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Page 1 of * 30

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 25

Amendment No. (req. for Amendments *)

Filing by Nasdaq PHLX LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<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

Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Amend Options 4A, Section 12, Terms of Index Options Contracts

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 of 1934, Nasdaq PHLX LLC has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 06/06/2022


(Title *)

By John Zecca

EVP and Chief Legal Officer

(Name *)

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

 Date: 2022.06.06 11:47:51 -04'00'

Required fields are shown with yellow backgrounds and astericks.

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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SR-Phlx-2022-25 19b-4.doc

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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SR-Phlx-2022-25 Exhibit 1.doc

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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SR-Phlx-2022-25 Exhibit 5.doc

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Nasdaq PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend certain rule text within Options 4A, Section 12, Terms of Index Options Contracts, related to the listing of options on the Nasdaq-100[®] Volatility Index.

The Exchange also proposes to amend the Short Term Option Series Program within Options 4A, Section 12(b)(4).

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1.

(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 (the “Board”). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend certain rule text within Options 4A, Section 12, Terms of Index Options Contracts, related to the listing of options on the Nasdaq-100[®] Volatility Index (“VOLQ”). The Exchange also proposes to amend the Short Term Option Series Program within Options 4A, Section 12(b)(4). The changes are described below.

VOLQ

In 2021, Phlx received approval³ to list and trade options on VOLQ. Phlx subsequently received approval⁴ to amend the calculation of its final settlement price for options on VOLQ. Phlx has issued an Options Trader Alert announcing the launch of VOLQ on June 14, 2022.⁵

Background

VOLQ is a new options index product that would enable retail and institutional investors to manage volatility versus price risk. This index will measure “at-the-money” volatility, a precise measure of volatility used by investors. Unlike other indexes, this

³ See Securities Exchange Act Release No. 91781 (May 5, 2021), 86 FR 25918 (May 11, 2021) (SR-Phlx-2020-41) (Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To List and Trade Options on a Nasdaq-100 Volatility Index) (“VOLQ Options Approval Order”).

⁴ See Securities Exchange Act Release No. 93628 (November 19, 2021), 86 FR 67555 (November 26, 2021) (SR-Phlx-2021-56) (Order Approving a Proposed Rule Change To Amend Options 4A, Section 12 Regarding the Calculation of the Closing Volume Weighted Average Price for Options on the Nasdaq-100 Volatility Index in Certain Circumstances) (“Amendment to VOLQ Options”).

⁵ See Options Trader Alert #2022-16 (http://www.nasdaqtrader.com/MicroNews.aspx?id=OTA_2022-16).

proposed novel product isolates at-the-money volatility for precise trading and hedging strategies. This product will provide investors information on volatility index returns by allowing them to observe increases and decreases of the Volatility Index. Specifically, VOLQ options will measure changes in 30-day implied volatility of the Nasdaq-100 Index (commonly known as and referred to by its ticker symbol, NDX). Options on the Volatility Index will be cash-settled and will have European-style exercise provisions.

Minimum Increments

The Exchange will list VOLQ options with standard minimum increments of \$0.05 for options trading below \$3.00 and \$0.10 for all other series pursuant to Options 3, Section 3(a).⁶ The minimum increments for VOLQ options were set forth in the VOLQ Options Original Filing which stated, “The Exchange proposes to utilize nickel and dime increments for trading the Volatility Index options. The Exchange believes that these trading increments will enable traders to make the most effective use of the product for trading and hedging purposes.”⁷ Similarly, the VOLQ Options Approval Order provided, “All options on the Volatility Index will have a minimum increment of \$0.05 for options trading below \$3.00 and \$0.10 for all other series.”⁸

⁶ Phlx Options 3, Section 3(a) provides, “Except as provided in Supplementary Material to Options 3, Section 3 below, all options on stocks, index options, and Exchange Traded Fund Shares trading at a price of \$3.00 or higher shall have a minimum increment of \$.10, and all options on stocks and index options trading at a price under \$3.00 shall have a minimum increment of \$.05.”

⁷ See Securities Exchange Act Release No. 89725 (September 1, 2020), 85 FR 55544 at 55549 (September 8, 2020) (SR-Phlx-2020-41) (Notice of Filing of Proposed Rule Change To List and Trade Options on a Nasdaq-100® Volatility Index) (“VOLQ Options Original Filing”).

⁸ See VOLQ Options Approval Order at 25920.

The Exhibit 5 attached to the VOLQ Options Original Filing inadvertently noted that VOLQ options would be traded in \$.01 increments.⁹ At this time, the Exchange proposes to remove the rule text within Supplementary Material .04 of Options 3, Section 3. The rule text is inconsistent with the VOLQ Options Original Filing and the VOLQ Options Approval. Removing the rule text would avoid confusion since the standard minimum increments specified within Options 3, Section 3(a) would apply. No other change is required to Options 3, Section 3 with respect to VOLQ options.

Closing Settlement Period

Phlx noted in the VOLQ Options Original Filing and the Amendment to VOLQ Options that,

[t]he Closing VWAP shall be determined by reference to the prices and sizes of executed orders or quotes in the thirty-two underlying Nasdaq-100[®] index (“NDX”) component options on Phlx, Nasdaq ISE, LLC and Nasdaq GEMX, LLC markets. Executed orders shall include simple orders and complex orders (excluding out-of-sequence and late trades), however, individual leg executions of a complex order will only be included if the executed price of the leg is at or within the NBBO. The following process is used to calculate the Closing VWAP of the VOLQ options. At the end of individual one-second time observations during a 300 second period of time (the “Closing Settlement Period”) commencing at 9:32:010 on the expiration day (or 2.01 minutes after the open of trading in the event trading does not commence at 9:30:000 A.M. ET), and continuing each second for the next 300 seconds, the number of contracts traded at each price during the observation period is multiplied by that price to yield a Reference Number.

* * * * *

In the event of a trading halt in one or more options, excluding a halt in all Nasdaq-100 index options, prior to the completion of the Closing Settlement Period, the Exchange would continue to look back for a One Second VWAP prior to looking forward. In the event of a trading halt in all Nasdaq-100 index options, the Exchange would commence the calculation of the settlement window beginning 2:00:01 minutes after the

⁹ See VOLQ Options Original Filing at Exhibit 5, “.04 All Nasdaq-100[®] Volatility Index Options shall have a minimum increment of \$.01.”

re-opening of trading and publish that value on its website. In this scenario, the Exchange would not look back prior to the trading halt.

At this time, Phlx proposes to amend the formatting of the timeframes for the Closing Settlement Period. The Exchange proposes to revise the references to “9:32:010” and “9:30:000” to instead state “9:32:01” and “9:30:00,” respectively. Representing the minutes as two decimals will avoid confusion as to the time intended. Additionally, the Exchange proposes to revise references to “2.01” and “2.00.01” to instead state “two minutes and one second” for clarity. These amendments are intended to conform the rule text and bring clarity to the timeframes.

Short Term Option Series Program

In 2013, Phlx amended the Short Term Option Series Program for equity options within Rule 1012 (currently Options 4, Section 5) to change the number of currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date from thirty to fifty options classes.¹⁰ Further, Phlx also amended the number of Short Term Option Series that the Exchange may open for each expiration date in that class from twenty to thirty.¹¹ At that time, the Exchange neglected to update the index options rules to make similar changes to the Short Term Option Series Program given that the amount of options classes that may participate in the Short

¹⁰ See Securities Exchange Act Release Nos. 70682 (October 15, 2013), 78 FR 62809 (October 22, 2013) (SR-Phlx-2013-101) (Notice of Filing of Proposed Rule Change Regarding the Short Term Option Series Program); and 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (SR-Phlx-2013-101) (Order Granting Approval of Proposed Rule Change Regarding the Short Term Options Program).

¹¹ Id.

Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options.

Today, Options 4A, Section 12(b)(4) provides,

The Exchange may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the thirty-option class restriction, the Exchange also may 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 index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series on index options 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.

At this time, the Exchange proposes to amend Options 4A, Section 12(b)(4) to increase the number of currently listed options classes on which Short Term Option Series may be opened on any Short Term Option Opening Date from thirty to fifty options classes for index options. Additionally, the Exchange proposes to amend the number of Short Term Option Series the Exchange may open on index options for each expiration date in that class from twenty to thirty. These amendments would align the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5.

As noted above, this amendment will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options.

Amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the

aggregate limitations within equity and index options for listing Short Term Option Series. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.¹²

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ 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.

Removing inadvertent rule text describing minimum increments is consistent with the Act and will avoid confusion. The minimum increments for VOLQ options were set forth in the VOLQ Options Original Filing and the VOLQ Options Approval. The standard minimum increments specified within Options 3, Section 3(a) would apply to VOLQ options.

Amending the formatting of the timeframes for the Closing Settlement Period is consistent with the Act. The proposed amendments to the timeframes will conform the rule text and bring clarity to the rule.

In 2013, Phlx amended the Short Term Option Series Program for equity options within Rule 1012 (currently Options 4, Section 5) to change the number of currently listed option classes on which Short Term Option Series may be opened on any Short

¹² See Cboe Exchange, Inc. Rules 4.5 and 4.13.

¹³ 15 U.S.C. 78f(b)

¹⁴ 15 U.S.C. 78f(b)(5).

Term Option Opening Date from thirty to fifty options classes.¹⁵ Further, Phlx also amended the number of Short Term Option Series that the Exchange may open for each expiration date in that class from twenty to thirty.¹⁶ At that time, the Exchange neglected to update the index options rules to make similar changes to the Short Term Option Series Program given that the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the aggregate limitations within equity and index options for listing Short Term Option Series. Also, aligning the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5 will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.¹⁷

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Removing inadvertent rule text describing minimum increments does not impose

¹⁵ See note 10 above.

¹⁶ See note 10 above.

¹⁷ See note 12 above.

an undue burden on competition because it will avoid confusion for investors.

Amending the formatting of the timeframes for the Closing Settlement Period does not impose an undue burden on competition, rather the amendment will conform the rule text and bring clarity to the rule.

Finally, amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the aggregate limitations within equity and index options for listing Short Term Option Series. Also, aligning the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5 will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.¹⁸

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

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

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

The foregoing rule change has become effective pursuant to Section

¹⁸ See note 12 above.

19(b)(3)(A)(iii)¹⁹ of the Act and Rule 19b-4(f)(6) thereunder²⁰ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that the proposal does not significantly affect the protection of investors or the public interest nor does the proposal impose any significant burden on competition. Removing inadvertent rule text describing minimum increments will avoid confusion for investors. Amending the formatting of the timeframes for the Closing Settlement Period will conform the rule text and bring clarity to the rule. Amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the aggregate limitations within equity and index options for listing Short Term Option Series. Also, aligning the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5 will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Today, Cboe has similar limitations within its equity and index

¹⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

²⁰ 17 CFR 240.19b-4(f)(6).

Short Term Option Series Program.²¹

Furthermore, Rule 19b-4(f)(6)(iii)²² 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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that Phlx may amend Options 4A to clarify the minimum increments applicable to VOLQ options before the June 14, 2022 launch. Additionally, making clear the timeframes for the Closing Settlement Period will conform the rule text and bring clarity to the rule. Finally, amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the

²¹ See note 12 above.

²² 17 CFR 240.19b-4(f)(6)(iii).

aggregate limitations within equity and index options for listing Short Term Option Series. Also, aligning the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5 will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.²³ Amending these rules will provide investors additional clarity as Phlx's rules with respect to indexes generally and VOLQ options specifically.

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

Not applicable.

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

Not Applicable.

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

Not Applicable.

11. Exhibits

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

5. Text of the proposed rule change.

²³ See note 12 above.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-PHLX-2022-25)

June __, 2022

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Options 4A, Section 12, Terms of Index Options Contracts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 6, 2022, 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 certain rule text within Options 4A, Section 12, Terms of Index Options Contracts, related to the listing of options on the Nasdaq-100[®] Volatility Index.

The Exchange also proposes to amend the Short Term Option Series Program within Options 4A, Section 12(b)(4).

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend certain rule text within Options 4A, Section 12, Terms of Index Options Contracts, related to the listing of options on the Nasdaq-100[®] Volatility Index (“VOLQ”). The Exchange also proposes to amend the Short Term Option Series Program within Options 4A, Section 12(b)(4). The changes are described below.

VOLQ

In 2021, Phlx received approval³ to list and trade options on VOLQ. Phlx subsequently received approval⁴ to amend the calculation of its final settlement price for

³ See Securities Exchange Act Release No. 91781 (May 5, 2021), 86 FR 25918 (May 11, 2021) (SR-Phlx-2020-41) (Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To List and Trade Options on a Nasdaq-100 Volatility Index) (“VOLQ Options Approval Order”).

⁴ See Securities Exchange Act Release No. 93628 (November 19, 2021), 86 FR 67555 (November 26, 2021) (SR-Phlx-2021-56) (Order Approving a Proposed Rule Change To Amend Options 4A, Section 12 Regarding the Calculation of the Closing Volume Weighted Average Price for Options on the Nasdaq-100 Volatility Index in Certain Circumstances) (“Amendment to VOLQ Options”).

options on VOLQ. Phlx has issued an Options Trader Alert announcing the launch of VOLQ on June 14, 2022.⁵

Background

VOLQ is a new options index product that would enable retail and institutional investors to manage volatility versus price risk. This index will measure “at-the-money” volatility, a precise measure of volatility used by investors. Unlike other indexes, this proposed novel product isolates at-the-money volatility for precise trading and hedging strategies. This product will provide investors information on volatility index returns by allowing them to observe increases and decreases of the Volatility Index. Specifically, VOLQ options will measure changes in 30-day implied volatility of the Nasdaq-100 Index (commonly known as and referred to by its ticker symbol, NDX). Options on the Volatility Index will be cash-settled and will have European-style exercise provisions.

Minimum Increments

The Exchange will list VOLQ options with standard minimum increments of \$0.05 for options trading below \$3.00 and \$0.10 for all other series pursuant to Options 3, Section 3(a).⁶ The minimum increments for VOLQ options were set forth in the VOLQ Options Original Filing which stated, “The Exchange proposes to utilize nickel and dime increments for trading the Volatility Index options. The Exchange believes that these trading increments will enable traders to make the most effective use of the product for

⁵ See Options Trader Alert #2022-16 (<http://www.nasdaqtrader.com/MicroNews.aspx?id=OTA 2022-16>).

⁶ Phlx Options 3, Section 3(a) provides, “Except as provided in Supplementary Material to Options 3, Section 3 below, all options on stocks, index options, and Exchange Traded Fund Shares trading at a price of \$3.00 or higher shall have a minimum increment of \$.10, and all options on stocks and index options trading at a price under \$3.00 shall have a minimum increment of \$.05.”

trading and hedging purposes.”⁷ Similarly, the VOLQ Options Approval Order provided, “All options on the Volatility Index will have a minimum increment of \$0.05 for options trading below \$3.00 and \$0.10 for all other series.”⁸

The Exhibit 5 attached to the VOLQ Options Original Filing inadvertently noted that VOLQ options would be traded in \$.01 increments.⁹ At this time, the Exchange proposes to remove the rule text within Supplementary Material .04 of Options 3, Section 3. The rule text is inconsistent with the VOLQ Options Original Filing and the VOLQ Options Approval. Removing the rule text would avoid confusion since the standard minimum increments specified within Options 3, Section 3(a) would apply. No other change is required to Options 3, Section 3 with respect to VOLQ options.

Closing Settlement Period

Phlx noted in the VOLQ Options Original Filing and the Amendment to VOLQ Options that,

[t]he Closing VWAP shall be determined by reference to the prices and sizes of executed orders or quotes in the thirty-two underlying Nasdaq-100[®] index (“NDX”) component options on Phlx, Nasdaq ISE, LLC and Nasdaq GEMX, LLC markets. Executed orders shall include simple orders and complex orders (excluding out-of-sequence and late trades), however, individual leg executions of a complex order will only be included if the executed price of the leg is at or within the NBBO. The following process is used to calculate the Closing VWAP of the VOLQ options. At the end of individual one-second time observations during a 300 second period of time (the “Closing Settlement Period”) commencing

⁷ See Securities Exchange Act Release No. 89725 (September 1, 2020), 85 FR 55544 at 55549 (September 8, 2020) (SR-Phlx-2020-41) (Notice of Filing of Proposed Rule Change To List and Trade Options on a Nasdaq-100[®] Volatility Index) (“VOLQ Options Original Filing”).

⁸ See VOLQ Options Approval Order at 25920.

⁹ See VOLQ Options Original Filing at Exhibit 5, “.04 All Nasdaq-100[®] Volatility Index Options shall have a minimum increment of \$.01.”

at 9:32:010 on the expiration day (or 2.01 minutes after the open of trading in the event trading does not commence at 9:30:000 A.M. ET), and continuing each second for the next 300 seconds, the number of contracts traded at each price during the observation period is multiplied by that price to yield a Reference Number.

* * * * *

In the event of a trading halt in one or more options, excluding a halt in all Nasdaq-100 index options, prior to the completion of the Closing Settlement Period, the Exchange would continue to look back for a One Second VWAP prior to looking forward. In the event of a trading halt in all Nasdaq-100 index options, the Exchange would commence the calculation of the settlement window beginning 2:00:01 minutes after the re-opening of trading and publish that value on its website. In this scenario, the Exchange would not look back prior to the trading halt.

At this time, Phlx proposes to amend the formatting of the timeframes for the Closing Settlement Period. The Exchange proposes to revise the references to “9:32:010” and “9:30:000” to instead state “9:32:01” and “9:30:00,” respectively. Representing the minutes as two decimals will avoid confusion as to the time intended. Additionally, the Exchange proposes to revise references to “2.01” and “2.00.01” to instead state “two minutes and one second” for clarity. These amendments are intended to conform the rule text and bring clarity to the timeframes.

Short Term Option Series Program

In 2013, Phlx amended the Short Term Option Series Program for equity options within Rule 1012 (currently Options 4, Section 5) to change the number of currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date from thirty to fifty options classes.¹⁰ Further, Phlx also

¹⁰ See Securities Exchange Act Release Nos. 70682 (October 15, 2013), 78 FR 62809 (October 22, 2013) (SR-Phlx-2013-101) (Notice of Filing of Proposed Rule Change Regarding the Short Term Option Series Program); and 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (SR-Phlx-2013-101) (Order Granting Approval of Proposed Rule Change Regarding the Short Term

amended the number of Short Term Option Series that the Exchange may open for each expiration date in that class from twenty to thirty.¹¹ At that time, the Exchange neglected to update the index options rules to make similar changes to the Short Term Option Series Program given that the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options.

Today, Options 4A, Section 12(b)(4) provides,

The Exchange may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the thirty-option class restriction, the Exchange also may 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 index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series on index options 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.

At this time, the Exchange proposes to amend Options 4A, Section 12(b)(4) to increase the number of currently listed options classes on which Short Term Option Series may be opened on any Short Term Option Opening Date from thirty to fifty options classes for index options. Additionally, the Exchange proposes to amend the number of Short Term Option Series the Exchange may open on index options for each expiration date in that class from twenty to thirty. These amendments would align the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5.

Options Program).

¹¹ Id.

As noted above, this amendment will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the aggregate limitations within equity and index options for listing Short Term Option Series. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.¹²

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ 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.

Removing inadvertent rule text describing minimum increments is consistent with the Act and will avoid confusion. The minimum increments for VOLQ options were set forth in the VOLQ Options Original Filing and the VOLQ Options Approval. The standard minimum increments specified within Options 3, Section 3(a) would apply to VOLQ options.

¹² See Cboe Exchange, Inc. Rules 4.5 and 4.13.

¹³ 15 U.S.C. 78f(b)

¹⁴ 15 U.S.C. 78f(b)(5).

Amending the formatting of the timeframes for the Closing Settlement Period is consistent with the Act. The proposed amendments to the timeframes will conform the rule text and bring clarity to the rule.

In 2013, Phlx amended the Short Term Option Series Program for equity options within Rule 1012 (currently Options 4, Section 5) to change the number of currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date from thirty to fifty options classes.¹⁵ Further, Phlx also amended the number of Short Term Option Series that the Exchange may open for each expiration date in that class from twenty to thirty.¹⁶ At that time, the Exchange neglected to update the index options rules to make similar changes to the Short Term Option Series Program given that the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the aggregate limitations within equity and index options for listing Short Term Option Series. Also, aligning the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5 will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index

¹⁵ See note 10 above.

¹⁶ See note 10 above.

options and is not apportioned between equity and index options. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.¹⁷

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Removing inadvertent rule text describing minimum increments does not impose an undue burden on competition because it will avoid confusion for investors.

Amending the formatting of the timeframes for the Closing Settlement Period does not impose an undue burden on competition, rather the amendment will conform the rule text and bring clarity to the rule.

Finally, amending Options 4A, Section 12(b)(4) to conform to the limitations provided within Supplementary .03(a) to Options 4, Section 5 will avoid confusion by making clear the aggregate limitations within equity and index options for listing Short Term Option Series. Also, aligning the limitations within Options 4A, Section 12(b)(4) with those currently within Supplementary .03(a) to Options 4, Section 5 will not result in a greater number of listings in the Short Term Option Series Program because the amount of options classes that may participate in the Short Term Option Series Program is aggregated between equity options and index options and is not apportioned between equity and index options. Today, Cboe has similar limitations within its equity and index Short Term Option Series Program.¹⁸

¹⁷ See note 12 above.

¹⁸ See note 12 above.

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 Act¹⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.²⁰

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.

¹⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

²⁰ 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.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PHLX-2022-25 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-PHLX-2022-25. 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-2022-25 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.²¹

J. Matthew DeLesDernier
Assistant Secretary

²¹ 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

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Options 3 Options Trading Rules

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Section 3. Minimum Increments

(a) Except as provided in Supplementary Material to Options 3, Section 3 below, all options on stocks, index options, and Exchange Traded Fund Shares trading at a price of \$3.00 or higher shall have a minimum increment of \$.10, and all options on stocks and index options trading at a price under \$3.00 shall have a minimum increment of \$.05.

(1) An order received at a price expressed in other than the appropriate minimum trading increment described in this Rule shall be rejected by the System.

(2) Different minimum trading increments for dealings in option contracts other than those specified in paragraph (a) may also be fixed by the Exchange from time to time for option contracts of a particular series.

Supplementary Material to Options 3, Section 3

* * * * *

[.04 All Nasdaq-100[®] Volatility Index Options shall have a minimum increment of \$.01.]

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Options 4A Options Index Rules

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Section 12. Terms of Index Options Contracts

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(b) After a particular class of stock index options has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Within each approved class of stock index options, the Exchange shall open for trading a minimum of one expiration month and series for each class of approved stock index options and may also open for trading series of options having not less than twelve and up to 60 months to

expiration (long-term options series) as provided in subparagraph (b)(2). Prior to the opening of trading in any series of stock index options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

* * * * *

(4) Short Term Option Series Program

After an index 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 consecutive Fridays that are business days ("Short Term Option Expiration Date"). 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 the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(A) The Exchange may select up to [thirty (30)]fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the [thirty-]fifty option class restriction, the Exchange also may 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 index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to [twenty (20)]thirty (30) Short Term Option Series on index options 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.

* * * * *

(6) Nasdaq-100[®] Volatility Index Options ("VOLQ options").

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(D) *Final Settlement Price Calculation.*

* * * * *

(II) The Closing VWAP shall be determined by reference to the prices and sizes of executed orders or quotes in the thirty-two underlying Nasdaq-100[®] index ("NDX") component options on Phlx, Nasdaq ISE, LLC and Nasdaq GEMX, LLC markets. Executed orders shall include simple orders and complex orders (excluding out-of-sequence and late trades), however, individual leg executions of a complex order will only be

included if the executed price of the leg is at or within the NBBO. The following process is used to calculate the Closing VWAP of the VOLQ options. At the end of individual one-second time observations during a 300 second period of time (the “Closing Settlement Period”) commencing at 9:32:01[0] on the expiration day (or [2.01]two minutes and one second after the open of trading in the event trading does not commence at 9:30:00[0] A.M. ET), and continuing each second for the next 300 seconds, the number of contracts traded at each price during the observation period is multiplied by that price to yield a Reference Number. All Reference Numbers are then summed, and that sum is then divided by the total number of contracts traded during the observation period [Sum of (contracts traded at a price x price) ÷ total contracts traded)] to calculate a Volume Weighted Average Price for that observation period (a “One Second VWAP”) for that component option. If no transactions occur on Phlx, ISE and GEMX during any one-second observation period, the NBBO midpoint at the end of the one second observation period will be considered the One Second VWAP for that observation period for purposes of this settlement methodology. VOLS would utilize the best bid and best offer, which may consist of a quote or an order, from among the listing markets (Phlx, Nasdaq ISE, LLC and Nasdaq GEMX, LLC markets).

If, during any one second of the observation period, any of the thirty-two NDX option series used for Closing VWAP do not have a trade/quote, the index calculator would look back and use the most recent published quote midpoint during that day for the One Second VWAP for the option component that does not have a trade/quote.

If there is no One Second VWAP to utilize for any of the thirty-two NDX option series during the Closing Settlement Period, then the index calculator will consider that Closing Settlement Period invalid and will be unable to determine a Closing VWAP at that time.

In the event the Closing Settlement Period is invalid and a Closing VWAP cannot be determined, the index calculator will then roll the Closing Settlement Period forward by one second and determine if there is a One Second VWAP for each of the thirty-two NDX option series for all 300 consecutive seconds of the new Closing Settlement Period. If there is a One Second VWAP for all of the thirty-two NDX option series for all 300 consecutive seconds of the new Closing Settlement Period, a Closing VWAP will be calculated. If a One Second VWAP is not present for all of the thirty-two NDX option series during any one second of the new observation period, the index calculator will again roll the Closing Settlement Period forward by one second. The index calculator would continue to roll the Closing Settlement Period forward by one second until such time as it is able to capture a One Second VWAP for each of the

thirty-two NDX option series for all 300 consecutive seconds of the new Closing Settlement Period. At that time, a Closing VWAP will be calculated.

Each One Second VWAP for each component option is then used to calculate the Volatility Index, resulting in the calculation of 300 sequential Volatility Index values. Finally, all 300 Volatility Index values will be arithmetically averaged (i.e., the sum of 300 Nasdaq-100[®] Volatility Index calculations is divided by 300) and the resulting figure is rounded to the nearest .01 to arrive at the settlement value disseminated under the ticker symbol VOLS.

In the event of a trading halt in one or more options, excluding a halt in all Nasdaq-100 index options, prior to the completion of the Closing Settlement Period, the Exchange would continue to look back for a One Second VWAP prior to looking forward. In the event of a trading halt in all Nasdaq-100 index options, the Exchange would commence the calculation of the settlement window beginning [2:00:01]two minutes and one second after the re-opening of trading and publish that value on its website. In this scenario, the Exchange would not look back prior to the trading halt.

* * * * *