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

File No. * SR 2023 - * 27

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"/>
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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)

Submit with link to Prefiling or Request for Waiver option

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
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Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>

Exhibit 3 Sent As Paper Document <input type="checkbox"/>

Description

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

Amend Phlx Options 3 and 4A

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 * <input type="text" value="Angela"/>	Last Name * <input type="text" value="Dunn"/>
Title * <input type="text" value="Principal Associate General Counsel"/>	
E-mail * <input type="text" value="angela.dunn@nasdaq.com"/>	
Telephone * <input type="text" value="(301) 496-5692"/>	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Nasdaq PHLX LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date <input type="text" value="06/27/2023"/>	(Title *)
By <input type="text" value="John Zecca"/> (Name *)	<input type="text" value="EVP and Chief Legal Officer"/>

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: 2023.06.27
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-Phlx-2023-27 19b4.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-2023-27 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-2023-27 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 its Rules at Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; Section 8, Options Opening Process; Section 10, Electronic Execution Priority and Processing in the System; Section 14, Complex Orders; and Section 15, Risk Protections.

The Exchange also proposes to amend Phlx Options 4A, Sections 6, Position Limits, and Section 12, Terms of Index Options Contracts.

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 (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:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

a. Purpose

Phlx proposes to amend Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; Section 8, Options Opening Process; Section 10, Electronic Execution Priority and Processing in the System; Section 14, Complex Orders; and Section 15, Risk Protections. The amendments proposed to the Options 3 Rules seek to codify the current System functionality and will not result in System changes.

The Exchange also proposes to amend Phlx Options 4A, Sections 6, Position Limits, and Section 12, Terms of Index Options Contracts. Each change will be discussed below.

Option 3, Sections 4 and 5

The Exchange proposes to codify existing functionality that allows Market Makers to submit their quotes to the Exchange in block quantities as a single bulk message. In other words, a Market Maker may submit a single message to the Exchange, which may contain bids and offers in multiple series. The Exchange's current rules do not specify bulk messaging for orders. The Exchange has historically provided Market Makers with information regarding bulk messaging in its publicly available technical specifications.³ To promote greater transparency, the Exchange is seeking to codify this

³ See <https://www.nasdaq.com/docs/2023/01/12/0054->

functionality in its Rulebook. Specifically, the Exchange proposes to amend Phlx Options 3, Section 4(b)(3) to memorialize that quotes may be submitted as a bulk message. The Exchange also proposes to add a definition of “bulk message” in new subparagraph (i) of Options 3, Section 4(b)(3), which will provide that a bulk message means a single electronic message submitted by a Market Maker to the Exchange which may contain a specified number of quotations as designated by the Exchange.⁴ The bulk message, submitted via SQF,⁵ may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message. MRX recently added bulk messages to MRX Options 3, Section 4(b)(3).⁶ The proposed

[Q23_SQF_8.2b%20akg_NAM.pdf](#).(specifying for bulk quoting of up to 200 quotes per quote block message). The specifications note in other places the manner in which a member or member organization can send such quote block messages.

⁴ Id. As noted above, quote bulk messages can presently contain up to 200 quotes per message. This is the maximum amount that is permitted in a bulk message. The Exchange would announce any change to these specifications in an Options Technical Update distributed to all members and member organizations.

⁵ “Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series. See Options 3, Section 7(a)(i)(B).

⁶ See Securities Exchange Act, Release No. 95982 (October 4, 2022), 87 FR 61391 (October 11, 2022) (SR-MRX-2022-18) (Notice of Filing and Immediate

amendment to the Rulebook to add Phlx Options 3, Section 4(b)(3) will not result in a System change.

The Exchange also proposes to amend Phlx Options 3, Section 4(b)(6) to provide the following,

A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through, violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) *as non-displayed*, and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. A similar change is proposed for Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include this language.⁷ At this time, the Exchange proposes to amend Phlx's rule text to reflect that the actual price remains non-displayed in this scenario. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(6) will not result in a System change.

Similarly, the Exchange proposes to add a new Phlx Options 3, Section 4(b)(7) to clarify that, today, Phlx's System will automatically execute eligible quotes using the

Effectiveness of Proposed Rule Change To Amend Its Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-18").

⁷ See Securities Exchange Act, Release No. 95807 (September 16, 2022), 87 FR 57933 (September 22, 2022) (SR-MRX-2022-16) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-16").

Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO")⁸ if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6). This rule text seeks to codify the current System function and make clear that the internal BBO is comprised of both orders and quotes.⁹ MRX recently amended Options 3, Section 4(b)(7) to include the same language.¹⁰ At this time, the Exchange proposes to align Phlx's rule text in Options 3, Section 4(b)(7) to MRX's rule text in Options 3, Section 4(b)(7). The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(7) will not result in a System change.

Finally, the Exchange proposes to amend Phlx Options 3, Section 5(c) to include a citation to Options 3, Section 4(b)(6) as the internal BBO is comprised of both orders and quotes, similar to MRX.¹¹

The amendments proposed to Options 3, Sections 4 and 5 do not change the current System functionality.

Options 3, Section 7

The Exchange proposes to amend the description of Specialized Quote Feed or "SQF" within Phlx Options 3, Section 7(a)(i)(B) to add rule text which states, "Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price

⁸ The internal BBO refers to the Exchange's non-displayed book.

⁹ The Exchange also proposes to re-number current Options 3, Section 4(b)(7) as (8).

¹⁰ See SR-MRX-2022-16.

¹¹ Id.

Protection, Market Order Spread Protection, or Size Limitation Protection in Options 3, Section 15(a)(1), (a)(2), and (b)(2) respectively.” This rule text is currently noted within Options 3, Section 7(c)(2)(B). The Exchange is adding the same language into the description of SQF to provide a more complete description. The addition of this information would align the level of information of Phlx’s rule text to Phlx’s rule text at Options 3, Section 7(a)(i)(B). The proposed amendment to Phlx Options 3, Section 77(a)(i)(B) will not result in System changes.

The Exchange proposes to relocate, without amendment, the Legging Order type from Phlx Options 3, Section 14(f)(iii)(C) to Options 3, Section 7(b)(10) to place the order type with other simple order book order types.

Options 3, Section 8

The Exchange proposes to amend Phlx Options 3, Section 8(j)(3), which currently describes the determination of Opening Quote Range (“OQR”) boundaries in certain scenarios.¹² Specifically, the Exchange proposes to replace “are marketable against the ABBO” with “cross the ABBO” to precisely describe the specified scenario within this rule. The Exchange notes that this is not a System change, rather this amendment clarifies the applicability of the rule text. This change is identical to a change recently made on MRX at Options 3, Section 8(i)(3).¹³ The proposed amendment to Phlx Options 3, Section 8(j)(3) will not result in a System change.

Next, the Exchange proposes to amend Phlx Options 3, Section 8(k)(D) to align

¹² OQR is an additional type of boundary used in the Opening Process, and is intended to limit the opening price to a reasonable, middle ground price, thus reducing the potential for erroneous trades during the Opening Process.

¹³ See SR-MRX-2022-18.

Phlx's rule text with that of MRX Options 3, Section 8(j)(6)(i) by stating "Pursuant to Options 3, Section 8(k)(C)(6), the System will re-price Do Not Route orders (that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to *the current away best offer (for bids) or the current away best bid (for offers) as non-displayed, and display at a price that is one minimum trading increment inferior to the ABBO, and disseminate the re-priced DNR Order as part of the new PBBO.*" The proposed language more explicitly describes the manner in which the Exchange will re-price orders and would mirror rule text in Phlx Options 3, Section 4(b)(6). The proposed amendment to Phlx Options 3, Section 8(k)(D) will not result in a System change.

Options 3, Section 10

The Exchange proposes to amend Options 3, Section 10(a)(1)(C) to add a sentence which states that "This participation entitlement will be considered after the Opening Process." The Directed Market Maker entitlement requires a Market Maker to quote at or better than the internal BBO or NBBO. The NBBO would not be available pre-opening. The Exchange proposes to add this language to provide clarity. The proposed amendment to Phlx Options 3, Section 10(a)(1)(C) will not result in a System change.

Options 3, Section 15

MRX recently amended its Order Price Protection ("OPP")¹⁴ rule.¹⁵ MRX's OPP rule utilized different rule text to explain the OPP functionality than is currently on Phlx. At this time, the Exchange proposes to amend Phlx Options 3, Section 15(a)(1) to align

¹⁴ OPP prevents the execution of Limit Orders at prices outside pre-set parameters.

¹⁵ See SR-MRX-2022-18.

Phlx's rule text to MRX's rule text within Options 3, Section 15(a)(1)(A). Specifically, the Exchange proposes to remove the references to "Day Limit, Good til Cancelled, Immediate-or-Cancel and All-or-None Orders" and, instead, simply refer to "Limit" Orders as that order type accurately captures the scope of the orders subject to OPP. Further, the Exchange proposes to remove "Market Orders" from the next sentence since OPP only applies to Limit Orders. The Exchange also proposes to capitalize "Opening" and add Process in Options 2, Section 15(a)(1)(A) to refer to the Opening Process within Options 3, Section 8. The proposed amendment to Options 3, Section 15(a)(1) will not result in a System change.

Additionally, the Exchange proposes to amend its Acceptable Trade Range ("ATR") Rule within Phlx Options 3, Section 15(b)(1).¹⁶ MRX recently amended its ATR rule.¹⁷ MRX's ATR rule utilized different rule text to explain the ATR functionality. At this time, the Exchange proposes to amend Options 3, Section 15(b)(1)(A) to add the internal BBO concept described above with respect to Options 3, Sections 4 and 5. Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. The best price on the order book could therefore be non-displayed. The addition of this language makes clear the manner in which the System calculates the Reference Price.

¹⁶ ATR is designed to guard against the System from experiencing dramatic price swings by preventing the immediate execution of quotes and orders beyond the thresholds set by the protection.

¹⁷ See SR-MRX-2022-16.

The Exchange proposes to amend Options 3, Section 15(b)(1)(B) to add the words “after the Posting Period” to explain when a new ATR would be calculated to provide more context to the rule. The Exchange also proposes to amend Options 3, Section 15(b)(1)(B) and (C) to add the word “quote” where it was omitted.

Additionally, similar to MRX Options 3, Section 15(a)(2)(A)(v) the Exchange proposes to add the following rule text within Phlx Options 3, Section 15(b)(1)(D),

There will be three categories of options for Acceptable Trade Range: (1) Penny Interval Program Options trading in one cent increments for options trading at less than \$3.00 and increments of five cents for options trading at \$3.00 or more, (2) Penny Interval Program Options trading in one-cent increments for all prices, and (3) Non-Penny Interval Program Options.

This is how Phlx operates today. This rule text makes clear the application of Phlx Options 3, Section 3 to the ATR rule by explicitly stating the Exchange’s ability to set different ATR values by options category. These ATR values are set forth in Phlx’s System Settings document which is posted online.¹⁸ The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

Options 4A, Sections 6 and 12

The Exchange no longer lists options on the Russell indexes. Specifically, the Exchange has not listed options on the Full Value Russell 2000®Options, Reduced Value Russell 2000®Options, Russell 3000®Index, Russell 3000®Value Index, Russell 3000®Growth Index, Russell 2500™ Index, Russell 2500™ Value Index, Russell 2500™ Growth Index, Russell 2000®Value Index, Russell 2000®Growth Index, Russell

¹⁸ <https://www.nasdaq.com/docs/PHLXSystemSettings>.

1000®Index, Russell 1000®Value Index, Russell 1000®Growth Index, Russell Top 200®Index, Russell Top 200®Value Index, Russell Top 200®Growth Index, Russell MidCap®Index, Russell MidCap®Value Index, Russell MidCap®Growth Index, Russell Small Cap Completeness®Index, Russell Small Cap Completeness®Value Index and the Russell Small Cap Completeness®Growth Index (collectively “Russell U.S. Indexes”) in several years. At this time, the Exchange proposes to remove the Russell Indexes from Options 4A, Sections 6(a)(i), (iii) and 6(c), as well as references within Options 4A, Section 12(a)(2) and Supplementary Material .01 and .03 of Options 4A, Section 12 because options on the Russell Indexes are no longer listed on Phlx.

The Exchange proposes to remove a reference to the Reduced Value Nasdaq 100® Index or “MNX” within Options 4A, Section 12(a)(2)(I). Phlx delisted MNX on April 7, 2017 and removed references to MNX in its rules.¹⁹

The Exchange proposes to remove the reference to “Reduced value long term options, also known as LEAPS” as this phrase is not necessary within Options 4A, Section 12(a)(2)(J). Options 4A, Section 12(b)(2) addresses Long-Term Option Series or “LEAPS” including those for certain reduced value index options such as the Micro Index Long Term Options Series.

The Exchange proposes to modify Options 4A, Section 12(a)(5) to remove Phlx’s Gold/Silver SectorSM Index or “XAU”SM.²⁰ Today, XAU has an American-style²¹

¹⁹ See Securities Exchange Act Release No. 80474 (April 17, 2017), 82 FR 18795 (April 21, 2017) (SR-Phlx-2017-30).

²⁰ Phlx’s Gold/Silver SectorSM Index or “XAU”SM is a p.m.-settled capitalization-weighted index composed of the stocks of widely held U.S. listed companies involved in the gold/silver mining industry.

expiration and is currently reflected as having a European-style²² expiration in Options 4A, Section 12(a)(5). In 2021, Phlx amended Options 4A, Section 12 to reflect XAU as a having a European-style expiration;²³ the change was incorrect. XAU was originally filed as having an American-style exercise and not a European-style-exercise.²⁴ The Exchange proposes to re-letter the remaining subparagraphs within Options 4A, Section 12(b)(5).

At this time, the Exchange proposes to add the Phlx Gold/Silver Index to proposed new Options 4A, Section (a)(7) which would state,

“American-Style Exercise.” American-style index options, some of which may be A.M.-settled as provided in subparagraph (e) or P.M.-settled as provided for in paragraph (f), are approved for trading on the Exchange on the following indexes:

The Exchange would list Phlx Gold/Silver Index within subparagraph (i) and would list Phlx’s Semiconductor SectorSM Index or “SOX”²⁵ within subparagraph (ii). Currently,

²¹ American-style exercise permits option holders to exercise their options on any Exchange business day up to and including the last business day immediately prior to the expiration date.

²² European-style exercise permits option holders only to exercise their options on the expiration date.

²³ See Securities Exchange Act Release No. 93898 (January 4, 2022), 87 FR1238 (January 10, 2022) (SR-Phlx-2021-76) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New Options 4A, Sections 4 and 14, Related to Index Options, and Amend Other Phlx Rules).

²⁴ See Securities Exchange Act Release No. 20437 (December 2, 1983), 48 FR 55229 (December 9, 1983) (SR-Phlx-83-17). See also Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

²⁵ Phlx’s Semiconductor SectorSM Index or “SOX”SM is an a.m.-settled modified market capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

SOX is not listed as either having a European-style or American-style exercise within Options 4A, Section 12. SOX has an American-style expiration²⁶ and the Exchange proposes to list the index as such.

Next, the Exchange proposes to amend Options 4A, Section 12(e)(II) to remove the Phlx Gold/Silver Sector Index from the list of a.m.-settled options. In 2021, Phlx amended Options 4A, Section 12 to reflect XAU as a having an a.m.-settlement;²⁷ the change was incorrect. The Phlx Gold/Silver Sector Index has always been a p.m.-settled index option²⁸ and the Exchange proposes to list the index as such. The Exchange proposes to re-letter the remaining subparagraphs within Options 4A, Section 12(e)(II).

At this time, the Exchange proposes to add the Phlx Gold/Silver Sector Index to the list of p.m.-settled indexes within Options 4A, Section 12(f).

Finally, the Exchange proposes to add a hyphen to the term “Nasdaq 100” within Options 4A, Sections 6 and 12 where the hyphen is missing.

²⁶ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 (February 25, 2010) (SR-Phlx-2010-20).

²⁷ See Securities Exchange Act Release No. 93898 (January 4, 2022), 87 FR1238 (January 10, 2022) (SR-Phlx-2021-76) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New Options 4A, Sections 4 and 14, Related to Index Options, and Amend Other Phlx Rules).

²⁸ See Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,³⁰ 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.

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) is consistent with the Act as it will codify existing functionality, thereby promoting transparency in the Exchange's rules and reducing any potential confusion.³¹ This functionality provides Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate, consistent with the purpose of the bulk message functionality to facilitate Market Makers' provision of liquidity. By providing Market Makers with additional control over the quotes they use to provide liquidity to the Exchange, this tool may benefit all investors through additional execution opportunities at potentially improved prices. Today, MRX offers this same functionality within Options 3, Section 4(b)(3). Further, the Exchange does not believe that the offering the bulk message functionality to only Market Makers would permit unfair discrimination. Market Makers play a unique

²⁹ 15 U.S.C. 78f(b).

³⁰ 15 U.S.C. 78f(b)(5).

³¹ As discussed above, this existing functionality is currently described in the Exchange's publicly available technical specifications. See supra note 3.

and critical role in the options market by providing liquidity and active markets, and are subject to various quoting obligations which other market participants are not, including obligations to maintain active markets, update quotes in response to changed market conditions, to compete with other Market Makers in its appointed classes, and to provide intra-day quotes in its appointed classes.³² Bulk message functionality provides Market Makers with a means to help them satisfy these obligations. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(3) will not result in a System change.

The Exchange's proposal to amend Options 3, Section 4(b)(6) to make clear that the actual price remains non-displayed during re-pricing is consistent with the Act and removes impediments to and perfects the mechanism of a free and open market and a national market system because it displays a re-priced order that does not lock or cross an away market. The rule text clearly explains that the best bid or offer will be non-displayed and the re-priced order will be displayed. A similar change is proposed for Phlx Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include the same language.³³ The proposed change aligns Phlx's rule text to MRX's rule text. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(6) will not result in a System change.

The Exchange's proposal to add a new Options 3, Section 4(b)(7) to clarify that, today, Phlx's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant

³² See Options 2, Sections 4 and 5.

³³ See SR-MRX-2022-16.

to Options 3, Section 5(d) and Options 3, Section 4(b)(6) is consistent with the Act and protects investors and the public interest. This rule text seeks to codify the current System function and make clear that the internal BBO is comprised of both orders and quotes, both of which are considered for price checks. MRX recently amended Options 3, Section 4(b)(7) to include this language.³⁴ The proposed change aligns Phlx's rule text to MRX's rule text. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(7) will not result in a System change.

Options 3, Section 7

The Exchange's proposal to amend the description of SQF within Options 3, Section 7(e)(1)(B) is consistent with the Act as this rule text is currently noted within Options 3, Section 7(a)(i)(B). The addition of this language into the description of SQF provides a more complete description of this protocol. The addition of this information also aligns the level of information with that offered on MRX for SQF within Options 3, Section 7(e)(1)(B). The proposed amendment to Phlx Options 3, Section 7(e)(1)(B) will not result in a System change.

The Exchange's proposal to relocate, without amendment, the Legging Order type from Phlx Options 3, Section 14(f)(iii)(C) to Options 3, Section 7(b)(10) is a non-substantive amendment that will place the order type with other simple order book order types.

Options 3, Section 8

The Exchange's proposal to amend Phlx Options 3, Section 8(j)(3) to replace "are marketable against the ABBO" with "cross the ABBO" is consistent with the Act as the

³⁴ Id.

proposed new language precisely describes the specified scenario within in this rule. The Exchange notes that this is not a System change, rather this amendment clarifies the applicability of the rule text. This change is identical to a change recently made on MRX at Options 3, Section 8(i)(3).³⁵

The Exchange's proposal to amend Phlx Options 3, Section 8(k)(D) to align Phlx's rule text with that of MRX Options 3, Section 8(j)(6)(i) is consistent with the Act as the proposed language more explicitly describes the manner in which the Exchange will re-price orders and would mirror rule text in Phlx Options 3, Section 4(b)(6). The proposed amendment to Phlx Options 3, Section 8(k)(D) will not result in a System change.

Options 3, Section 10

The Exchange's proposal to amend Options 3, Section 10(a)(1)(C) to add a sentence which states that "This participation entitlement will be considered after the Opening Process" is consistent with the Act because the NBBO would not be available pre-opening. The Exchange proposes to add this language to provide clarity. The proposed amendment to Phlx Options 3, Section 10(a)(1)(C) will not result in a System change.

Options 3, Section 15

The Exchange's proposal to amend Phlx Options 3, Section 15(a)(1) to align Phlx's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) is

³⁵ See SR-MRX-2022-18.

consistent with the Act³⁶ because removing the references to “Day Limit, Good til Cancelled, Immediate-or-Cancel and All-or-None Orders” and, instead, referring to “Limit” Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to Market Orders. The proposed amendment to Options 3, Section 15(a)(1) will not result in a System change.

The Exchange’s proposal to amend the ATR Rule within Options 3, Section 15(b)(1) is consistent with the Act. MRX recently amended its ATR rule.³⁷ MRX’s ATR rule utilized different rule text to explain the ATR functionality. Amending Options 3, Section 15(b)(1)(A) to add the internal BBO concept similar to language proposed for Options 3, Sections 4 and 5 is consistent with the Act. Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. The best price on the order book could therefore be non-displayed. The addition of this language makes clear the manner in which the System calculates the Reference Price.

Amending Phlx Section 15(b)(1) to add the words “after the Posting Period” to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word “quote” in Options 3, Section 15(b)(1)(B) and (C), where it is omitted, will add clarity. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

³⁶ MRX recently amended its Order Price Protection (“OPP”) rule. See SR-MRX-2022-18.

³⁷ See SR-MRX-2022-16.

Also, adding rule text within Phlx Options 3, Section 15(b)(1)(D) to make clear the Exchange's ability to set different ATR values by options category is consistent with the Act because the ATR risk protection limits the range of prices at which an order and quote trades and would take into account the minimum increment. The ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

Options 4A, Sections 6 and 12

The Exchange's proposal to remove the Russell Indexes from Options 4A, Sections 6(a)(i), (iii) and 6(c), as well as references within Options 4A, Section 12(a)(2) and Supplementary Material .01 and .03 of Options 4A, Section 12 is consistent with the Act and protect investors and the public interest because options on the Russell Indexes are no longer listed on Phlx.

The Exchange's proposal to remove a reference to the Reduced Value Nasdaq 100® Index or "MNX" within Options 4A, Section 12(a)(2)(I) is consistent with the Act because Phlx delisted MNX on April 7, 2017³⁸ and no longer trades MNX.

The Exchange's proposal to remove the reference to "Reduced value long term options, also known as LEAPS" is consistent with the Act because Options 4A, Section 12(b)(2) addresses Long-Term Option Series or "LEAPS" including those for certain reduced value index options such as the Micro Index Long Term Options Series.

The Exchange's proposal to modify Options 4A, Section 12(a)(5) to XAU from

³⁸ See Securities Exchange Act Release No. 80474 (April 17, 2017), 82 FR 18795 (April 21, 2017) (SR-Phlx-2017-30).

Options 4A, Section 12(a)(5) and add it to proposed new Options 4A, Section (a)(7), relating to American-style exercise is consistent with the Act and protect investors and the public interest because it would reflect the indexes correct exercise style. XAU was originally filed as having an American-style exercise and not a European-style-exercise.³⁹

The Exchange's proposal to list SOX within proposed new Options 4A, Section (a)(7) is consistent with the Act and protect investors and the public interest because it would reflect the indexes exercise style. SOX has an American-style expiration⁴⁰ and the Exchange proposes to list the index as such.

The Exchange's proposal to amend Options 4A, Section 12(e)(II) to remove XAU from the list of a.m.-settled options and add it to the list of p.m.-settled indexes within Options 4A, Section 12(f) is consistent with the Act and protect investors and the public interest because it would reflect the indexes correct settlement style. XAU has always been a p.m.-settled index option.⁴¹

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the

³⁹ See Securities Exchange Act Release No. 20437 (December 2, 1983), 48 FR 55229 (December 9, 1983) (SR-Phlx-83-17). See also Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

⁴⁰ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 (February 25, 2010) (SR-Phlx-2010-20).

⁴¹ See Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

Act.

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on intra-market competition. While the Exchange currently offers this functionality to Market Makers only, bulk messaging is intended to provide Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate. As such, the Exchange believes that this functionality may facilitate Market Makers' provision of liquidity, thereby benefiting all market participants through additional execution opportunities at potentially improved prices. Furthermore, while the Exchange will offer the proposed Post-Only Quote Configuration to Market Makers only, the proposed risk protection will enhance the ability of Market Makers to add liquidity and avoid removing liquidity from the Exchange's order book in the manner described above. Greater liquidity benefits all market participants by providing more trading opportunities and attracting greater participation by Market Makers. The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on inter-market competition as other options exchanges may adopt this functionality.

The Exchange's proposal to amend Phlx's rules at Options 3, Section 4(b)(6) and Options 3, Section 4(b)(7) do not impose an undue burden on competition because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns Phlx's rule text to MRX's rule text.

Options 3, Section 7

Amending the description of SQF within Options 3, Section 7(e)(1)(B) does not impose an undue burden on competition. The addition of this language into the description of SQF provides a more complete description of this protocol.

The Exchange's proposal to relocate, without amendment, the Legging Order type from Phlx Options 3, Section 14(f)(iii)(C) to Options 3, Section 7(b)(10) is a non-substantive amendment that will place the order type with other simple order book order types.

Options 3, Section 8

The Exchange's proposal to amend Phlx Options 3, Section 8(j)(3) to replace "are marketable against the ABBO" with "cross the ABBO" does not impose an undue burden on competition, rather this proposed new language precisely describes the specified scenario within in this rule.

The Exchange's proposal to amend Phlx Options 3, Section 8(k)(D) to align Phlx's rule text with that of MRX Options 3, Section 8(j)(6)(i) does not impose an undue burden on competition, rather the proposed language more explicitly describes the manner in which the Exchange will re-price orders and would mirror rule text in Phlx Options 3, Section 4(b)(6).

Options 3, Section 10

The Exchange's proposal to amend Options 3, Section 10(a)(1)(C) to add a sentence which states that "This participation entitlement will be considered after the Opening Process" is consistent with the Act because the NBBO would not be available pre-opening. The Exchange proposes to add this language to provide clarity. The

proposed amendment to Phlx Options 3, Section 10(a)(1)(C) will not result in a System change.

Options 3, Section 15

The Exchange's proposal to amend Phlx Options 3, Section 15(a)(1) to align Phlx's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) does not impose an undue burden on competition because removing the references to "Day Limit, Good til Cancelled, Immediate-or-Cancel and All-or-None Orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to Market Orders.

The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) does not impose an undue burden on competition. Amending Options 3, Section 15(b)(1)(A) to add the internal BBO concept similar to language proposed for Options 3, Sections 4 and 5 does not impose an undue burden on competition. Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. The best price on the order book could therefore be non-displayed. The addition of this language makes clear the manner in which the System calculates the Reference Price.

Amending Phlx Section 15(b)(1) to add the words "after the Posting Period" to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word "quote" in Options 3, Section 15(b)(1)(B) and (C), where it is omitted, will add clarity. Adding rule text within Phlx Options 3, Section 15(b)(1)(D) to make clear the Exchange's ability to

set different ATR values by options category does not impose an undue burden on competition because the ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule.

Options 4A, Sections 6 and 12

The Exchange's proposal to remove the Russell Indexes from Options 4A, Sections 6(a)(i), (iii) and 6(c), as well as references within Options 4A, Section 12(a)(2) and Supplementary Material .01 and .03 of Options 4A, Section 12 does not impose an undue burden on competition because no Phlx member or member organization would be able to trade Russell Indexes.

The Exchange's proposal to remove a reference to the Reduced Value Nasdaq 100® Index or "MNX" within Options 4A, Section 12(a)(2)(I) does not impose an undue burden on competition because Phlx delisted MNX on April 7, 2017⁴² and no member or member organization may trade MNX.

The Exchange's proposal to remove the reference to "Reduced value long term options, also known as LEAPS" does not impose an undue burden on competition because all members and member organizations may trade LEAPs on certain reduced value index options such as the Micro Index Long Term Options Series pursuant to Options 4A, Section 12(b)(2).

The Exchange's proposal to modify Options 4A, Section 12(a)(5) to XAU from Options 4A, Section 12(a)(5) and add it to proposed new Options 4A, Section (a)(7),

⁴² See Securities Exchange Act Release No. 80474 (April 17, 2017), 82 FR 18795 (April 21, 2017) (SR-Phlx-2017-30).

relating to American-style exercise does not impose an undue burden on competition because it would reflect the indexes correct exercise style. All Phlx members and member organizations would be able to transact XAU with an American-style exercise. The Exchange's proposal to list SOX within proposed new Options 4A, Section (a)(7) does not impose an undue burden on competition because it would reflect the indexes exercise style. All Phlx members and member organizations would be able to transact SOX with an American-style exercise. The Exchange's proposal to amend Options 4A, Section 12(e)(II) to remove XAU from the list of a.m.-settled options and add it to the list of p.m.-settled indexes within Options 4A, Section 12(f) does not impose an undue burden on competition because it would reflect the indexes correct settlement style. All Phlx members and member organizations would be able to transact XAU with a p.m.-settlement.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)⁴³ of the Act and Rule 19b-4(f)(6) thereunder⁴⁴ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii)

⁴³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴⁴ 17 CFR 240.19b-4(f)(6).

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.

As described in Items 3 and 4 above, the majority of the proposed rule changes are based on the rules of MRX. The proposed rule changes align the Exchange's System functionality across the Nasdaq affiliated options exchanges. The proposed rule changes are consistent with the protection of investors and the public interest because it will allow the Exchange to continue to harmonize its technology on Nasdaq affiliated options exchanges. All System functionality as described above will be available to all Participants, other than the bulk message functionality. While these tools are only available to Market Makers, the Exchange believes that its offerings will encourage Market Makers to quote tighter and deeper markets, which will increase liquidity on the Exchange, thereby benefiting all market participants in the quality of order interaction. The Exchange believes that the proposed changes do not significantly affect the protection of investors or the public interest for these reasons and further the proposed rule changes.

Removing Russell Indexes and MNX references does not significantly affect the protection of investors or the public interest because these products are no longer listed on Phlx. The Exchange's proposal to remove the reference to "Reduced value long term options, also known as LEAPS" does not significantly affect the protection of investors or the public interest because Options 4A, Section 12(b)(2) addresses Long-Term Option Series or "LEAPS" including those for certain reduced value index options such as the

Micro Index Long Term Options Series. The Exchange's proposal to modify Options 4A, Section 12(a)(5) to XAU from Options 4A, Section 12(a)(5) and add it to proposed new Options 4A, Section (a)(7), relating to American-style exercise would reflect the indexes correct exercise style. XAU was originally filed as having an American-style exercise and not a European-style-exercise.⁴⁵ The Exchange's proposal to list SOX within proposed new Options 4A, Section (a)(7) would reflect the indexes exercise style. SOX has an American-style expiration⁴⁶ and the Exchange proposes to list the index as such. The Exchange's proposal to amend Options 4A, Section 12(e)(II) to remove XAU from the list of a.m.-settled options and add it to the list of p.m.-settled indexes within Options 4A, Section 12(f) would reflect the indexes correct settlement style. XAU has always been a p.m.-settled index option.⁴⁷

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose any significant burden on competition. While the Exchange currently offers this functionality to Market Makers only, bulk messaging is intended to provide Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate. As such, the

⁴⁵ See Securities Exchange Act Release No. 20437 (December 2, 1983), 48 FR 55229 (December 9, 1983) (SR-Phlx-83-17). See also Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

⁴⁶ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 (February 25, 2010) (SR-Phlx-2010-20).

⁴⁷ See Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

Exchange believes that this functionality may facilitate Market Makers' provision of liquidity, thereby benefiting all market participants through additional execution opportunities at potentially improved prices. The Exchange's proposal to amend Options 3, Section 4(b)(6) and Options 3, Section 4(b)(7) does not impose any significant burden on competition because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns Phlx's rule text to MRX's rule text. The Exchange's proposal to amend Phlx Options 3, Section 15(a)(1) to align Phlx's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) does not impose any significant burden on competition because removing the references to "Day Limit, Good til Cancelled, Immediate-or-Cancel and All-or-None Orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to Market Orders. The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) does not impose any significant burden on competition. Further, adding the concept of "internal BBO" into the ATR rule because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns Phlx's rule text to MRX's rule text. Adding rule text within Phlx Options 3, Section 15(b)(1)(C) to make clear the Exchange's ability to set different ATR values by options category does not impose any significant burden on competition because the ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule.

Further, No Phlx member or member organization would be able to trade Russell Indexes or MNX. Removing a reference to "Reduced value long term options, also

known as LEAPS” does not impose any significant burden on competition because all members and member organizations may trade LEAPs on certain reduced value index options such as the Micro Index Long Term Options Series pursuant to Options 4A, Section 12(b)(2). All Phlx members and member organizations would be able to transact XAU with an American-style exercise and p.m.-settled. Also, all Phlx members and member organizations would be able to transact SOX with an American-style exercise. No Phlx member or member organization would be subject to this rule.

Furthermore, Rule 19b-4(f)(6)(iii)⁴⁸ 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 correctly

⁴⁸ 17 CFR 240.19b-4(f)(6)(iii).

list XAU as an American-style, p.m.-settled index and list SOX as an American-style index to protect investors and the general public by avoiding confusion as to the manner in which those index options trade.

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

Various proposed Phlx rule changes are identical to MRX rule text, such as:

- the bulk message functionality proposed within Phlx Options 3, Section 4(b)(3), which is identical to functionality within MRX Options 3, Section 4(b)(3);
- the amendment to quote and order re-pricing within Phlx Options 3, Section 4(b)(6) and (7) and Options 3, Section 5(d), which are identical to MRX Options 3, Section 4(b)(6) and (7) and Options 3, Section 5(d), respectively;
- the amendment to OPP within Phlx Options 3, Section 15(a)(1) is identical to rule text MRX Options 3, Section 15(a)(1)(A); and
- the amendment to ATR within Phlx Options 3, Section 15(b)(1), which is identical to MRX Options 3, Section 15(b)(1).

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

Not applicable.

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

Not applicable.

11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2023-27)

June __, 2023

Self-Regulatory Organizations; Nasdaq Phlx LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx Options 3 and 4A Rules

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 27, 2023, 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 its Rules at Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; Section 8, Options Opening Process; Section 10, Electronic Execution Priority and Processing in the System; Section 14, Complex Orders; and Section 15, Risk Protections.

The Exchange also proposes to amend Phlx Options 4A, Sections 6, Position Limits, and Section 12, Terms of Index Options Contracts.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

Phlx proposes to amend Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; Section 8, Options Opening Process; Section 10, Electronic Execution Priority and Processing in the System; Section 14, Complex Orders; and Section 15, Risk Protections. The amendments proposed to the Options 3 Rules seek to codify the current System functionality and will not result in System changes.

The Exchange also proposes to amend Phlx Options 4A, Sections 6, Position Limits, and Section 12, Terms of Index Options Contracts. Each change will be discussed below.

Option 3, Sections 4 and 5

The Exchange proposes to codify existing functionality that allows Market Makers to submit their quotes to the Exchange in block quantities as a single bulk message. In other words, a Market Maker may submit a single message to the Exchange, which may contain bids and offers in multiple series. The Exchange's current rules do

not specify bulk messaging for orders. The Exchange has historically provided Market Makers with information regarding bulk messaging in its publicly available technical specifications.³ To promote greater transparency, the Exchange is seeking to codify this functionality in its Rulebook. Specifically, the Exchange proposes to amend Phlx Options 3, Section 4(b)(3) to memorialize that quotes may be submitted as a bulk message. The Exchange also proposes to add a definition of “bulk message” in new subparagraph (i) of Options 3, Section 4(b)(3), which will provide that a bulk message means a single electronic message submitted by a Market Maker to the Exchange which may contain a specified number of quotations as designated by the Exchange.⁴ The bulk message, submitted via SQF,⁵ may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message. MRX recently added bulk messages to MRX Options 3, Section 4(b)(3).⁶ The proposed

³ See https://www.nasdaq.com/docs/2023/01/12/0054-Q23_SQF_8.2b%20akg_NAM.pdf (specifying for bulk quoting of up to 200 quotes per quote block message). The specifications note in other places the manner in which a member or member organization can send such quote block messages.

⁴ Id. As noted above, quote bulk messages can presently contain up to 200 quotes per message. This is the maximum amount that is permitted in a bulk message. The Exchange would announce any change to these specifications in an Options Technical Update distributed to all members and member organizations.

⁵ “Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series. See Options 3, Section 7(a)(i)(B).

⁶ See Securities Exchange Act, Release No. 95982 (October 4, 2022), 87 FR 61391 (October 11, 2022) (SR-MRX-2022-18) (Notice of Filing and Immediate Effectiveness of Proposed Rule

amendment to the Rulebook to add Phlx Options 3, Section 4(b)(3) will not result in a System change.

The Exchange also proposes to amend Phlx Options 3, Section 4(b)(6) to provide the following,

A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through, violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) *as non-displayed*, and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. A similar change is proposed for Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include this language.⁷ At this time, the Exchange proposes to amend Phlx's rule text to reflect that the actual price remains non-displayed in this scenario. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(6) will not result in a System change.

Similarly, the Exchange proposes to add a new Phlx Options 3, Section 4(b)(7) to clarify that, today, Phlx's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order

Change To Amend Its Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-18").

⁷ See Securities Exchange Act, Release No. 95807 (September 16, 2022), 87 FR 57933 (September 22, 2022) (SR-MRX-2022-16) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Certain Rules in Connection With a Technology Migration to Enhanced Nasdaq Functionality) ("SR-MRX-2022-16").

book (“internal BBO”)⁸ if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6). This rule text seeks to codify the current System function and make clear that the internal BBO is comprised of both orders and quotes.⁹ MRX recently amended Options 3, Section 4(b)(7) to include the same language.¹⁰ At this time, the Exchange proposes to align Phlx’s rule text in Options 3, Section 4(b)(7) to MRX’s rule text in Options 3, Section 4(b)(7). The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(7) will not result in a System change.

Finally, the Exchange proposes to amend Phlx Options 3, Section 5(c) to include a citation to Options 3, Section 4(b)(6) as the internal BBO is comprised of both orders and quotes, similar to MRX.¹¹

The amendments proposed to Options 3, Sections 4 and 5 do not change the current System functionality.

Options 3, Section 7

The Exchange proposes to amend the description of Specialized Quote Feed or “SQF” within Phlx Options 3, Section 7(a)(i)(B) to add rule text which states, “Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, Market Order Spread Protection, or Size Limitation Protection in Options 3, Section 15(a)(1), (a)(2), and (b)(2) respectively.” This rule text is currently noted within

⁸ The internal BBO refers to the Exchange’s non-displayed book.

⁹ The Exchange also proposes to re-number current Options 3, Section 4(b)(7) as (8).

¹⁰ See SR-MRX-2022-16.

¹¹ Id.

Options 3, Section 7(c)(2)(B). The Exchange is adding the same language into the description of SQF to provide a more complete description. The addition of this information would align the level of information of Phlx's rule text to Phlx's rule text at Options 3, Section 7(a)(i)(B). The proposed amendment to Phlx Options 3, Section 77(a)(i)(B) will not result in System changes.

The Exchange proposes to relocate, without amendment, the Legging Order type from Phlx Options 3, Section 14(f)(iii)(C) to Options 3, Section 7(b)(10) to place the order type with other simple order book order types.

Options 3, Section 8

The Exchange proposes to amend Phlx Options 3, Section 8(j)(3), which currently describes the determination of Opening Quote Range ("OQR") boundaries in certain scenarios.¹² Specifically, the Exchange proposes to replace "are marketable against the ABBO" with "cross the ABBO" to precisely describe the specified scenario within this rule. The Exchange notes that this is not a System change, rather this amendment clarifies the applicability of the rule text. This change is identical to a change recently made on MRX at Options 3, Section 8(i)(3).¹³ The proposed amendment to Phlx Options 3, Section 8(j)(3) will not result in a System change.

Next, the Exchange proposes to amend Phlx Options 3, Section 8(k)(D) to align Phlx's rule text with that of MRX Options 3, Section 8(j)(6)(i) by stating "Pursuant to Options 3, Section 8(k)(C)(6), the System will re-price Do Not Route orders (that would

¹² OQR is an additional type of boundary used in the Opening Process, and is intended to limit the opening price to a reasonable, middle ground price, thus reducing the potential for erroneous trades during the Opening Process.

¹³ See SR-MRX-2022-18.

otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to *the current away best offer (for bids) or the current away best bid (for offers) as non-displayed, and display at a price that is one minimum trading increment inferior to the ABBO, and disseminate the re-priced DNR Order as part of the new PBBO.*” The proposed language more explicitly describes the manner in which the Exchange will re-price orders and would mirror rule text in Phlx Options 3, Section 4(b)(6). The proposed amendment to Phlx Options 3, Section 8(k)(D) will not result in a System change.

Options 3, Section 10

The Exchange proposes to amend Options 3, Section 10(a)(1)(C) to add a sentence which states that “This participation entitlement will be considered after the Opening Process.” The Directed Market Maker entitlement requires a Market Maker to quote at or better than the internal BBO or NBBO. The NBBO would not be available pre-opening. The Exchange proposes to add this language to provide clarity. The proposed amendment to Phlx Options 3, Section 10(a)(1)(C) will not result in a System change.

Options 3, Section 15

MRX recently amended its Order Price Protection (“OPP”)¹⁴ rule.¹⁵ MRX’s OPP rule utilized different rule text to explain the OPP functionality than is currently on Phlx. At this time, the Exchange proposes to amend Phlx Options 3, Section 15(a)(1) to align Phlx’s rule text to MRX’s rule text within Options 3, Section 15(a)(1)(A). Specifically, the Exchange proposes to remove the references to “Day Limit, Good til Cancelled,

¹⁴ OPP prevents the execution of Limit Orders at prices outside pre-set parameters.

¹⁵ See SR-MRX-2022-18.

Immediate-or-Cancel and All-or-None Orders” and, instead, simply refer to “Limit” Orders as that order type accurately captures the scope of the orders subject to OPP. Further, the Exchange proposes to remove “Market Orders” from the next sentence since OPP only applies to Limit Orders. The Exchange also proposes to capitalize “Opening” and add Process in Options 2, Section 15(a)(1)(A) to refer to the Opening Process within Options 3, Section 8. The proposed amendment to Options 3, Section 15(a)(1) will not result in a System change.

Additionally, the Exchange proposes to amend its Acceptable Trade Range (“ATR”) Rule within Phlx Options 3, Section 15(b)(1).¹⁶ MRX recently amended its ATR rule.¹⁷ MRX’s ATR rule utilized different rule text to explain the ATR functionality. At this time, the Exchange proposes to amend Options 3, Section 15(b)(1)(A) to add the internal BBO concept described above with respect to Options 3, Sections 4 and 5. Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. The best price on the order book could therefore be non-displayed. The addition of this language makes clear the manner in which the System calculates the Reference Price.

The Exchange proposes to amend Options 3, Section 15(b)(1)(B) to add the words “after the Posting Period” to explain when a new ATR would be calculated to provide

¹⁶ ATR is designed to guard against the System from experiencing dramatic price swings by preventing the immediate execution of quotes and orders beyond the thresholds set by the protection.

¹⁷ See SR-MRX-2022-16.

more context to the rule. The Exchange also proposes to amend Options 3, Section 15(b)(1)(B) and (C) to add the word “quote” where it was omitted.

Additionally, similar to MRX Options 3, Section 15(a)(2)(A)(v) the Exchange proposes to add the following rule text within Phlx Options 3, Section 15(b)(1)(D),

There will be three categories of options for Acceptable Trade Range: (1) Penny Interval Program Options trading in one cent increments for options trading at less than \$3.00 and increments of five cents for options trading at \$3.00 or more, (2) Penny Interval Program Options trading in one-cent increments for all prices, and (3) Non-Penny Interval Program Options.

This is how Phlx operates today. This rule text makes clear the application of Phlx Options 3, Section 3 to the ATR rule by explicitly stating the Exchange’s ability to set different ATR values by options category. These ATR values are set forth in Phlx’s System Settings document which is posted online.¹⁸ The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

Options 4A, Sections 6 and 12

The Exchange no longer lists options on the Russell indexes. Specifically, the Exchange has not listed options on the Full Value Russell 2000®Options, Reduced Value Russell 2000®Options, Russell 3000®Index, Russell 3000®Value Index, Russell 3000®Growth Index, Russell 2500™ Index, Russell 2500™ Value Index, Russell 2500™ Growth Index, Russell 2000®Value Index, Russell 2000®Growth Index, Russell 1000®Index, Russell 1000®Value Index, Russell 1000®Growth Index, Russell Top 200®Index, Russell Top 200®Value Index, Russell Top 200®Growth Index, Russell MidCap®Index, Russell MidCap®Value Index, Russell MidCap®Growth Index, Russell

¹⁸ <https://www.nasdaq.com/docs/PHLXSystemSettings>.

Small Cap Completeness®Index, Russell Small Cap Completeness®Value Index and the Russell Small Cap Completeness®Growth Index (collectively “Russell U.S. Indexes”) in several years. At this time, the Exchange proposes to remove the Russell Indexes from Options 4A, Sections 6(a)(i), (iii) and 6(c), as well as references within Options 4A, Section 12(a)(2) and Supplementary Material .01 and .03 of Options 4A, Section 12 because options on the Russell Indexes are no longer listed on Phlx.

The Exchange proposes to remove a reference to the Reduced Value Nasdaq 100® Index or “MNX” within Options 4A, Section 12(a)(2)(I). Phlx delisted MNX on April 7, 2017 and removed references to MNX in its rules.¹⁹

The Exchange proposes to remove the reference to “Reduced value long term options, also known as LEAPS” as this phrase is not necessary within Options 4A, Section 12(a)(2)(J). Options 4A, Section 12(b)(2) addresses Long-Term Option Series or “LEAPS” including those for certain reduced value index options such as the Micro Index Long Term Options Series.

The Exchange proposes to modify Options 4A, Section 12(a)(5) to remove Phlx’s Gold/Silver SectorSM Index or “XAU”SM.²⁰ Today, XAU has an American-style²¹ expiration and is currently reflected as having a European-style²² expiration in Options

¹⁹ See Securities Exchange Act Release No. 80474 (April 17, 2017), 82 FR 18795 (April 21, 2017) (SR-Phlx-2017-30).

²⁰ Phlx’s Gold/Silver SectorSM Index or “XAU”SM is a p.m.-settled capitalization-weighted index composed of the stocks of widely held U.S. listed companies involved in the gold/silver mining industry.

²¹ American-style exercise permits option holders to exercise their options on any Exchange business day up to and including the last business day immediately prior to the expiration date.

²² European-style exercise permits option holders only to exercise their options on the expiration date.

4A, Section 12(a)(5). In 2021, Phlx amended Options 4A, Section 12 to reflect XAU as a having a European-style expiration;²³ the change was incorrect. XAU was originally filed as having an American-style exercise and not a European-style-exercise.²⁴ The Exchange proposes to re-letter the remaining subparagraphs within Options 4A, Section 12(b)(5).

At this time, the Exchange proposes to add the Phlx Gold/Silver Index to proposed new Options 4A, Section (a)(7) which would state,

“American-Style Exercise.” American-style index options, some of which may be A.M.-settled as provided in subparagraph (e) or P.M.-settled as provided for in paragraph (f), are approved for trading on the Exchange on the following indexes:

The Exchange would list Phlx Gold/Silver Index within subparagraph (i) and would list Phlx’s Semiconductor SectorSM Index or “SOX”²⁵ within subparagraph (ii). Currently, SOX is not listed as either having a European-style or American-style exercise within Options 4A, Section 12. SOX has an American-style expiration²⁶ and the Exchange proposes to list the index as such.

Next, the Exchange proposes to amend Options 4A, Section 12(e)(II) to remove

²³ See Securities Exchange Act Release No. 93898 (January 4, 2022), 87 FR1238 (January 10, 2022) (SR-Phlx-2021-76) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New Options 4A, Sections 4 and 14, Related to Index Options, and Amend Other Phlx Rules).

²⁴ See Securities Exchange Act Release No. 20437 (December 2, 1983), 48 FR 55229 (December 9, 1983) (SR-Phlx-83-17). See also Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

²⁵ Phlx’s Semiconductor SectorSM Index or “SOX”SM is an a.m.-settled modified market capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

²⁶ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 (February 25, 2010) (SR-Phlx-2010-20).

the Phlx Gold/Silver Sector Index from the list of a.m.-settled options. In 2021, Phlx amended Options 4A, Section 12 to reflect XAU as a having an a.m.-settlement;²⁷ the change was incorrect. The Phlx Gold/Silver Sector Index has always been a p.m.-settled index option²⁸ and the Exchange proposes to list the index as such. The Exchange proposes to re-letter the remaining subparagraphs within Options 4A, Section 12(e)(II).

At this time, the Exchange proposes to add the Phlx Gold/Silver Sector Index to the list of p.m.-settled indexes within Options 4A, Section 12(f).

Finally, the Exchange proposes to add a hyphen to the term “Nasdaq 100” within Options 4A, Sections 6 and 12 where the hyphen is missing.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,³⁰ 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.

²⁷ See Securities Exchange Act Release No. 93898 (January 4, 2022), 87 FR1238 (January 10, 2022) (SR-Phlx-2021-76) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New Options 4A, Sections 4 and 14, Related to Index Options, and Amend Other Phlx Rules).

²⁸ See Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

²⁹ 15 U.S.C. 78f(b).

³⁰ 15 U.S.C. 78f(b)(5).

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) is consistent with the Act as it will codify existing functionality, thereby promoting transparency in the Exchange's rules and reducing any potential confusion.³¹ This functionality provides Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate, consistent with the purpose of the bulk message functionality to facilitate Market Makers' provision of liquidity. By providing Market Makers with additional control over the quotes they use to provide liquidity to the Exchange, this tool may benefit all investors through additional execution opportunities at potentially improved prices. Today, MRX offers this same functionality within Options 3, Section 4(b)(3). Further, the Exchange does not believe that the offering the bulk message functionality to only Market Makers would permit unfair discrimination. Market Makers play a unique and critical role in the options market by providing liquidity and active markets, and are subject to various quoting obligations which other market participants are not, including obligations to maintain active markets, update quotes in response to changed market conditions, to compete with other Market Makers in its appointed classes, and to provide intra-day quotes in its appointed classes.³² Bulk message functionality provides Market Makers with a means to help them satisfy these obligations. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(3) will not result in a System change.

The Exchange's proposal to amend Options 3, Section 4(b)(6) to make clear that

³¹ As discussed above, this existing functionality is currently described in the Exchange's publicly available technical specifications. See supra note 3.

³² See Options 2, Sections 4 and 5.

the actual price remains non-displayed during re-pricing is consistent with the Act and removes impediments to and perfects the mechanism of a free and open market and a national market system because it displays a re-priced order that does not lock or cross an away market. The rule text clearly explains that the best bid or offer will be non-displayed and the re-priced order will be displayed. A similar change is proposed for Phlx Options 3, Section 5(d). MRX recently amended Options 3, Section 4(b)(6) and Options 3, Section 5(d) to include the same language.³³ The proposed change aligns Phlx's rule text to MRX's rule text. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(6) will not result in a System change.

The Exchange's proposal to add a new Options 3, Section 4(b)(7) to clarify that, today, Phlx's System will automatically execute eligible quotes using the Exchange's displayed best bid and offer ("BBO") or the Exchange's non-displayed order book ("internal BBO") if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) and Options 3, Section 4(b)(6) is consistent with the Act and protects investors and the public interest. This rule text seeks to codify the current System function and make clear that the internal BBO is comprised of both orders and quotes, both of which are considered for price checks. MRX recently amended Options 3, Section 4(b)(7) to include this language.³⁴ The proposed change aligns Phlx's rule text to MRX's rule text. The proposed amendment to the Rulebook to add Phlx Options 3, Section 4(b)(7) will not result in a System change.

³³ See SR-MRX-2022-16.

³⁴ Id.

Options 3, Section 7

The Exchange's proposal to amend the description of SQF within Options 3, Section 7(e)(1)(B) is consistent with the Act as this rule text is currently noted within Options 3, Section 7(a)(i)(B). The addition of this language into the description of SQF provides a more complete description of this protocol. The addition of this information also aligns the level of information with that offered on MRX for SQF within Options 3, Section 7(e)(1)(B). The proposed amendment to Phlx Options 3, Section 7(e)(1)(B) will not result in a System change.

The Exchange's proposal to relocate, without amendment, the Legging Order type from Phlx Options 3, Section 14(f)(iii)(C) to Options 3, Section 7(b)(10) is a non-substantive amendment that will place the order type with other simple order book order types.

Options 3, Section 8

The Exchange's proposal to amend Phlx Options 3, Section 8(j)(3) to replace "are marketable against the ABBO" with "cross the ABBO" is consistent with the Act as the proposed new language precisely describes the specified scenario within in this rule. The Exchange notes that this is not a System change, rather this amendment clarifies the applicability of the rule text. This change is identical to a change recently made on MRX at Options 3, Section 8(i)(3).³⁵

The Exchange's proposal to amend Phlx Options 3, Section 8(k)(D) to align Phlx's rule text with that of MRX Options 3, Section 8(j)(6)(i) is consistent with the Act as the proposed language more explicitly describes the manner in which the Exchange

³⁵ See SR-MRX-2022-18.

will re-price orders and would mirror rule text in Phlx Options 3, Section 4(b)(6). The proposed amendment to Phlx Options 3, Section 8(k)(D) will not result in a System change.

Options 3, Section 10

The Exchange's proposal to amend Options 3, Section 10(a)(1)(C) to add a sentence which states that "This participation entitlement will be considered after the Opening Process" is consistent with the Act because the NBBO would not be available pre-opening. The Exchange proposes to add this language to provide clarity. The proposed amendment to Phlx Options 3, Section 10(a)(1)(C) will not result in a System change.

Options 3, Section 15

The Exchange's proposal to amend Phlx Options 3, Section 15(a)(1) to align Phlx's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) is consistent with the Act³⁶ because removing the references to "Day Limit, Good til Cancelled, Immediate-or-Cancel and All-or-None Orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP. This change would also make unnecessary the reference to Market Orders. The proposed amendment to Options 3, Section 15(a)(1) will not result in a System change.

The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) is consistent with the Act. MRX recently amended its ATR rule.³⁷ MRX's ATR rule utilized different rule text to explain the ATR functionality. Amending Options

³⁶ MRX recently amended its Order Price Protection ("OPP") rule. See SR-MRX-2022-18.

³⁷ See SR-MRX-2022-16.

3, Section 15(b)(1)(A) to add the internal BBO concept similar to language proposed for Options 3, Sections 4 and 5 is consistent with the Act. Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. The best price on the order book could therefore be non-displayed. The addition of this language makes clear the manner in which the System calculates the Reference Price.

Amending Phlx Section 15(b)(1) to add the words “after the Posting Period” to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word “quote” in Options 3, Section 15(b)(1)(B) and (C), where it is omitted, will add clarity. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change. Also, adding rule text within Phlx Options 3, Section 15(b)(1)(D) to make clear the Exchange’s ability to set different ATR values by options category is consistent with the Act because the ATR risk protection limits the range of prices at which an order and quote trades and would take into account the minimum increment. The ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule. The proposed amendment to Options 3, Section 15(b)(1) will not result in a System change.

Options 4A, Sections 6 and 12

The Exchange’s proposal to remove the Russell Indexes from Options 4A, Sections 6(a)(i), (iii) and 6(c), as well as references within Options 4A, Section 12(a)(2) and Supplementary Material .01 and .03 of Options 4A, Section 12 is consistent with the

Act and protect investors and the public interest because options on the Russell Indexes are no longer listed on Phlx.

The Exchange's proposal to remove a reference to the Reduced Value Nasdaq 100® Index or "MNX" within Options 4A, Section 12(a)(2)(I) is consistent with the Act because Phlx delisted MNX on April 7, 2017³⁸ and no longer trades MNX.

The Exchange's proposal to remove the reference to "Reduced value long term options, also known as LEAPS" is consistent with the Act because Options 4A, Section 12(b)(2) addresses Long-Term Option Series or "LEAPS" including those for certain reduced value index options such as the Micro Index Long Term Options Series.

The Exchange's proposal to modify Options 4A, Section 12(a)(5) to XAU from Options 4A, Section 12(a)(5) and add it to proposed new Options 4A, Section (a)(7), relating to American-style exercise is consistent with the Act and protect investors and the public interest because it would reflect the indexes correct exercise style. XAU was originally filed as having an American-style exercise and not a European-style-exercise.³⁹

The Exchange's proposal to list SOX within proposed new Options 4A, Section (a)(7) is consistent with the Act and protect investors and the public interest because it would reflect the indexes exercise style. SOX has an American-style expiration⁴⁰ and the Exchange proposes to list the index as such.

³⁸ See Securities Exchange Act Release No. 80474 (April 17, 2017), 82 FR 18795 (April 21, 2017) (SR-Phlx-2017-30).

³⁹ See Securities Exchange Act Release No. 20437 (December 2, 1983), 48 FR 55229 (December 9, 1983) (SR-Phlx-83-17). See also Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

⁴⁰ See Securities Exchange Act Release No. 61539 (February 18, 2010), 75 FR 8765 (February 25, 2010) (SR-Phlx-2010-20).

The Exchange's proposal to amend Options 4A, Section 12(e)(II) to remove XAU from the list of a.m.-settled options and add it to the list of p.m.-settled indexes within Options 4A, Section 12(f) is consistent with the Act and protect investors and the public interest because it would reflect the indexes correct settlement style. XAU has always been a p.m.-settled index option.⁴¹

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Option 3, Sections 4 and 5

The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on intra-market competition. While the Exchange currently offers this functionality to Market Makers only, bulk messaging is intended to provide Market Makers with an additional tool to meet their various quoting obligations in a manner they deem appropriate. As such, the Exchange believes that this functionality may facilitate Market Makers' provision of liquidity, thereby benefiting all market participants through additional execution opportunities at potentially improved prices. Furthermore, while the Exchange will offer the proposed Post-Only Quote Configuration to Market Makers only, the proposed risk protection will enhance the ability of Market Makers to add liquidity and avoid removing liquidity from the Exchange's order book in the manner described above.

⁴¹ See Securities Exchange Act Release Nos. 37123 (April 18, 1996), 61 FR 18554 (April 25, 1996) (SR-Phlx-96-03); 43070 (July 25, 2000), 65 FR 47551 (August 2, 2000) (SR-Phlx-00-69); and 64549 (May 26, 2011), 76 FR 32004 (June 2, 2011) (SR-Phlx-2011-46).

Greater liquidity benefits all market participants by providing more trading opportunities and attracting greater participation by Market Makers. The Exchange believes that its proposal to memorialize its bulk message functionality within Options 3, Section 4(b)(3) does not impose an undue burden on inter-market competition as other options exchanges may adopt this functionality.

The Exchange's proposal to amend Phlx's rules at Options 3, Section 4(b)(6) and Options 3, Section 4(b)(7) do not impose an undue burden on competition because all options markets must not trade-through other orders on their markets as well as away markets. The proposed change aligns Phlx's rule text to MRX's rule text.

Options 3, Section 7

Amending the description of SQF within Options 3, Section 7(e)(1)(B) does not impose an undue burden on competition. The addition of this language into the description of SQF provides a more complete description of this protocol.

The Exchange's proposal to relocate, without amendment, the Legging Order type from Phlx Options 3, Section 14(f)(iii)(C) to Options 3, Section 7(b)(10) is a non-substantive amendment that will place the order type with other simple order book order types.

Options 3, Section 8

The Exchange's proposal to amend Phlx Options 3, Section 8(j)(3) to replace "are marketable against the ABBO" with "cross the ABBO" does not impose an undue burden on competition, rather this proposed new language precisely describes the specified scenario within in this rule.

The Exchange's proposal to amend Phlx Options 3, Section 8(k)(D) to align

Phlx's rule text with that of MRX Options 3, Section 8(j)(6)(i) does not impose an undue burden on competition, rather the proposed language more explicitly describes the manner in which the Exchange will re-price orders and would mirror rule text in Phlx Options 3, Section 4(b)(6).

Options 3, Section 10

The Exchange's proposal to amend Options 3, Section 10(a)(1)(C) to add a sentence which states that "This participation entitlement will be considered after the Opening Process" is consistent with the Act because the NBBO would not be available pre-opening. The Exchange proposes to add this language to provide clarity. The proposed amendment to Phlx Options 3, Section 10(a)(1)(C) will not result in a System change.

Options 3, Section 15

The Exchange's proposal to amend Phlx Options 3, Section 15(a)(1) to align Phlx's OPP rule text to MRX's OPP rule text within Options 3, Section 15(a)(1)(A) does not impose an undue burden on competition because removing the references to "Day Limit, Good til Cancelled, Immediate-or-Cancel and All-or-None Orders" and, instead, referring to "Limit" Orders accurately captures the scope of the orders subject to OPP.

This change would also make unnecessary the reference to Market Orders.

The Exchange's proposal to amend the ATR Rule within Options 3, Section 15(b)(1) does not impose an undue burden on competition. Amending Options 3, Section 15(b)(1)(A) to add the internal BBO concept similar to language proposed for Options 3, Sections 4 and 5 does not impose an undue burden on competition. Where a quote is re-priced to avoid a locked or crossed market, the best bid or offer will be non-displayed and

the re-priced order will be displayed at a price that is one minimum trading increment inferior to the ABBO. The best price on the order book could therefore be non-displayed. The addition of this language makes clear the manner in which the System calculates the Reference Price.

Amending Phlx Section 15(b)(1) to add the words “after the Posting Period” to explain when a new ATR would be calculated provides more context to the rule will provide greater context to the sentence. Additionally, adding the word “quote” in Options 3, Section 15(b)(1)(B) and (C), where it is omitted, will add clarity. Adding rule text within Phlx Options 3, Section 15(b)(1)(D) to make clear the Exchange’s ability to set different ATR values by options category does not impose an undue burden on competition because the ability for the Exchange to set the ATR based on the increment allows the Exchange to set appropriate limits. The Exchange believes this rule text will add greater clarity to the ATR rule.

Options 4A, Sections 6 and 12

The Exchange’s proposal to remove the Russell Indexes from Options 4A, Sections 6(a)(i), (iii) and 6(c), as well as references within Options 4A, Section 12(a)(2) and Supplementary Material .01 and .03 of Options 4A, Section 12 does not impose an undue burden on competition because no Phlx member or member organization would be able to trade Russell Indexes.

The Exchange’s proposal to remove a reference to the Reduced Value Nasdaq 100® Index or “MNX” within Options 4A, Section 12(a)(2)(I) does not impose an undue burden on competition because Phlx delisted MNX on April 7, 2017⁴² and no member or

⁴² See Securities Exchange Act Release No. 80474 (April 17, 2017), 82 FR 18795 (April 21, 2017) (SR-Phlx-2017-30).

member organization may trade MNX.

The Exchange's proposal to remove the reference to "Reduced value long term options, also known as LEAPS" does not impose an undue burden on competition because all members and member organizations may trade LEAPs on certain reduced value index options such as the Micro Index Long Term Options Series pursuant to Options 4A, Section 12(b)(2).

The Exchange's proposal to modify Options 4A, Section 12(a)(5) to XAU from Options 4A, Section 12(a)(5) and add it to proposed new Options 4A, Section (a)(7), relating to American-style exercise does not impose an undue burden on competition because it would reflect the indexes correct exercise style. All Phlx members and member organizations would be able to transact XAU with an American-style exercise. The Exchange's proposal to list SOX within proposed new Options 4A, Section (a)(7) does not impose an undue burden on competition because it would reflect the indexes exercise style. All Phlx members and member organizations would be able to transact SOX with an American-style exercise. The Exchange's proposal to amend Options 4A, Section 12(e)(II) to remove XAU from the list of a.m.-settled options and add it to the list of p.m.-settled indexes within Options 4A, Section 12(f) does not impose an undue burden on competition because it would reflect the indexes correct settlement style. All Phlx members and member organizations would be able to transact XAU with a p.m.-settlement.

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 Act⁴³ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁴⁴

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

(<https://www.sec.gov/rules/sro.shtml>); or

⁴³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴⁴ 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.

- Send an email to rule-comments@sec.gov. Please include file number SR-Phlx-2023-27 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-2023-27. This file number should be included on the subject line if email 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 website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-Phlx-2023-27 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁵

Sherry R. Haywood,

Assistant Secretary.

⁴⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

* * * * *

Options Rules

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Options 3 Options Trading Rules

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Section 4. Entry and Display of Quotes

* * * * *

(b) Quotes are subject to the following requirements and conditions:

* * * * *

(3) Lead Market Makers, Remote Lead Market Makers and Market Makers may enter bids and/or offers in the form of a two-sided quote. Only one quote may be submitted at a time for an option series. Quotes may be submitted as a bulk message.

(i) A “bulk message” means a single electronic message submitted to the Exchange which may contain a specified number of quotations as designated by the Exchange. The bulk message, submitted via SQF, may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message.

* * * * *

(6) **Trade-Through Compliance and Locked or Crossed Markets.** A quote will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. If, at the time of entry, a quote would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

(7) The System automatically executes eligible quotes using the Exchange's displayed best bid and offer (“BBO”) or the Exchange’s non-displayed order book (“internal BBO”) if the best bid and/or offer on the Exchange has been repriced pursuant to Options 3, Section 5(d) below and subsection (6) above.

([7]8) Quotes submitted to the System are subject to the following: minimum increment provided for in Options 3, Section 3, risk protections provided for in Options 3, Section 15 and Quote Exhaust provided for in Options 3, Section 6.

* * * * *

Section 5. Entry and Display of Orders

* * * * *

(c) The System automatically executes eligible orders using the Exchange's displayed best bid and offer ("PBBO") or the Exchange's non-displayed order book ("internal PBBO") if there are non-displayed orders on the order book or the best bid and/or offer on the Exchange has been repriced pursuant to subsection (d) below or Options 3, Section 4(b)(6) above.

(d) **Trade-Through Compliance and Locked or Crossed Markets.** An order will not be executed at a price that trades through another market or displayed at a price that would lock or cross another market. An order that is designated by the member as routable will be routed in compliance with applicable Trade-Through and Locked and Crossed Markets restrictions. An order that is designated by a member as non-routable will be re-priced in order to comply with applicable Trade-Through and Locked and Crossed Markets restrictions. If, at the time of entry, an order that the entering party has elected not to make eligible for routing would cause a locked or crossed market violation or would cause a trade-through violation, it will be re-priced to the current national best offer (for bids) or the current national best bid (for offers) as non-displayed, and displayed at one minimum price variance above (for offers) or below (for bids) the national best price.

* * * * *

Section 7. Types of Orders and Order and Quote Protocols

The Exchange may determine to make certain order types and time-in-force, respectively, available on a class or System basis.

(a) **Entry and Display of Orders and Quotes.** Members may enter orders and quotes into the System as specified below.

(i) The Exchange offers members the following protocols for entering orders and quotes respectively:

* * * * *

(B) **"Specialized Quote Feed" or "SQF"** is an interface that allows Lead Market Makers, Streaming Quote Traders ("SQTs") and Remote Streaming Quote Traders ("RSQTs") to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge request from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into

SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the Order Price Protection, the Market Order Spread Protection, or Size Limitation in Options 3, Section 15(a)(1), (a)(2) and (b)(2), respectively.

* * * * *

(b) **Order Types.** The following order types may be submitted to the System:

* * * * *

(10) **Legging Order.** [A Legging Order is an as the term is specified in Options 3, Section 14(f)(iii)(C).] A Legging Order is a Limit Order on the regular order book in an individual series that represents one leg of a two-legged Complex Order (which improves the cPBBO) that is to buy or sell an equal quantity of two options series resting on the CBOOK. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and are Limit Orders with a time-in-force of DAY, as they represent an individual component of a Complex Order.

(1) A Legging Order may be automatically generated for one leg of a Complex Order at a price: (i) that matches or improves upon the best Phlx displayed bid or offer; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer (other than Legging Orders). Legging Orders will not be generated if the Exchange or a particular option has not opened, is halted or is otherwise not available for trading. Similarly, the particular Complex Order Strategy must be available for trading.

(2) A Legging Order will not be created: (i) at a price that locks or crosses the best bid or offer of another exchange, (ii) if there is an auction on either side or a Posting Period under Options 3, Section 15 regarding Acceptable Trade Range on the same side in progress in the series, (iii) the price of the Complex Order is outside of the ACE Parameter of paragraph (i), (iv) if there is already a Legging Order in that series on the same side of the market at the same price (unless it has priority based on the participant type, under existing Exchange rules), (v) the Complex Order is an All-or-None Order, or (vi) for a Complex Order if the generated Legging Order would immediately cause resting Legging Orders to be removed pursuant to section (f)(iii)(C)(4)(ix) below. Legging Orders may be generated and executed in an increment other than the minimum increment for that series and will be ranked on the order book at its generated price and displayed at a price that is rounded to the nearest minimum increment for that series. Two Legging Orders relating to the same Complex Order can be generated, but only one of those can execute as part of the execution of a particular Complex Order.

(3) A Legging Order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a Legging Order is executed, the other leg of the Complex Order will be automatically executed

against the displayed best bid or offer on the Exchange and any other Legging Order based on that Complex Order will be removed.

(4) A Legging Order is automatically removed from the regular order book: (i) if the price of the Legging Order is no longer at the Exchange's displayed best bid or offer on the regular Limit Order book, (ii) if execution of the Legging Order would no longer achieve the net price of the Complex Order when the other leg is executed against the Exchange's best displayed bid or offer on the regular Limit Order book (other than another Legging Order), (iii) if the Complex Order is executed in full or in part, (iv) if the Complex Order is cancelled or modified, (v) if the price of the Complex Order is outside the ACE Parameter of paragraph (i), (vi) upon receipt of a Qualified Contingent Cross Order which includes a component in which there is a Legging Order, an order that will trigger an auction under Exchange rules in a component in which there is a Legging Order (whether a buy order or a sell order), or pursuant to Options 3, Section 13(f) a PIXL Order for the account of a public customer paired with an order for the account of a public customer, (vii) if a Legging Order is generated by a different Complex Order in the same leg at a better price or the same price for a participant with a higher priority, (viii) if a Complex Order is marketable against the cPBBO where a Legging Order is present and has more than one leg in common with the existing Complex Order that generated the Legging Order, (ix) if a Complex Order becomes marketable against multiple Legging Orders, (x) if a Complex Order consisting of an unequal quantity of components is marketable against the cPBBO where a Legging Order is present but cannot be executed due to insufficient size in at least one of the components in the cPBBO, (xi) if an incoming All-or-None Orders is entered onto the order book at a price which is equal to or crosses the price of a Legging Order, or (xii) when the Legging Order is on the book at a price which is not at the minimum price increment and which is more aggressive than the same side PBBO, and an away market moves to lock the PBBO (which is also the NBBO).

* * * * *

Section 8. Options Opening Process

* * * * *

(j) The System will calculate an Opening Quote Range (“OQR”) for a particular option series that will be utilized in the Price Discovery Mechanism described below, if the Exchange has not opened subject to any of the provisions above. OQR is constrained by the least aggressive limit prices within the broader limits of OQR such that the least aggressive buy order or Valid Width Quote bid and least aggressive sell order or Valid Width Quote offer within the OQR further bounds the OQR.

* * * * *

(3) If one or more away markets are disseminating a BBO that is not crossed (the Opening Process will stop and an options series will not open if the ABBO

becomes crossed pursuant to (d)(v)) and there are Valid Width Quotes on the Exchange that cross each other or [are marketable against]cross the ABBO:

* * * * *

(k) **Price Discovery Mechanism.** If the Exchange has not opened pursuant to paragraphs (f) or (i) above, after the OQR calculation in paragraph (j), the Exchange will conduct the following Price Discovery Mechanism.

* * * * *

(D) Pursuant to Options 3, Section 8(k)(C)(6), the System will re-price Do Not Route orders (that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to the current away best offer (for bids) or the current away best bid (for offers) as non-displayed, and display at a price that is one minimum trading increment inferior to the ABBO, and disseminate the re-priced DNR Order as part of the new PBBO.

* * * * *

Section 10. Electronic Execution Priority and Processing in the System

(a) Execution Algorithm - The Exchange will apply a Size Pro-Rata execution algorithm to electronic orders, unless otherwise specified. The System shall execute trading interest within the System in price priority, meaning it will execute all trading interest at the best price level within the System before executing trading interest at the next best price. If the result is not a whole number, it will be rounded down to the nearest whole number, unless otherwise specified. Size Pro-Rata Priority shall mean that resting orders and quotes in the order book are prioritized according to price. If there are two or more resting orders or quotes at the same price, the System allocates contracts from an incoming order or quote to resting orders and quotes proportionally according to size, based on the total number of contracts available to be executed at that price.

(1) Priority Overlays Applicable to Size Pro-Rata Execution Algorithm: the Exchange will apply the following designated market participant priority overlays. No participant shall be entitled to receive a number of contracts that is greater than the displayed size that is associated with their quotation or order.

* * * * *

(C) **Directed Market Maker Priority:** After all Public Customer orders have been fully executed, upon receipt of a Directed Order pursuant to Options 2, Section 10, provided the Directed Market Maker's quote or market maker order is at the better of the internal PBBO excluding All-or-None Orders that cannot be satisfied, or the NBBO, the Directed Market Maker will be afforded a participation entitlement. This participation entitlement will be considered after the Opening Process.

* * * * *

Section 14. Complex Orders

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(f) Complex Limit Order Book (“CBOOK”)

* * * * *

- (iii) Execution of Complex Orders in the CBOOK. Complex orders in the CBOOK will be executed without consideration of any prices that might be available on other exchanges trading the same contracts.

* * * * *

- (C) Legging Orders. Legging Orders may be automatically generated on behalf of Complex Orders resting on the top of the CBOOK at a price that improves the cPBBO so that they are represented at the best bid and/or offer on the Exchange for the individual legs. The System will evaluate the CBOOK when a Complex Order enters the CBOOK and at a regular time interval, to be determined by the Exchange (which interval shall not exceed 1 second), following a change in the national best bid and/or offer (“NBBO”) or Phlx best bid and/or offer (“PBBO”) in any component of a Complex Order eligible to generate Legging Orders, to determine whether Legging Orders may be generated. The Exchange may determine to limit the number of Legging Orders generated on an objective basis and may determine to remove existing Legging Orders in order to maintain a fair and orderly market in times of extreme volatility or uncertainty.

[A Legging Order is a Limit Order on the regular order book in an individual series that represents one leg of a two-legged Complex Order (which improves the cPBBO) that is to buy or sell an equal quantity of two options series resting on the CBOOK. Legging Orders are firm orders that are included in the Exchange's displayed best bid or offer. Legging Orders are not routable and are Limit Orders with a time-in-force of DAY, as they represent an individual component of a Complex Order.

(1) A Legging Order may be automatically generated for one leg of a Complex Order at a price: (i) that matches or improves upon the best Phlx displayed bid or offer; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer (other than Legging Orders). Legging Orders will not be generated if the Exchange or a particular option has not opened, is halted or is otherwise not available for trading. Similarly, the particular Complex Order Strategy must be available for trading.

(2) A Legging Order will not be created: (i) at a price that locks or crosses the best bid or offer of another exchange, (ii) if there is an auction on either side or a Posting Period under Options 3, Section 15 regarding Acceptable Trade Range on the same

side in progress in the series, (iii) the price of the Complex Order is outside of the ACE Parameter of paragraph (i), (iv) if there is already a Legging Order in that series on the same side of the market at the same price (unless it has priority based on the participant type, under existing Exchange rules), (v) the Complex Order is an All-or-None Order, or (vi) for a Complex Order if the generated Legging Order would immediately cause resting Legging Orders to be removed pursuant to section (f)(iii)(C)(4)(ix) below. Legging Orders may be generated and executed in an increment other than the minimum increment for that series and will be ranked on the order book at its generated price and displayed at a price that is rounded to the nearest minimum increment for that series. Two Legging Orders relating to the same Complex Order can be generated, but only one of those can execute as part of the execution of a particular Complex Order.

(3) A Legging Order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a Legging Order is executed, the other leg of the Complex Order will be automatically executed against the displayed best bid or offer on the Exchange and any other Legging Order based on that Complex Order will be removed.

(4) A Legging Order is automatically removed from the regular order book: (i) if the price of the Legging Order is no longer at the Exchange's displayed best bid or offer on the regular Limit Order book, (ii) if execution of the Legging Order would no longer achieve the net price of the Complex Order when the other leg is executed against the Exchange's best displayed bid or offer on the regular Limit Order book (other than another Legging Order), (iii) if the Complex Order is executed in full or in part, (iv) if the Complex Order is cancelled or modified, (v) if the price of the Complex Order is outside the ACE Parameter of paragraph (i), (vi) upon receipt of a Qualified Contingent Cross Order which includes a component in which there is a Legging Order, an order that will trigger an auction under Exchange rules in a component in which there is a Legging Order (whether a buy order or a sell order), or pursuant to Options 3, Section 13(f) a PIXL Order for the account of a public customer paired with an order for the account of a public customer, (vii) if a Legging Order is generated by a different Complex Order in the same leg at a better price or the same price for a participant with a higher priority, (viii) if a Complex Order is marketable against the cPBBO where a Legging Order is present and has more than one leg in common with the existing Complex Order that generated the Legging Order, (ix) if a Complex Order becomes marketable against multiple Legging Orders, (x) if a Complex Order consisting of an unequal quantity of components is marketable against the cPBBO where a Legging Order is present but cannot be executed due to insufficient size in at least one of the components in the cPBBO, (xi) if an incoming All-or-None Order is entered onto the order book at a price which is equal to or crosses the price of a Legging Order, or (xii) when the Legging Order is on the book at a price which is not at the minimum price increment and which is more aggressive than the same side PBBO, and an away market moves to lock the PBBO (which is also the NBBO).]

Section 15. Simple Order Risk Protections

The following order protections apply to Simple Orders.

(a) The following are order protections on Phlx:

(1) **Order Price Protection ("OPP")**. OPP is a feature of the System that prevents [certain Day Limit, Good til Cancelled, Immediate-or-Cancel, and All-or-None]Limit Orders at prices outside of pre-set standard limits from being accepted by the System. OPP applies to all options but does not apply to [Market Orders,]Stop-Limit Orders, Intermarket Sweep Orders or Complex Orders.

(A) OPP is operational each trading day after the [o]Opening Process until the close of trading, except during trading halts.

* * * * *

(b) The following are order and quote protections on Phlx:

(1) **Acceptable Trade Range.**

(A) After the Opening Process, the System will calculate an Acceptable Trade Range to limit the range of prices at which an order or quote (except an All-or-None Order) will be allowed to execute. The Acceptable Trade Range is calculated by taking the Reference Price, plus or minus a value to be determined by the Exchange. (i.e., the Reference Price - (x) for sell orders/quotes and the Reference Price + (x) for buy orders/quotes). Upon receipt of a new order/quote, the Reference Price is the better of the National Best Bid ("NBB") or internal best bid for sell orders/quotes and the National Best Offer ("NBO") or internal best offer for buy orders/quotes, excluding All-or-None Orders which cannot be satisfied, [for buy orders/quotes] or the last price at which the order/quote is posted whichever is higher for a buy order/quote or lower for a sell order/quote.

(B) If an order/quote reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected, unless a Quote Exhaust has occurred, in which case the Quote Exhaust process in Options 3, Section 6(a)(ii)(B)(3) will ensue, triggering a new Reference Price. Upon posting, either the current Threshold Price of the order or an updated NBB for buy orders or the NBO for sell orders (whichever is higher for a buy order/lower for a sell order) then becomes the Reference Price for calculating a new Acceptable Trade Range. If the order/quote remains unexecuted after the Posting Period, a New Acceptable Trade Range will be calculated and the order/quote will execute, route, or post up to the new Acceptable Trade Range Threshold Price, unless a member organization has requested that their orders be returned if posted at the outer limit of the Acceptable Trade Range (in which case, the order will be returned). This process will repeat until either (i) the order/quote is executed, cancelled, or posted at its limit price or (ii) the order/quote has been subject to a configurable number of instances of the Acceptable Trade Range as determined by the Exchange (in which case it will be returned).

(C) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the order/quote triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using the “non-firm” indicator message in accordance with the specifications of the network processor. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its best bid and offer.

(D) There will be three categories of options for Acceptable Trade Range: (1) Penny Interval Program Options trading in one cent increments for options trading at less than \$3.00 and increments of five cents for options trading at \$3.00 or more, (2) Penny Interval Program Options trading in one-cent increments for all prices, and (3) Non-Penny Interval Program Options.

* * * * *

Options 4A Options Index Rules

* * * * *

Section 6. Position Limits

(a) The position limit for a broad-based (market) index option shall be 25,000 contracts on the same side of the market except as provided below. Certain positions must be aggregated in accordance with paragraph (d) or (e) below.

(i) [Respecting the Full Value Russell 2000®Options and the Reduced Value Russell 2000®Options, there shall be no position limits.

(ii)] Respecting the Full Value Nasdaq 100 Options, the Reduced Value Nasdaq 100 Options, the Nasdaq 100_Micro Index Options, and the Nasdaq-100 ESG Index Options there shall be no position limits.

[(iii) Respecting the Full Value and Reduced Value Russell Indexes for the following products (collectively "Russell U.S. Indexes"): Russell 3000®Index, Russell 3000®Value Index, Russell 3000®Growth Index, Russell 2500™ Index, Russell 2500™ Value Index, Russell 2500™ Growth Index, Russell 2000®Value Index, Russell 2000®Growth Index, Russell 1000®Index, Russell 1000®Value Index, Russell 1000®Growth Index, Russell Top 200®Index, Russell Top 200®Value Index, Russell Top 200®Growth Index, Russell MidCap®Index, Russell MidCap®Value Index, Russell MidCap®Growth Index, Russell Small Cap Completeness®Index, Russell Small Cap Completeness®Value Index and Russell Small Cap Completeness®Growth Index, are subject to an aggregate position limit of 50,000 contracts on the same side of the market, provided that no more than 30,000 of such contracts are in the nearest expiration month series.]

* * * * *

(c) *Reporting Requirements for Options on Market Indexes.*—Each member or member organization that maintains a position on the same side of the market in excess of 100,000 contracts for its own account or for the account of a customer in [the Full Value Russell 2000® Options, RUT; or in] excess of 100,000 contracts for its own account or for the account of a customer in Full Value Nasdaq-100® Options, NDX; or in excess of 100,000 contracts for its own account for the account of a customer in Nasdaq-100 ESG Index Options; or in excess of 100,000 contracts for its own account for the account of a customer in Nasdaq-100® Volatility Index options, must file a report with the Exchange that includes, but is not limited to, data related to the option positions, whether such positions are hedged and if applicable, a description of the hedge and information concerning collateral used to carry the positions. Market Makers are exempt from this reporting requirement. For positions exceeding the position limit in paragraph (a), Supplementary Material .01 contains the requirements for qualifying for the Index Hedge Exemption under this Rule.

* * * * *

Section 12. Terms of Index Options Contracts

(a) *General.*

* * * * *

(2) *Exercise Prices.* The Exchange shall determine fixed point intervals of exercise prices for index options (options on indexes). Generally, except as provided in Supplementary Material .04 below, the exercise (strike) price intervals will be no less than \$5, provided that the Exchange may determine to list strike prices at no less than \$2.50 intervals for options on the following indexes (which may also be known as sector indexes):

- (A) PHLX Gold/Silver Index, if the strike price is less than \$200,
- (B) PHLX Housing Index, if the strike price is less than \$200,
- (C) PHLX Oil Service Index, if the strike price is less than \$200,
- (D) PHLX Semiconductor Index, if the strike price is less than \$200,
- (E) PHLX Utility Index, if the strike price is less than \$200,
- (F) KBW Bank Index, if the strike price is less than \$200,
- [(G) Russell 2000® Index, if the strike price is less than \$200,
- (H) Reduced Value Russell 2000® Index, if the strike price is less than \$200,
- (I) Reduced Value Nasdaq 100® Index (Reduced Value Nasdaq 100® Options),

- (J) Reduced value long term options, also known as LEAPS;
- (K) Russell 3000® Index, if the strike price is less than \$200;
- (L) Russell 3000® Value Index, if the strike price is less than \$200;
- (M) Russell 3000® Growth Index, if the strike price is less than \$200;
- (N) Russell 2500™ Index, if the strike price is less than \$200;
- (O) Russell 2500™ Value Index, if the strike price is less than \$200;
- (P) Russell 2500™ Growth Index, if the strike price is less than \$200;
- (Q) Russell 2000® Value Index, if the strike price is less than \$200;
- (R) Russell 2000® Growth Index, if the strike price is less than \$200;
- (S) Russell 1000® Index, if the strike price is less than \$200;
- (T) Russell 1000® Value Index, if the strike price is less than \$200;
- (U) Russell 1000® Growth Index, if the strike price is less than \$200;
- (V) Russell Top 200® Index, if the strike price is less than \$200;
- (W) Russell Top 200® Value Index, if the strike price is less than \$200;
- (X) Russell Top 200® Growth Index, if the strike price is less than \$200;
- (Y) Russell MidCap® Index, if the strike price is less than \$200;
- (Z) Russell MidCap® Value Index, if the strike price is less than \$200;
- (AA) Russell MidCap® Growth Index, if the strike price is less than \$200;
- (BB) Russell Small Cap Completeness® Index, if the strike price is less than \$200;
- (CC) Russell Small Cap Completeness® Value Index, if the strike price is less than \$200;
- (DD) Russell Small Cap Completeness® Growth Index, if the strike price is less than \$200;

(EE) Reduced Value Russell 3000® Index, if the strike price is less than \$200;

(FF) Reduced Value Russell 3000® Value Index, if the strike price is less than \$200;

(GG) Reduced Value Russell 3000® Growth Index, if the strike price is less than \$200;

(HH) Reduced Value Russell 2500™ Index, if the strike price is less than \$200;

(II) Reduced Value Russell 2500™ Value Index, if the strike price is less than \$200;

(JJ) Reduced Value Russell 2500™ Growth Index, if the strike price is less than \$200;

(KK) Reduced Value Russell 2000® Value Index, if the strike price is less than \$200;

(LL) Reduced Value Russell 2000® Growth Index, if the strike price is less than \$200;

(MM) Reduced Value Russell 1000® Index, if the strike price is less than \$200;

(NN) Reduced Value Russell 1000® Value Index, if the strike price is less than \$200;

(OO) Reduced Value Russell 1000® Growth Index, if the strike price is less than \$200;

(PP) Reduced Value Russell Top 200® Index, if the strike price is less than \$200;

(QQ) Reduced Value Russell Top 200® Value Index, if the strike price is less than \$200;

(RR) Reduced Value Russell Top 200® Growth Index, if the strike price is less than \$200;

(SS) Reduced Value Russell MidCap® Index, if the strike price is less than \$200;

(TT) Reduced Value Russell MidCap® Value Index, if the strike price is less than \$200;

(UU) Reduced Value Russell MidCap® Growth Index, if the strike price is less than \$200;

(VV) Reduced Value Russell Small Cap Completeness® Index, if the strike price is less than \$200;

(WW) Reduced Value Russell Small Cap Completeness® Value Index, if the strike price is less than \$200;

(XX) Reduced Value Russell Small Cap Completeness® Growth Index, if the strike price is less than \$200;]

([YY]H) Nasdaq-100 Micro Index Options, if the strike price is less than \$200;

([ZZ]I) Nasdaq-100 ESG Index, if the strike price is less than \$200; and

([aa]J) Nasdaq-100 Index, if the strike price is less than \$200.

* * * * *

(5) "*European-Style Exercise.*" European-style index options, some of which may be A.M.-settled as provided in subparagraph (e) or P.M.-settled as provided for in paragraph (f), are approved for trading on the Exchange on the following indexes:

(i) Full-size Nasdaq 100 Index;

(ii) PHLX Oil Service Sector Index;

(iii) PHLX Housing Sector Index;

[(iv) PHLX Gold/Silver Sector Index;]

(iv) PHLX Utility Sector Index;

(v[i]) KBW Bank Index;

(vi[i]) Nasdaq-100® Volatility Index; and

([ix]vii) Nasdaq-100 ESG Index.

(6) In addition to A.M.-settled Nasdaq-100 Index options approved for trading on the Exchange pursuant to Options 4A, Section 12(e)(II), the Exchange may also list

options on the Nasdaq-100 Micro Index Options (“XND”) whose exercise settlement value is derived from closing prices on the expiration day (“P.M.-settled”). XND options will be listed for trading for a pilot period expiring on May 4, 2023.

(7) “American-Style Exercise.” American-style index options, some of which may be A.M.-settled as provided in subparagraph (e) or P.M.-settled as provided for in paragraph (f), are approved for trading on the Exchange on the following indexes:

(i) PHLX Gold/Silver Sector Index; and

(ii) PHLX Semiconductor Sector Index.

* * * * *

(e) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the business day preceding the last day of trading in the underlying securities prior to the expiration date. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of The Options Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(I) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Options 4A, Section 12(g), unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of The Options Clearing Corporation; and

(II) in the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security. The following A.M.-settled index options are approved for trading on the Exchange on the following indexes:

(i) PHLX Semiconductor Sector Index;

(ii) PHLX Housing Sector Index;

(iii) PHLX Oil Service Sector Index;

(iv) KBW Bank Index;

(v) Full Value Nasdaq-100[®] Index;

(vi) Reduced Value Nasdaq-100[®] Index;

- (vii) Nasdaq-100 Micro Index;
- (viii) PHLX Utility Sector Index;
- [(ix) PHLX Gold/Silver Sector Index;]
- (ix) Nasdaq-100® Volatility Index; and
- (x[i]) Nasdaq-100 ESG Index.

(f) P.M. - Settled Index Options. The last day of trading for P.M.-settled index options shall be the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the last business day before its expiration date. The current index value at expiration of the index is determined by the last reported sale price of each component security. In the event that the primary market for an underlying security does not open for trading on the expiration date, the price of that security shall be the last reported sale price prior to the expiration date. The following P.M.-settled index options are approved for trading on Phlx:

- (i) Nasdaq-100 Micro Index Options (“XND”); and
- (ii) PHLX Gold/Silver Sector Index.

* * * * *

Supplementary Material to Options 4A, Section 12

.01 Transactions in broad-based (market) index options traded on the Exchange, including [Full Value Russell 2000® Options and Reduced Value Russell 2000® Options, Full and Reduced Value Russell 3000® Index, Full and Reduced Value Russell 3000® Value Index, Full and Reduced Value Russell 3000® Growth Index, Full and Reduced Value Russell 2500™ Index, Full and Reduced Value Russell 2500™ Value Index, Full and Reduced Value Russell 2500™ Growth Index, Full and Reduced Value Russell 2000® Value Index, Full and Reduced Value Russell 2000® Growth Index, Full and Reduced Value Russell 1000® Index, Full and Reduced Value Russell 1000® Value Index, Full and Reduced Value Russell 1000® Growth Index, Full and Reduced Value Russell Top 200® Index, Full and Reduced Value Russell Top 200® Value Index, Full and Reduced Value Russell Top 200® Growth Index, Full and Reduced Value Russell MidCap® Index, Full and Reduced Value Russell MidCap® Value Index, Full and Reduced Value Russell MidCap® Growth Index, Full and Reduced Value Russell Small Cap Completeness® Index, Full and Reduced Value Russell Small Cap Completeness® Value Index, and Full and Reduced Value Russell Small Cap Completeness® Growth Index and]the Full Value Nasdaq-100® Options, Reduced Value Nasdaq-100® Options, Nasdaq-100 Micro Index Options, and Nasdaq-100 ESG Index Options may be effected on the Exchange until 4:15 P.M. each business day, through the expiration date. Transactions in Nasdaq-100® Volatility Index Options may be effected on the Exchange until 4:00 P.M. each business day, through the expiration date. Transactions in Alpha Index options may also be effected on the Exchange until 4:15 P.M. each business day, through the expiration date.

* * * * *

.03 Notwithstanding subsection (a) to this Options 4A, Section 12, the interval between strike prices of series of options on the PHLX Gold/Silver Index, PHLX Housing Index, PHLX Oil Service Index, PHLX Semiconductor Index, and KBW Bank Index[, and Reduced Value Russell 2000® Index] (individually the "\$1 Index" and together the "\$1 Indexes"), which may also be known as sector indexes, will be \$1 or greater, subject to following conditions:

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