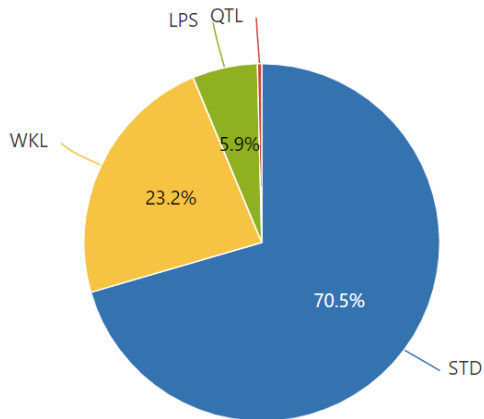
<sup>16</sup> See Supplementary Material .03 of Options 4, Section 5(d).

<sup>17</sup> See Options 4, Section 5(e).

Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.<sup>18</sup>

Phlx notes that listings in the weekly program comprise a significant part of the standard listing in options markets. The below diagrams demonstrate the percentage of weekly listings as compared to Long-Term Option Series or LEAPs and quarterly listings in 2015 as compared to 2020. The weekly strikes increased 8.9% compound annual growth rate (“CAGR”) from 2015 as compared to a 4.3% CAGR for standard expirations using 3<sup>rd</sup> 2015 Friday expirations.

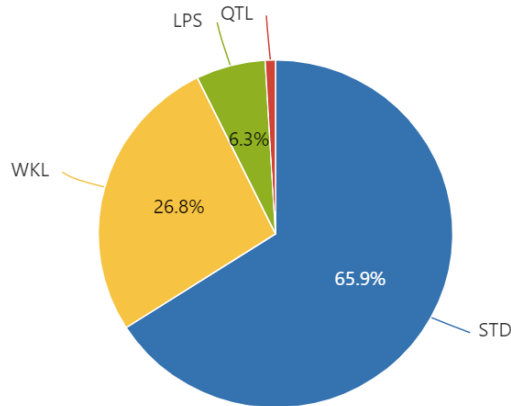
**2015:**



**2020:**

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<sup>18</sup> See Supplementary Material .03(a) of Options 4, Section 5.



### *Proposal*

Phlx proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days from the listing date, by adopting proposed Supplementary Material .03(f) of Options 4, Section 5 as well as proposed Supplementary Material .07 of Options 4, Section 5, with respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs) (collectively “Strike Interval Proposal”).

Phlx’s Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Supplementary Material .07 of Options 4, Section 5. With the Strike Interval Proposal, Phlx would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which considers both the share price and average daily volume for the option series.<sup>19</sup> The below table indicates the applicable strike intervals and would supersede Supplementary Material .03(d) which currently permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet

<sup>19</sup> Additional information comparing the current listing program to this proposal is available at: <https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal>.

customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. As a result, the Exchange would not be able to utilize the rule text within Supplementary Material .03(d) to permit additional series to be opened for trading on Phlx which have an expiration date more than twenty-one days from the listing date despite the noted circumstances when such additional series could otherwise be added.

Tier	Average Daily Volume	Share Price				
		less than \$25	\$25 to less than \$75	\$75 to less than \$150	\$150 to less than \$500	\$500 or greater
1	Greater than 5,000	\$0.50	\$1.00	\$1.00	\$5.00	\$5.00
2	Greater than 1,000 to 5,000	\$1.00	\$1.00	\$1.00	\$5.00	\$10.00
3	0 to 1,000	\$2.50	\$5.00	\$5.00	\$5.00	\$10.00

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the

calendar quarter prior to the last trading calendar quarter.<sup>20</sup> Under current rules, if the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday, as is the case today for STOs as specified within Supplementary .03 to Options 4, Section 5.

The Exchange proposes that Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3(a) will not be subject to this proposed Supplementary .07 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market.<sup>21</sup> The Exchange would be permitted to list options on newly eligible listings, without any curtailment in strike intervals, until the end of the first full quarter after they were listed. Phlx's proposal would thereby permit Phlx to add strikes to meet customer demand in the options class. By deferring the curtailment until after the end of the first full calendar quarter, additional information on the underlying security would be available to market participants and public investors. During this period of deferment the price of the underlying would have an opportunity to settle based on the price discovery that has occurred in the primary market. An options class that represents a newly listed primary security may fluctuate in price after its initial listing; such volatility reflects a natural uncertainty about the security. Also, Phlx would have the ability to list as many strikes as are permissible for

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<sup>20</sup> For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

<sup>21</sup> For example, if an options became newly eligible for listing pursuant to Options 4, Section 3 on March 1, 2021, the first full quarterly lookback would be available on July 1, 2021. This option would become subject to the curtailment on July 2, 2021.

the Short Term Options Series once the expiry is within twenty-one days. Short Term Options Series which have an expiration date less than twenty-one days from the listing date are not subject to the curtailment, thereby allowing Phlx to list additional, and potentially narrower, strikes in the event of market volatility or other market events.

Phlx proposes to make publically available a report on a quarterly basis which indicates, for each Short Term Options Series eligible to be listed under proposed Supplementary Material .07 of Options 4, Section 5, the applicable tiering of the underlying, which includes the closing price of the underlying, and the average daily customer volume of the option in that underlying.<sup>22</sup> The average daily customer volume data will be sourced from OCC. The closing price of the underlying will be sourced from the closing prices for Tape A, B and C securities published by the UTP and CTA/CQ Plans. Phlx will produce the report by the close of business on the first trading day of the quarter.<sup>23</sup> The Exchange notes that the report will be posted on Phlx's website on the first day of a new quarter to support listing decisions, pursuant to the Short Term Options Series Program, for the most recent listing within the Short Term Options Program. The report will be based on information that Phlx will obtain as described herein. This information is available to other options markets and is being made available by Phlx to provide consistency and relieve administrative burdens on other options markets. Other exchanges may elect to utilize ISE's report to validate their own information or they may

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<sup>22</sup> ISE will make this information available on ISE's website. This information will be freely-accessible to the public.

<sup>23</sup> OCC data becomes available for the end of a quarter on the first trading day of a new quarter.

otherwise elect another method to consume similar information as Phlx is posting to its website.

In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitations imposed by Options 4, Section 5 at proposed Supplementary Material .07, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Options 4, Section 5 at Supplementary Material .03, regarding the Short Term Option Series Program.

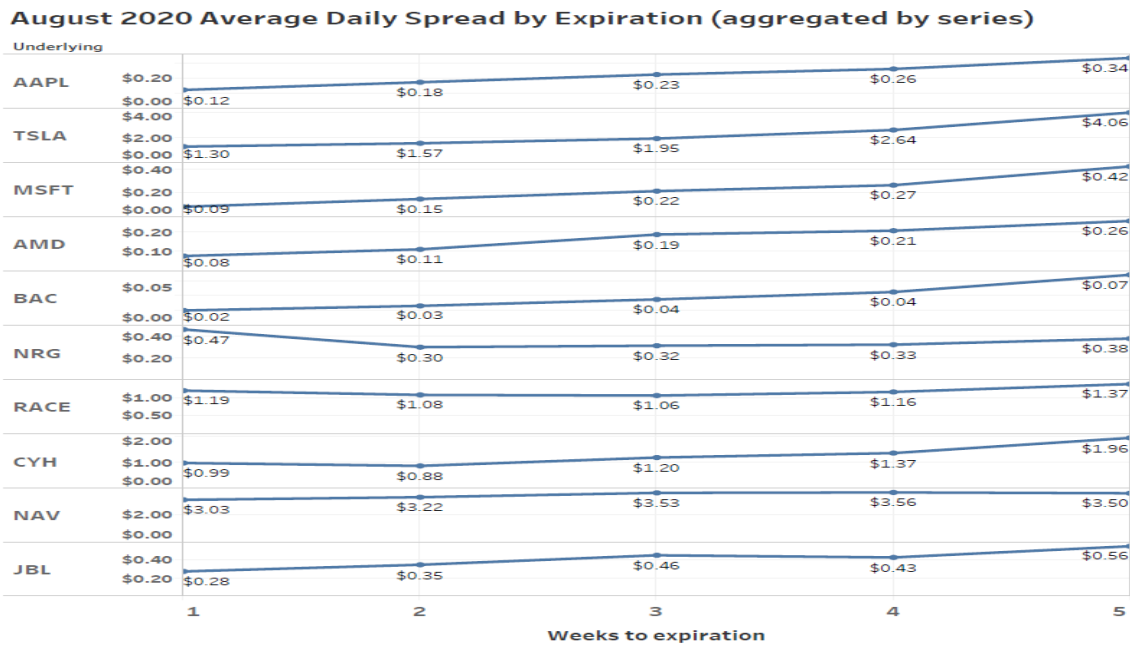
By way of example, if the Share Price for a symbol was \$142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed \$1.00 apart, that strike interval would apply for the calendar quarter, regardless of whether the Share Price changed to greater than \$150 during that calendar quarter.<sup>24</sup>

The proposed table within Supplementary Material .07 of Options 4, Section 5 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. Phlx would utilize OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects

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<sup>24</sup> The Exchange notes that any limits on intervals imposed by the Exchange's Rules will continue to apply. In this example, the strikes would be in \$1 intervals up to \$150, which is the upper limit imposed by Supplementary Material .03(e) of Options 4, Section 5.

the demand in the marketplace. The options series listed on Phlx are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side. The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. Phlx’s Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality. Below are two tables which focus on data for 10 of the most and least actively traded symbols<sup>25</sup> and demonstrate average spreads in weekly options during the month of August 2020.



The proposed table within Supplementary Material .07 of Options 4, Section 5 is intended to distribute strike intervals in multiply listed equity options where there is less

<sup>25</sup> The table represents stock in the following securities: Apple, Tesla, Microsoft Corporation, Advanced Micro Devices, Inc., Bank of America Corp., NRG Energy Inc., Ferrari NV, Community Health Systems Inc., Navistar International Corp, and Jabil Inc.



volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.<sup>26</sup>

Today, weeklies are available on 16% of underlying products. The Exchange's Strike Interval Proposal curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on Phlx. Short Term Options Series with an expiration date greater than twenty-one days from the listing date equates to 7.5% of the total number of strikes in the options market, which equals 81,000 strikes.<sup>27</sup> This proposal would result in the curtailment of approximately 20,000 strikes within the Short Term Options Series which is 2% of the total strikes in the options markets.<sup>28</sup>

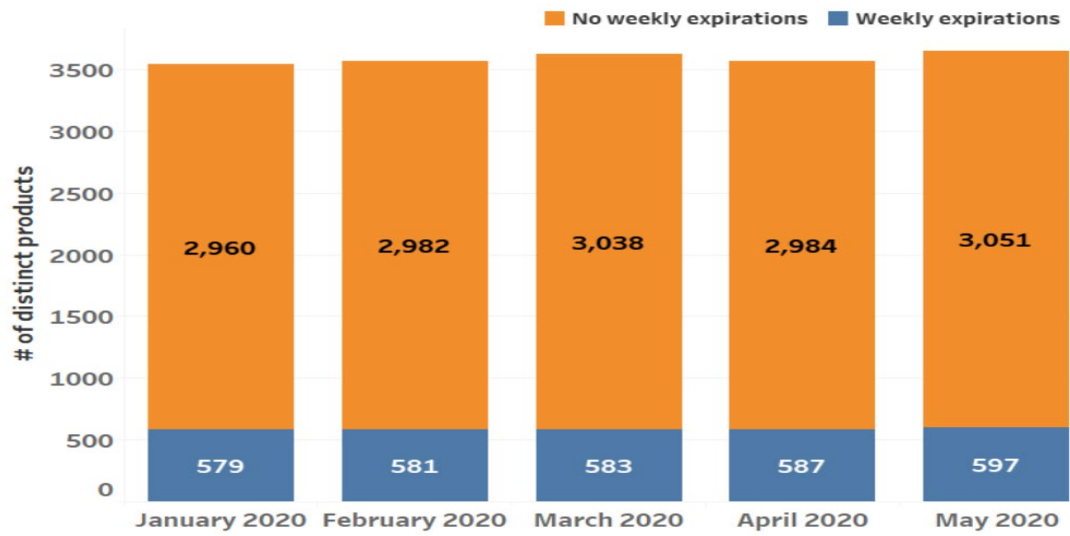
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<sup>26</sup> The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

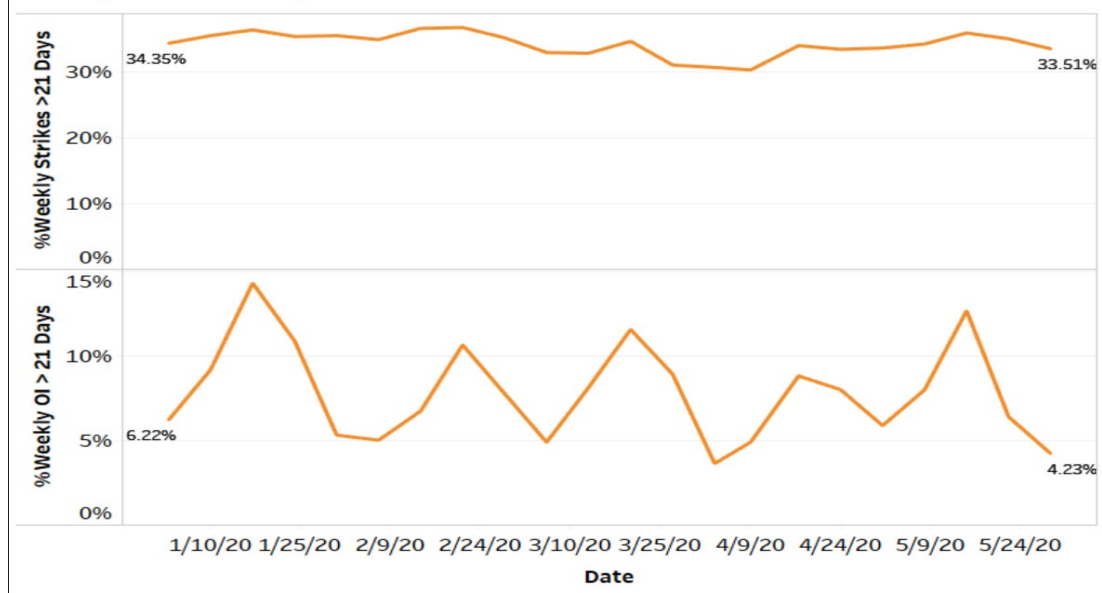
<sup>27</sup> The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The above-referenced data, specifically the percentage of underlying products and percentage of and total number of strikes, are approximations and may vary slightly at the time of this filing.

<sup>28</sup> This information was derived from information from the time period from January 2020 through May 2020.

**# of distinct products with/without weekly expirations**

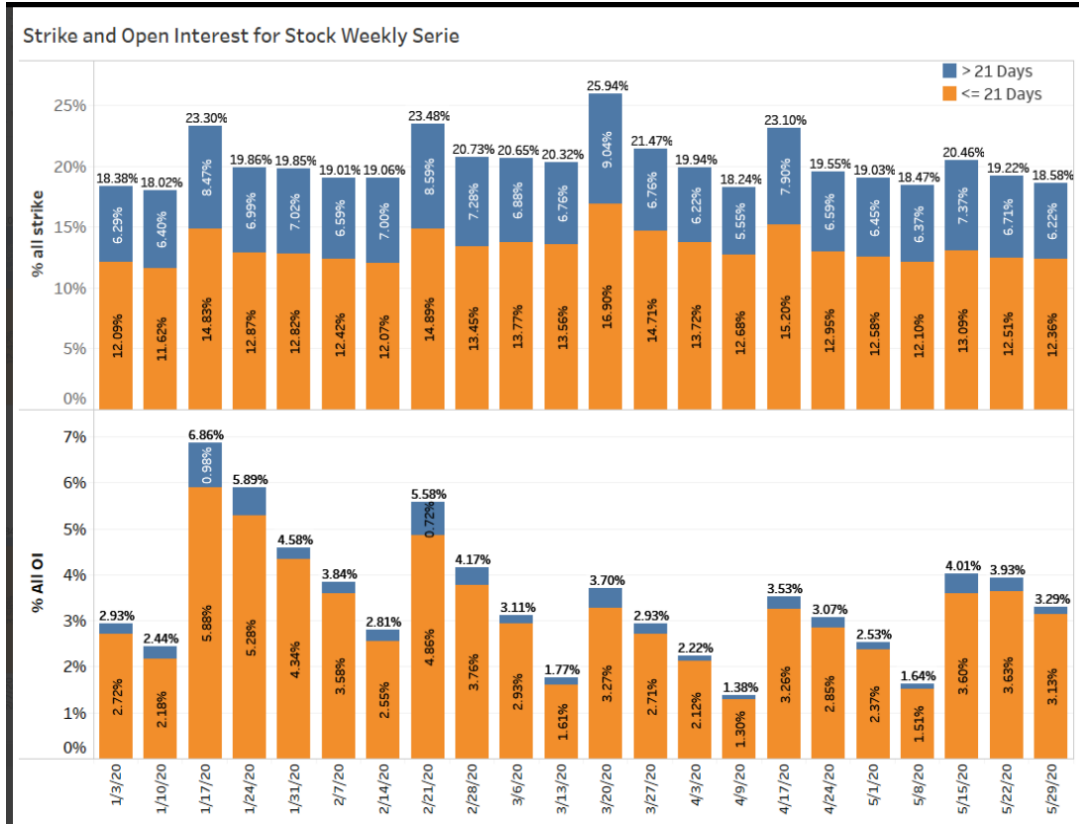


**Weekly Strikes and Open Interests Distribution**



The above table represents the inconsistency of demand for series of options beyond twenty-one calendar days.

Phlx’s Strike Interval Proposal focuses on strikes in multiply listed equity options, and excludes Exchange-Traded Fund Shares and ETNs, as the majority of strikes reside within equity options.



While the current listing rules permit Phlx to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, Phlx’s Strike Interval Proposal reduces the number of listed weekly options. As Phlx’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain options classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity

options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,<sup>29</sup> rendering these strikes less useful.

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Phlx requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned options series to maintain liquidity in the market.<sup>30</sup> With an increasing number of strikes being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes, reducing the number of strikes listed on Phlx, and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner. Due to this increased efficiency, the Exchange believes that this Strike Interval Proposal would improve overall market quality on Phlx by limiting the intervals between strikes in multiply listed equity options that have an expiration date more than twenty-one days, from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on Phlx and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on

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<sup>29</sup> For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

<sup>30</sup> See Options 2, Sections 4(j) and 5.

Nasdaq exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, Phlx's Strike Interval Proposal is intended to balance that goal with the needs of market participants. Phlx believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

#### Implementation

The Exchange intends to begin implementation of the proposed rule change on July 1, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

#### b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>31</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>32</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Strike Proposal seeks to limit the intervals between strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit Phlx to list a number of weekly strikes on its market, the Exchange's Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers to deploy capital more efficiently and improving market quality overall on Phlx through

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<sup>31</sup> 15 U.S.C. 78f(b).

<sup>32</sup> 15 U.S.C. 78f(b)(5).

limiting the intervals between strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as Phlx's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending Phlx's listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange's Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on Phlx.

The Strike Interval Proposal takes into account customer demand for certain options classes by considering both the Share Price and the Average Daily Volume in the underlying security to arrive at the manner in which weekly strike intervals would be listed in the later weeks for each multiply listed equity options class. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on Phlx is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose

characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. Phlx's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.<sup>33</sup>

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on the last day of the previous calendar quarter to have settled<sup>34</sup> and be accounted for in the

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<sup>33</sup> The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

<sup>34</sup> Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Today, Phlx requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.<sup>35</sup> With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on Phlx and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on Phlx for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

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<sup>35</sup> See Options 2, Sections 4(j) and 5.



This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on Phlx and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, Phlx's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on Phlx for all Phlx Participants. While the current listing rules permit Phlx to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, Phlx's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on Phlx. As Phlx's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.

The Exchange's Strike Interval Proposal, which is intended to decrease the overall

number of strikes listed on Phlx, does not impose an undue burden on intra-market competition as all Participants may only transact options in the strike intervals listed for trading on Phlx. While limiting the intervals of strikes listed on Phlx is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant's investment objective.

The Exchange's Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, Phlx is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Members, 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)<sup>36</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>37</sup> in that it effects a change

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<sup>36</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>37</sup> 17 CFR 240.19b-4(f)(6).

that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposal does not significantly affect the protection of investors or the public interest. The Exchange believes that the proposal does not significantly affect the protection of investors or the public interest as it is designed to encourage Lead Market Makers and Market Makers to deploy capital more efficiently and improve market quality overall on the Exchange by widening the intervals between strikes effectively reducing the number of weekly options listed in which Lead Market Makers and Market Makers are required to quote. The Exchange does not believe that limiting the permissible strikes for multiply listed equity options that have an expiration date more than 21 days from the listing date will significantly disrupt the market, as the majority of the volume traded in weekly options exists in options series which have an expiration date of 21 days or less. The proposal does not significantly affect the protection of investors and the public interest because the proposal seeks to limit the number of strikes listed for certain series of options without reducing the number of options classes available for trading on the Exchange. By considering both the Share Price and the Average Daily Volume in the underlying security, the proposed rule change will allow for options series listed on the Exchange in a manner that meets customer demand by offering an appropriate number of strikes. Also, by removing less useful strikes that do not serve different trading needs, as well as further-out strikes where wider markets exist, the proposal serves to protect

investors and the public interest by removing unnecessary choices for an options series, which the Exchange believes may improve market quality. The Exchange also believes that the proposed criteria pursuant to the proposal, including the criteria in the proposed Strike Interval table and the Average Daily Volume calculation, appropriately considers measures of volume and time in connection with permissible strike intervals and reduction of potential market impact. Finally, the Exchange does not believe that the proposal will significantly affect the protection of investors or the public interest because the proposal is substantively identical to the strike interval proposal recently submitted by BX and approved by the Commission.<sup>38</sup>

The Exchange believes that the proposed rule change does not impose any significant burden on competition because it limits the number of strikes listed in Short Term Option Series available for quoting and trading on the Exchange for all market participants and, therefore, all market participants will equally be able to transact in options series in the strikes listed for trading on the Exchange. The proposal only impacts the strikes available for weekly options series listed on the Exchange. As indicated above, another options exchange has recently implemented a substantively identical rule for listing Short Term Option series strike intervals on its exchange, as approved by the Commission,<sup>39</sup> and the proposal is a competitive response that will permit the Exchange to list the same series in multiply listed options as another options exchange.

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<sup>38</sup> See supra note 3.

<sup>39</sup> Id.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>40</sup> 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 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.

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

The proposed rule change is based on a filing by Nasdaq BX, Inc.<sup>41</sup>

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

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<sup>40</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>41</sup> See supra note 3.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2021-26)

May \_\_, 2021

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 4, Section 5, “Series of Options Contracts Open for Trading” to Limit Short Term Options Series Intervals Between Strikes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 5, 2021, 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 Options 4, Section 5, “Series of Options Contracts Open for Trading.” This proposal seeks to limit Short Term Options Series intervals between strikes which are available for quoting and trading on Phlx.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

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

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

1. Purpose

The Exchange proposes to amend Options 4, Section 5, “Series of Options Contracts Open for Trading.” Specifically, this proposal seeks to limit the intervals between strikes for multiply listed equity options classes within the Short Term Options Series program that have an expiration date more than twenty-one days from the listing date. This proposal is identical to a proposal by Nasdaq BX, Inc.<sup>3</sup>

Background

Today, Phlx’s listing rules within Options 4, Section 5 permits the Exchange, after a particular class of options (call option contracts or put option contracts relating to a specific underlying stock, Exchange-Traded Fund Share,<sup>4</sup> or ETN<sup>5</sup>) has been approved

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<sup>3</sup> See Securities Exchange Act Release No. 91125 (February 12, 2021), 86 FR 10375 (February 19, 2021) (SR-BX-2020-032) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Amend Options 4, Section 5, To Limit Short Term Options Series Intervals Between Strikes That Are Available for Quoting and Trading on BX).

<sup>4</sup> Exchange-Traded Fund Share shall include shares or other securities that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that (i) represent interests in registered

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investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (the “Money Market Instruments”) (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments (ii) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and /or non-U.S. currency (“Commodity Pool ETFs”), (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust, the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust or (v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”); provided the conditions within Options 4, Section 3(i)(A) and (B) are met. See Options 4, Section 3(i).

- 5 Securities deemed appropriate for options trading shall include shares or other securities (“Equity Index-Linked Securities,” “Commodity-Linked Securities,” “Currency-Linked Securities,” “Fixed Income Index-Linked Securities,” “Futures-Linked Securities,” and “Multifactor Index-Linked Securities,” collectively known as “Index- Linked Securities” or “ETNs”) that are principally traded on a national securities exchange and an “NMS Stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and



for listing and trading on the Exchange, to open for trading series of options therein. The Exchange may list series of options for trading on a weekly,<sup>6</sup> monthly<sup>7</sup> or quarterly<sup>8</sup>

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represent ownership of a security that provides for the payment at maturity, as described within Options 4, Section 3(1)(i)(1)-(6). See Options 4, Section 3(1)(i).

<sup>6</sup> The weekly listing program is known as the Short Term Options Series Program and is described within Supplementary Material .03 of Options 4, Section 5.

<sup>7</sup> The Exchange will open at least one expiration month for each class of options open for trading on the Exchange. See Options 4, Section 5(g). The monthly expirations are subject to certain listing criteria for underlying securities described within Options 4, Section 3. Monthly listings expire the third Friday of the month. The term “expiration date” when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit default options or credit default basket options) that are be automatically exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such event confirmation is deemed to have been received by the Corporation. “Expiration date” means, in respect of a series of range options expiring prior to February 1, 2015, the Saturday immediately following the third Friday of the expiration month of such series, and, in respect of a series of range options expiring on or after February 1, 2015 means the third Friday of the expiration month of such series, or if such Friday is a day on which the Exchange on which such series is listed is not open for business, the preceding day on which such Exchange is open for business. See The Options Clearing Corporation (“OCC”) By-Laws at Section 1.

<sup>8</sup> The quarterly listing program is known as the Quarterly Options Series Program and is described within Supplementary Material .04 of Options 4, Section 5.

basis. Options 4, Section 5(d) sets forth the intervals between strike prices of series of options on individual stocks.<sup>9</sup> In addition to those intervals, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,<sup>10</sup> the \$0.50 Strike Program,<sup>11</sup> the \$2.50 Strike Price Program,<sup>12</sup> and the \$5 Strike Program.<sup>13</sup>

The Exchange's proposal seeks to amend the listing of weekly series of options as proposed within new Supplementary Material .03(f) of Options 4, Section 5, by limiting the intervals between strikes in multiply listed equity options, excluding Exchange-

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<sup>9</sup> Except as otherwise provided in the Supplementary Material of Options 4, Section 5, the interval between strike prices of series of options on individual stocks will be: (1) \$2.50 or greater where the strike price is \$25.00 or less; (2) \$5.00 or greater where the strike price is greater than \$25.00; and (3) \$10.00 or greater where the strike price is greater than \$200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

Pursuant to Options 4, Section 5(e), notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500® ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR® Dow Jones® Industrial Average ETF ("DIA") options will be \$1 or greater.

<sup>10</sup> The \$1 Strike Interval Program is described within Supplementary Material .01 of Options 4, Section 5.

<sup>11</sup> The \$0.50 Strike Interval Program is described within Supplementary Material .05 of Options 4, Section 5.

<sup>12</sup> The \$2.50 Strike Interval Program is described within Supplementary Material .02 of Options 4, Section 5.

<sup>13</sup> The \$5.00 Strike Interval Program is described within Supplementary Material .06 of Options 4, Section 5.

Traded Fund Shares and ETNs, that have an expiration date more than twenty-one days from the listing date. This proposal does not amend monthly or quarterly listing rules nor does it amend the \$1 Strike Price Interval Program, the \$0.50 Strike Program, the \$2.50 Strike Price Program, or the \$5 Strike Program.

*Short Term Options Series Program*

Today, Supplementary Material .03 of Options 4, Section 5 permits Phlx to open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on an option class that expires at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”), provided an option class has been approved for listing and trading on the Exchange.<sup>14</sup> Today, the Exchange may open up to thirty initial series for each option

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<sup>14</sup> The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire (“Wednesday SPY Expirations”). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire (“Monday SPY Expirations”), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations.

class that participates in the Short Term Option Series Program.<sup>15</sup> Further, if the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.<sup>16</sup>

The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at strike price intervals of (i) \$0.50 or greater where the strike price is less than \$100, and \$1 or greater where the strike price is between \$100 and \$150 for all option classes that participate in the Short Term Options Series Program; (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) \$2.50 or greater where the strike price is above \$150. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program (“Short Term Option”), the strike price intervals for the related non-Short Term Option (“Related non-Short Term Option”) shall be the same as the strike price intervals for the Short Term Option.<sup>17</sup>

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Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. See Supplementary Material .03 of Options 4, Section 5.

<sup>15</sup> See Supplementary Material .03 of Options 4, Section 5(c).

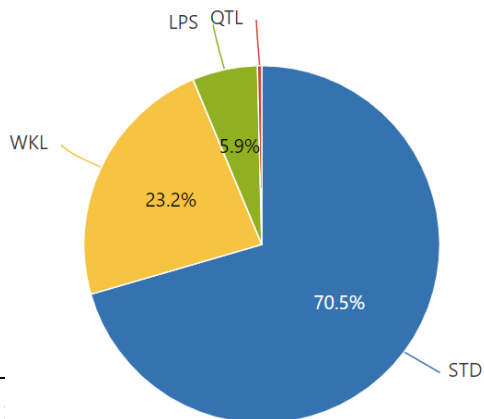
<sup>16</sup> See Supplementary Material .03 of Options 4, Section 5(d).

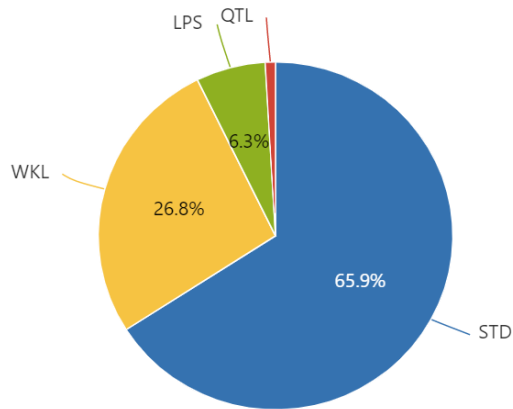
<sup>17</sup> See Options 4, Section 5(e).

The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.<sup>18</sup>

Phlx notes that listings in the weekly program comprise a significant part of the standard listing in options markets. The below diagrams demonstrate the percentage of weekly listings as compared to Long-Term Option Series or LEAPs and quarterly listings in 2015 as compared to 2020. The weekly strikes increased 8.9% compound annual growth rate (“CAGR”) from 2015 as compared to a 4.3% CAGR for standard expirations using 3<sup>rd</sup> 2015 Friday expirations.

**2015:**



**2020:***Proposal*

Phlx proposes to limit the intervals between strikes in options listed as part of the Short Term Option Series Program that have an expiration date more than twenty-one days from the listing date, by adopting proposed Supplementary Material .03(f) of Options 4, Section 5 as well as proposed Supplementary Material .07 of Options 4, Section 5, with respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs) (collectively “Strike Interval Proposal”).

Phlx’s Strike Interval Proposal would limit the intervals between strikes by utilizing the table proposed within Supplementary Material .07 of Options 4, Section 5. With the Strike Interval Proposal, Phlx would limit intervals between strikes for expiration dates of option series beyond twenty-one days utilizing the below three-tiered table which

considers both the share price and average daily volume for the option series.<sup>19</sup> The below table indicates the applicable strike intervals and would supersede Supplementary Material .03(d) which currently permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. As a result, the Exchange would not be able to utilize the rule text within Supplementary Material .03(d) to permit additional series to be opened for trading on Phlx which have an expiration date more than twenty-one days from the listing date despite the noted circumstances when such additional series could otherwise be added.

Tier	Average Daily Volume	Share Price				
		less than \$25	\$25 to less than \$75	\$75 to less than \$150	\$150 to less than \$500	\$500 or greater
1	Greater than 5,000	\$0.50	\$1.00	\$1.00	\$5.00	\$5.00
2	Greater than 1,000 to 5,000	\$1.00	\$1.00	\$1.00	\$5.00	\$10.00
3	0 to 1,000	\$2.50	\$5.00	\$5.00	\$5.00	\$10.00

The Share Price would be the closing price on the primary market on the last day of the calendar quarter. This value would be used to derive the column from which to apply strike intervals throughout the next calendar quarter. The Average Daily Volume would

<sup>19</sup> Additional information comparing the current listing program to this proposal is available at: <https://www.nasdaq.com/solutions/bx-options-strike-proliferation-proposal>.

be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter. Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on Customer-cleared volume at OCC. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the calendar quarter prior to the last trading calendar quarter.<sup>20</sup> Under current rules, if the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday, as is the case today for STOs as specified within Supplementary .03 to Options 4, Section 5.

The Exchange proposes that Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3(a) will not be subject to this proposed Supplementary .07 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market.<sup>21</sup> The Exchange would be permitted to list options on newly eligible listings, without any curtailment in strike intervals, until the end of the first full quarter after they were listed. Phlx's proposal would thereby permit Phlx to add strikes to meet customer demand in the options class. By deferring the curtailment until after the end of the first full calendar quarter, additional

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<sup>20</sup> For example, options listed as of January 4, 2021 would be calculated on January 5, 2021 using the Average Daily Volume from July 1, 2020 to September 30, 2020.

<sup>21</sup> For example, if an options became newly eligible for listing pursuant to Options 4, Section 3 on March 1, 2021, the first full quarterly lookback would be available on July 1, 2021. This option would become subject to the curtailment on July 2, 2021.



information on the underlying security would be available to market participants and public investors. During this period of deferment the price of the underlying would have an opportunity to settle based on the price discovery that has occurred in the primary market. An options class that represents a newly listed primary security may fluctuate in price after its initial listing; such volatility reflects a natural uncertainty about the security. Also, Phlx would have the ability to list as many strikes as are permissible for the Short Term Options Series once the expiry is within twenty-one days. Short Term Options Series which have an expiration date less than twenty-one days from the listing date are not subject to the curtailment, thereby allowing Phlx to list additional, and potentially narrower, strikes in the event of market volatility or other market events.

Phlx proposes to make publically available a report on a quarterly basis which indicates, for each Short Term Options Series eligible to be listed under proposed Supplementary Material .07 of Options 4, Section 5, the applicable tiering of the underlying, which includes the closing price of the underlying, and the average daily customer volume of the option in that underlying.<sup>22</sup> The average daily customer volume data will be sourced from OCC. The closing price of the underlying will be sourced from the closing prices for Tape A, B and C securities published by the UTP and CTA/CQ Plans. Phlx will produce the report by the close of business on the first trading day of the quarter.<sup>23</sup> The Exchange notes that the report will be posted on Phlx's website on the first day of a new quarter to support listing decisions, pursuant to the Short Term Options

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<sup>22</sup> ISE will make this information available on ISE's website. This information will be freely-accessible to the public.

<sup>23</sup> OCC data becomes available for the end of a quarter on the first trading day of a new quarter.

Series Program, for the most recent listing within the Short Term Options Program. The report will be based on information that Phlx will obtain as described herein. This information is available to other options markets and is being made available by Phlx to provide consistency and relieve administrative burdens on other options markets. Other exchanges may elect to utilize ISE's report to validate their own information or they may otherwise elect another method to consume similar information as Phlx is posting to its website.

In the event of a corporate action, the Share Price of the surviving company would be utilized. These metrics are intended to align expectations for determining which strike intervals will be utilized. Finally, notwithstanding the limitations imposed by Options 4, Section 5 at proposed Supplementary Material .07, this Strike Interval Proposal does not amend the range of strikes that may be listed pursuant to Options 4, Section 5 at Supplementary Material .03, regarding the Short Term Option Series Program.

By way of example, if the Share Price for a symbol was \$142 at the end of a calendar quarter, with an Average Daily Volume greater than 5,000, thereby, requiring strike intervals to be listed \$1.00 apart, that strike interval would apply for the calendar quarter, regardless of whether the Share Price changed to greater than \$150 during that calendar quarter.<sup>24</sup>

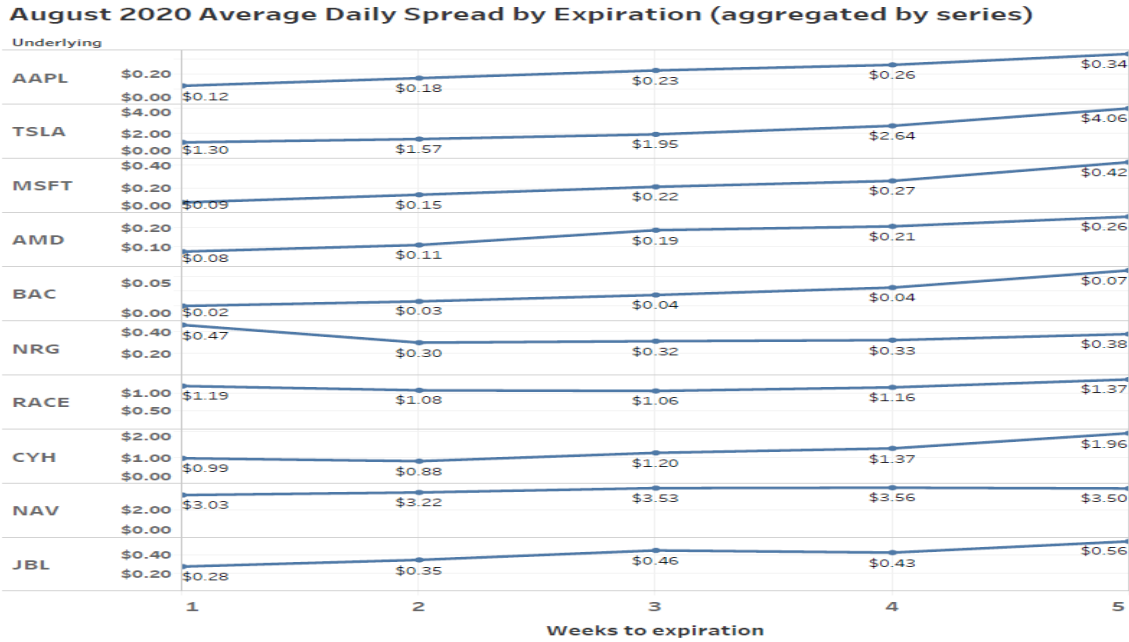
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<sup>24</sup> The Exchange notes that any limits on intervals imposed by the Exchange's Rules will continue to apply. In this example, the strikes would be in \$1 intervals up to \$150, which is the upper limit imposed by Supplementary Material .03(e) of Options 4, Section 5.

The proposed table within Supplementary Material .07 of Options 4, Section 5 takes into account the notional value of a security, as well as Average Daily Volume in the underlying stock, in order to limit the intervals between strikes in the Short Term Options listing program. Phlx would utilize OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demand in the marketplace. The options series listed on Phlx are intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side. The strike intervals for listing strikes in certain options are intended to remove repetitive and unnecessary strike listings across the weekly expiries. Phlx's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets and therefore lower market quality. Below are two tables which focus on data for 10 of the most and least actively traded symbols<sup>25</sup> and demonstrate average spreads in weekly options during the month of August 2020.

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<sup>25</sup> The table represents stock in the following securities: Apple, Tesla, Microsoft Corporation, Advanced Micro Devices, Inc., Bank of America Corp., NRG Energy Inc., Ferrari NV, Community Health Systems Inc., Navistar International Corp, and Jabil Inc.



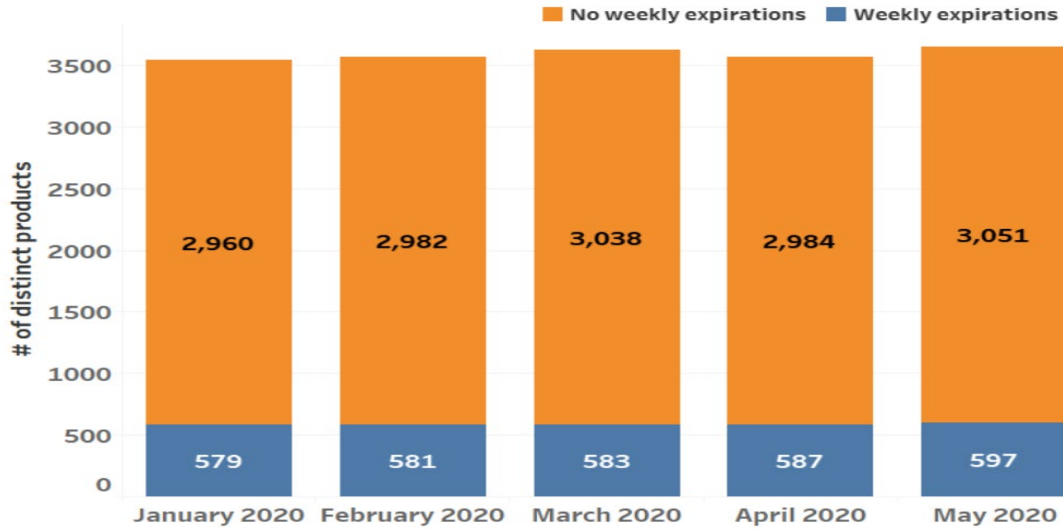
The proposed table within Supplementary Material .07 of Options 4, Section 5 is intended to distribute strike intervals in multiply listed equity options where there is less volume as measured by the Average Daily Volume tiers. Therefore, the lower the Average Daily Volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.<sup>26</sup>

Today, weeklies are available on 16% of underlying products. The Exchange’s Strike Interval Proposal curtails the density of strike intervals listed in series of options, without reducing the classes of options available for trading on Phlx. Short Term Options Series with an expiration date greater than twenty-one days from the listing date

<sup>26</sup> The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

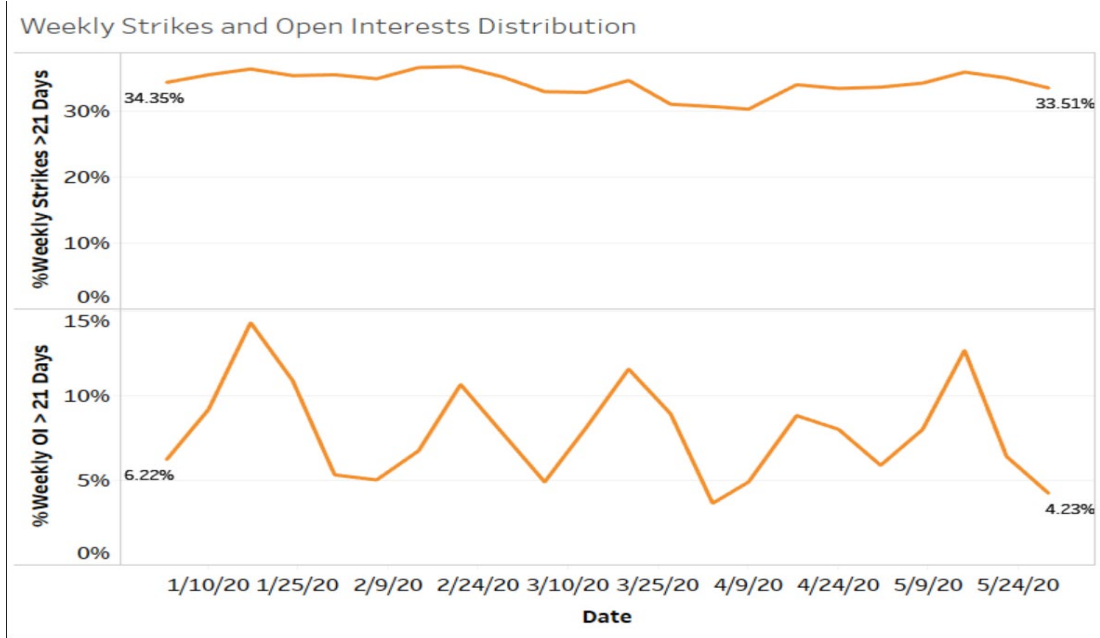
equates to 7.5% of the total number of strikes in the options market, which equals 81,000 strikes.<sup>27</sup> This proposal would result in the curtailment of approximately 20,000 strikes within the Short Term Options Series which is 2% of the total strikes in the options markets.<sup>28</sup>

**# of distinct products with/without weekly expirations**



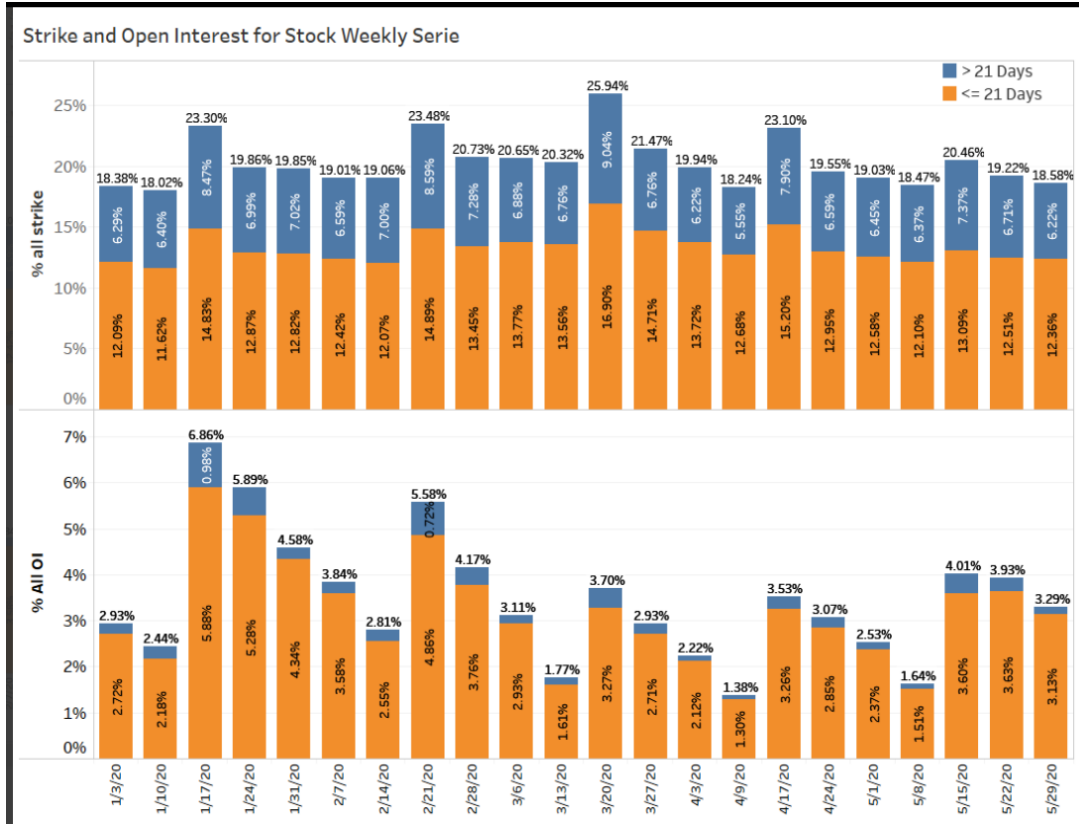
<sup>27</sup> The Exchange notes that this proposal is an initial attempt at reducing strikes and anticipates filing additional proposals to continue reducing strikes. The above-referenced data, specifically the percentage of underlying products and percentage of and total number of strikes, are approximations and may vary slightly at the time of this filing.

<sup>28</sup> This information was derived from information from the time period from January 2020 through May 2020.



The above table represents the inconsistency of demand for series of options beyond twenty-one calendar days.

Phlx’s Strike Interval Proposal focuses on strikes in multiply listed equity options, and excludes Exchange-Traded Fund Shares and ETNs, as the majority of strikes reside within equity options.



While the current listing rules permit Phlx to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, Phlx’s Strike Interval Proposal reduces the number of listed weekly options. As Phlx’s Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Specifically, the Strike Interval Proposal aims to reduce the density of strike intervals that would be listed in later weeks, by creating limitations for intervals between strikes which have an expiration date more than twenty-one days from the listing date. The table takes into account customer demand for certain options classes, by considering both the Share Price and the Average Daily Volume, to arrive at the manner which weekly strike intervals may be listed. The intervals for listing strikes in equity

options is intended to remove certain strike intervals where there exist clusters of strikes whose characteristics closely resemble one another and, therefore, do not serve different trading needs,<sup>29</sup> rendering these strikes less useful.

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Phlx requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned options series to maintain liquidity in the market.<sup>30</sup> With an increasing number of strikes being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes, reducing the number of strikes listed on Phlx, and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner. Due to this increased efficiency, the Exchange believes that this Strike Interval Proposal would improve overall market quality on Phlx by limiting the intervals between strikes in multiply listed equity options that have an expiration date more than twenty-one days, from the listing date.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on Phlx and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on

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<sup>29</sup> For example, two strikes that are densely clustered may have the same risk properties and may also be the same percentage out-of-the money.

<sup>30</sup> See Options 2, Sections 4(j) and 5.



Nasdaq exchanges in a methodical fashion, so that it may monitor progress and feedback from its membership. While limiting the intervals between listed strikes is the goal of this rule change, Phlx's Strike Interval Proposal is intended to balance that goal with the needs of market participants. Phlx believes that various strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

### Implementation

The Exchange intends to begin implementation of the proposed rule change on July 1, 2021. The Exchange will issue an Options Trader Alert to Participants to provide notification of the implementation date.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>31</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>32</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Strike Proposal seeks to limit the intervals between strikes listed in the Short Term Options Series program that have an expiration date more than twenty-one days. While the current listing rules permit Phlx to list a number of weekly strikes on its market, the Exchange's Strike Interval Proposal removes impediments to and perfects the mechanism of a free and open market and a national market system by encouraging Market Makers to deploy capital more efficiently and improving market quality overall on Phlx through

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<sup>31</sup> 15 U.S.C. 78f(b).

<sup>32</sup> 15 U.S.C. 78f(b)(5).

limiting the intervals between strikes when applying the strike interval table to multiply listed equity options that have an expiration date more than twenty-one days from the listing date. Also, as Phlx's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal. Amending Phlx's listing rules to limit the intervals between strikes for multiply listed equity options that have an expiration date more than twenty-one days causes less disruption in the market as the majority of the volume traded in weekly options exists in options series which have an expiration date of twenty-one days or less. The Exchange's Strike Interval Proposal curtails the number of strike intervals listed in series of options without reducing the number of classes of options available for trading on Phlx.

The Strike Interval Proposal takes into account customer demand for certain options classes by considering both the Share Price and the Average Daily Volume in the underlying security to arrive at the manner in which weekly strike intervals would be listed in the later weeks for each multiply listed equity options class. The Exchange utilizes OCC Customer-cleared volume, as customer volume is an appropriate proxy for demand. The OCC Customer-cleared volume represents the majority of options volume executed on the Exchange that, in turn, reflects the demands in the marketplace. The options series listed on Phlx is intended to meet customer demand by offering an appropriate number of strikes. Non-Customer cleared OCC volume represents the supply side.

The Strike Interval Proposal for listing strikes in certain multiply listed equity options is intended to remove certain strikes where there exist clusters of strikes whose

characteristics closely resemble one another and, therefore, do not serve different trading needs that renders the strikes less useful and thereby protects investors and the general public by removing an abundance of unnecessary choices for an options series, while also improving market quality. Phlx's Strike Interval Proposal seeks to reduce the number of strikes in the furthest weeklies, where there exist wider markets, and, therefore, lower market quality. The implementation of the proposed table is intended to spread strike intervals in multiply listed equity options, where there is less volume that is measured by the average daily volume tiers. Therefore, the lower the average daily volume, the greater the proposed spread between strike intervals. Options classes with higher volume contain the most liquid symbols and strikes, therefore the finer the proposed spread between strike intervals. Additionally, lower-priced shares have finer strike intervals than higher-priced shares when comparing the proposed spread between strike intervals.<sup>33</sup>

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on OCC Customer-cleared volume. Utilizing the second trading day allows the Exchange to accumulate data regarding OCC Customer-cleared volume from the entire prior quarter. Beginning on the second trading day would allow trades executed on the last day of the previous calendar quarter to have settled<sup>34</sup> and be accounted for in the

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<sup>33</sup> The Exchange notes that it has discussed the proposed strike intervals with various members. The Exchange has gathered information regarding where trading in weeklies generally occurs to arrive at the proposed strike intervals.

<sup>34</sup> Options contracts settle one business day after trade date. Strike listing determinations are made the day prior to the start of trading in each series.

calculation of Average Daily Volume. Utilizing the previous three months is appropriate because this time period would help reduce the impact of unusual trading activity as a result of unique market events, such as a corporate action (i.e., it would result in a more reliable measure of average daily trading volume than would a shorter period).

This Strike Interval Proposal serves to respond to comments received from industry members with respect to the increasing number of strikes that are required to be quoted by market makers in the options industry. Today, Phlx requires Lead Market Makers and Market Makers to quote a certain amount of time in the trading day in their assigned due options series to maintain liquidity in the market.<sup>35</sup> With an increasing number of strikes due to tighter intervals being listed across options exchanges, Market Makers must expend their capital to ensure that they have the appropriate infrastructure to meet their quoting obligations on all options markets in which they are assigned in options series. The Exchange believes that this Strike Interval Proposal would limit the intervals between strikes listed on Phlx and thereby allow Lead Market Makers and Market Makers to expend their capital in the options market in a more efficient manner that removes impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes that this Strike Interval Proposal would improve overall market quality on Phlx for the protection of investors and the general public by limiting the intervals between strikes when applying the strike interval table to multiply listed equity options which have an expiration date more than twenty-one days from the listing date.

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<sup>35</sup> See Options 2, Sections 4(j) and 5.

This Strike Interval Proposal is intended to be the first in a series of proposals to limit the number of listed options series listed on Phlx and other Nasdaq affiliated markets. The Exchange intends to decrease the overall number of strikes listed on Nasdaq exchanges in a methodical fashion in order that it may monitor progress and feedback from its membership. While limiting the intervals between strikes listed is the goal of this rule change, Phlx's Strike Interval Proposal is intended to balance that goal with the needs of market participants. The Exchange believes that varied strike intervals continue to offer market participants the ability to select the appropriate strike interval to meet that market participant's investment objective.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Strike Interval Proposal limits the number of Short Term Options Series strike intervals available for quoting and trading on Phlx for all Phlx Participants. While the current listing rules permit Phlx to list a number of weekly strikes on its market, in an effort to encourage Market Makers to deploy capital more efficiently, as well as improve displayed market quality, Phlx's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, without reducing the number of series or classes of options available for trading on Phlx. As Phlx's Strike Interval Proposal seeks to reduce the number of weekly options that would be listed on its market in later weeks, Market Makers would be required to quote in fewer weekly strikes as a result of the Strike Interval Proposal.

The Exchange's Strike Interval Proposal, which is intended to decrease the overall number of strikes listed on Phlx, does not impose an undue burden on intra-market

competition as all Participants may only transact options in the strike intervals listed for trading on Phlx. While limiting the intervals of strikes listed on Phlx is the goal of this Strike Interval Proposal, the goal continues to balance the needs of market participants by continuing to offer a number of strikes to meet a market participant's investment objective.

The Exchange's Strike Interval Proposal does not impose an undue burden on inter-market competition as this Strike Interval Proposal does not impact the listings available at another self-regulatory organization. In fact, Phlx is proposing to list a smaller amount of weekly equity options in an effort to curtail the increasing number of strikes that are required to be quoted by market makers in the options industry. Other options markets may choose to replicate the Exchange's Strike Interval Proposal and, thereby, further decrease the overall number of strikes within the options industry.

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 Act<sup>36</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>37</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is 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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2021-26 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.

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<sup>36</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>37</sup> 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.

All submissions should refer to File Number SR-Phlx-2021-26. 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-2021-26 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.<sup>38</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>38</sup> 17 CFR 200.30-3(a)(12).



**EXHIBIT 5**

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

**Nasdaq Phlx LLC Rules**

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**Options Rules**

\* \* \* \* \*

**Options 4 Options Listing Rules**

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**Section 5. Series of Options Contracts Open for Trading**

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**Supplementary Material to Options 4, Section 5**

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**.03 Short Term Option Series Program:** After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY and QQQ Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) and the INVESCO QQQ Trust<sup>SM</sup>, Series 1 (QQQ) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations" and "Wednesday QQQ Expirations"). With respect to Monday SPY and QQQ Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY or QQQ to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations" and "Monday QQQ Expirations") provided that Monday SPY Expirations and Monday QQQ Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and Wednesday QQQ Expirations and five consecutive Monday SPY Expirations and Monday QQQ Expirations at one time; the Exchange may have no more than a total of five each of Wednesday SPY Expirations and Wednesday QQQ Expirations and a total of five each of Monday SPY Expirations and Monday QQQ Expirations. Monday and Wednesday SPY

Expirations and Monday and Wednesday QQQ Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

\* \* \* \* \*

(f) Notwithstanding (e) above, when Short Term Options Series in equity options, excluding Exchange-Traded Funds (“ETFs”) and ETNs, have an expiration more than twenty-one days from the listing date, the strike interval for each options class shall be based on the table within Supplementary Material .07.

\* \* \* \* \*

.07 With respect to listing Short Term Option Series in equity options, excluding Exchange-Traded Fund Shares and ETNs, which have an expiration date more than twenty-one days from the listing date, the following table will apply as noted within Supplementary Material .03(e). The below table indicates the applicable strike intervals and supersedes Supplementary Material .03(d) which permits additional series to be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

<u>Tier</u>	<u>Average Daily Volume</u>	<u>Share Price</u>				
		<u>less than \$25</u>	<u>\$25 to less than \$75</u>	<u>\$75 to less than \$150</u>	<u>\$150 to less than \$500</u>	<u>\$500 or greater</u>
<u>1</u>	<u>Greater than 5,000</u>	<u>\$0.50</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$5.00</u>	<u>\$5.00</u>
<u>2</u>	<u>Greater than 1,000 to 5,000</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$5.00</u>	<u>\$10.00</u>
<u>3</u>	<u>0 to 1,000</u>	<u>\$2.50</u>	<u>\$5.00</u>	<u>\$5.00</u>	<u>\$5.00</u>	<u>\$10.00</u>

The Share Price would be the closing price on the primary market on the last day of the calendar quarter.

The Average Daily Volume would be the total number of options contracts traded in a given security for the applicable calendar quarter divided by the number of trading days in the applicable calendar quarter.

Beginning on the second trading day in the first month of each calendar quarter, the Average Daily Volume shall be calculated by utilizing data from the prior calendar quarter based on

Customer-cleared volume at The Options Clearing Corporation. For options listed on the first trading day of a given calendar quarter, the Average Daily Volume shall be calculated using the quarter prior to the last trading calendar quarter.

Short Term Options Series that are newly eligible for listing pursuant to Options 4, Section 3 will not be subject to this proposed Supplementary .07 until after the end of the first full calendar quarter following the date the option class was first listed for trading on any options market.

In the event of a corporate action, the Share Price of the surviving company would be utilized.

Notwithstanding the limitations imposed by Supplementary Material .07, this proposal does not amend the range of strikes that may be listed pursuant to Supplementary Material .03, regarding the Short Term Option Series Program.

\* \* \* \* \*